PHARMACARE FINANCE P.L.C.

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

Company Reg. No. C 86057

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PHARMACARE FINANCE P.L.C.

COMPANY INFORMATION

Board of Directors:	Mr. Bassim S.F. Khoury Nasr - Chairman Mr. Amin Farah - Chief Executive Officer Mr. Hani H. Sarraf Ms. Marisa Tanti Mr. Louis Borg Manche' Mr. Mark Vassallo
Company Secretary:	Dr. Katia Cachia (appointed on 29 November 2022) Mr. Hani H. Sarraf (resigned on 29 November 2022)
Company Registration Number:	C 86057
Registered Office:	HHF 003, Hal Far Industrial Estate Hal Far Birzebbugia BBG 3000 Malta
Bankers:	Bank of Valletta PLC 58, Zachary Street Valletta Malta
Auditors:	Baker Tilly Malta Level 5 Rosa Marina Buildings 216, Marina Seafront Pieta' PTA 9041 Malta

PHARMACARE FINANCE P.L.C.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present herewith their annual report together with the audited financial statements of Pharmacare Finance P.L.C. (the "Company") for the year ended 31 December 2022.

Principal Activities

The principal activities of the Company, which have remained unchanged from those of the previous accounting year, are those of acting as a finance company to Pharmacare Premium Limited, the parent company.

On 17 October 2018, the Company issued € 5,000,000 5.75% unsecured bonds maturing 2025-2028 at a nominal value of € 100 per bond, issued at par. These bonds were admitted to the official list of the Malta Stock Exchange with effect from 31 October 2018 and trading in the bonds commenced on 1 November 2018.

In accordance with the provisions of the Company Admission Document dated 17 October 2018, the proceeds from the bond issue have been advanced by way of a loan facility to the Guarantor and Parent Company, namely Pharmacare Premium Limited, for the purposes of financing product research and development.

By virtue of a Prospectus issued by the Company on 5 December 2022, in February 2023 the Company issued € 17,000,000 6% unsecured bonds maturing 2033 and utilized part of the funds to redeem the original € 5,000,000 unsecured bonds which had a maturity date of 2025-2028 on the Official List of the Malta Stock Exchange. The Company then advanced the remaining proceeds from such bond issue to its parent company, Pharmacare Premium Limited, by way of a loan bearing interest at the rate of 6.6% per annum and which loan is repayable by February 2033. The funds from the loan are to be utilized for the part-financing of the capacity expansion of existing facilities, part-financing of further product development projects and for general corporate funding purposes.

Review of Business

During the year, following an increase in the interest rate charged on the loan advanced to the parent company, interest income on the loan receivable from the parent company amounted to € 397,955 (2021: € 337,907). After accounting for interest payable on the Company's borrowings, administrative costs and taxation, the Company registered a loss for the year amounting to € 45,061 (2021: € 15,068). The result for the year was negatively affected by the one-time charge of € 65,909 resulting from the early amortisation of the prior bond costs, which since these were redeemed in early 2023, the related bond costs have had to be written off over a shorter period of time than originally anticipated.

The Company's financial position continues to be dependent on the parent company's ongoing obligations to pay the annual interest on the loan granted which serve as the primary income to pay out the annual interest on the public bond, and in later years, pay back the principal amount on loan maturity, which proceeds will be used to repay the bonds to the bondholders. The guarantor offers the maximum support to the issuer through the strength of its balance sheet. The Company's balance sheet at year end was primarily made up of the bond issue for € 5 million and a corresponding loan to the parent company amounting to € 5 million. Following an increase in the Company's share capital to € 250,000 effected during the year under review, the Company's equity as at the end of the financial year amounted to € 166,610 (2021: € 8,259).

Principal Risks and Uncertainties

The Company is a special purpose vehicle set up for the financial transactions with Pharmacare Premium Limited. It has raised finance through the issue of bonds which are quoted on the Malta Stock Exchange and guaranteed by its major shareholder, namely Pharmacare Premium Limited, to whom the proceeds of the bonds, net of expenses, have been advanced in terms of the prospectus.

The Company is a special purpose vehicle acting as a finance entity for Pharmacare Premium Limited. Its assets consist mainly in a loan financing due from its parent company. The Company is therefore fully dependent on the business prospects of the parent company, and consequently, the operating results of the parent company have a direct effect on the Company's financial performance and financial position. Therefore, the risks intrinsic in the business and operations of the parent company have a direct effect on the ability of the Company, and its Parent acting as its Guarantor, to meet their respective obligations in connection with the payment of the interest on the Bonds and repayment of the principal when due.

Principal Risks and Uncertainties ***(Contd.)***

The Group's business is dependent on a number of key clients and the ability of the parent company to satisfy those early contacts has led to a sustained growth in the client base. There has also been an expansion in the number of projects (products and territories) with the existing key clients reflecting growing confidence and satisfaction while spreading the risk of revenue discontinuation. Failure to retain such clients may materially impact the parent company's revenue and substantially affect the operations and financial considerations of the Group and consequently of the Company. Similarly, the parent company, which is engaged in the manufacturing of pharmaceutical products, which relies on imported raw materials from suppliers, may be exposed to risks associated with their supply chain and could negatively affect the price movements and availability of the products for sale.

Furthermore, the Group growth is relying on key senior personnel who have contacts and expertise in the pharmaceutical industry and more recently, the company has also onboarded additional contractors to gain access into additional markets. The loss of such key personnel and contractors can have an adverse effect on the financial results of the Group.

The Group is also exposed to economic conditions associated with product development risks and product substitute's risks. In addition, the Group may be exposed to litigation risks such as product liability claims. It is also subject to pharmaceutical product compliance risks as it operates in a highly regulated industry. Regulatory authorities in various countries must approve the Group's products before these are launched on the market. In addition, the Group as guarantor, must be able to maintain and increase the number of licencing and distribution arrangements for its products, failing which the operational and financial results may be adversely affected.

Additional risks arise from operating internationally, increased competition and infringement of patents rights.

Guarantor Performance for 2022 and Prospects for 2023

During 2022, Pharmacare Premium Limited (the 'Guarantor') launched its first internally developed products in Europe. These two products were successfully registered in various European and international markets. Pharmacare Premium Limited also continued to press ahead with its product development program, two new projects were initiated, in addition to another two ongoing projects, bringing the number of products in the development pipeline to seven. These new products will bring a significant increase in turnover once they are launched.

The Guarantor submitted two new product dossiers completed in 2022 for registration in Malta and in various EU and non-EU markets. Once registered, these products are expected to be launched immediately upon patent expiry in the respective markets starting from Q1/2024.

Business development activities of the Guarantor in 2022 have resulted in the signing of several licensing contracts for the Company's pipeline and newly completed products. The Company's customer base continued to grow and now includes partners in MENA, Turkey, Latin America, Africa, Asia-Pacific in addition to most European countries.

The setup of a new production line for the processing of Active Pharmaceutical Ingredients is ongoing, the construction and installation works of which have started in 2022 and are planned to continue throughout 2023. This project is a 10-year strategic partnership agreement with a European manufacturer of Pharmaceutical Active Ingredients to jointly set up and operate a production line at Pharmacare Premium's premises.

During 2022, the Guarantor continued to grow its contract development and manufacturing activities through the onboarding of five new projects. Products were exported to the European and international markets, including Germany, Italy, Poland, Czech Republic, Bulgaria, Slovakia, France, Netherlands, Spain, Turkey, Iraq, Libya, Ivory Coast, Portugal, Egypt and Algeria. Additionally, the company successfully registered and launched a product in the Canadian market. Two additional products are under registration in Canada and are expected to be launched in 2023.

The Guarantor now has its own products registered in Europe (Malta, Portugal, Germany, Sweden, Latvia, Hungary, Greece, Cypress, Bulgaria), MENA (Egypt, Iraq, Libya, Palestine), Turkey and Canada with additional registration procedures in more than 16 other countries.

Guarantor Performance for 2022 and Prospects for 2023 ***(Contd.)***

The Guarantor has successfully obtained and maintained GMP (Goods Manufacturing Practices) approvals by the Maltese/EU authorities, Brazilian Authorities (ANVISA), Turkish, Iraqi and Egyptian Ministries of Health and is licensed to register and sell products in these markets and many others.

The above activities in R&D and business development have resulted in an 43% increase in turnover of the Guarantor in 2022 compared with 2021 and is expected to continue to have a significant effect on the Guarantor's revenues within the coming 2-3 years, as more pipeline products are launched and the necessary regulatory processes are completed, which is in line with expectations and industry standards.

Results, Dividends and Reserves

The results for the year and the movement on the reserves are as set out on pages 18 and 20 of the financial statements respectively. Being that the Company has accumulated losses, no dividends were recommended or paid during the year.

Directors

The directors listed on page 1 served in office throughout the year. In accordance with the Company's Articles of Association, the eligible directors at date of this report are to remain in office for a period of three years from 30 April 2021.

Statement of Directors' Responsibilities for the Financial Statements

The Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss of the Company for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

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 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 comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining 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. The directors are 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.

PHARMACARE FINANCE P.L.C.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Fair Value Statement

We confirm that to the best of our knowledge:

- The financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

- The annual report includes a fair review of the development and performance of the business and the position of the Company, together with the description of the principal risks and uncertainties that the Company may face.

Going Concern Statement

In accordance with the Prospects MTF Rules, the directors confirm, having reviewed the Company's and the Group's budget and forecast for 2023, and as further described in the notes to the financial statements, that the Company has adequate resources to continue in operation and existence for the foreseeable future. Accordingly, the directors have adopted the going concern basis in preparing these financial statements.

Shareholding Statement

We confirm that the shareholding of the Company is as follows:

		2022	2021	
Pharmacare Premium Limited	Reg. No. C 45245	249,999	46,587	Ordinary Shares
Mr. Bassim S.F. Khoury Nasr		1	1	Ordinary Share

Indirect shareholdings of the Company through the shares held in Pharmacare Premium Limited are as follows:

		2022	2021	
Pharmacare Europe Limited	Reg. No. C 45191	10,750,000	10,299,625	A Ordinary Shares
Mr. Hani H. Sarraf		1,203,352	1,203,352	B Ordinary Shares
Mr. Ahmad Salim (Mohammad Said) Sabbagh		677,952	677,952	C Ordinary Shares
Mr. Mahmoud Salim (Mohammad Said) Sabbagh		677,954	677,954	C Ordinary Shares
Mr. (Mohammad Tahseen) Salim Said Sabbagh		702,954	702,954	C Ordinary Shares
Mr. Bassim S.F. Khoury Nasr		1,045,140	1,045,140	D Ordinary Shares
Mr. Paul Michel Wirtz		1,219,089	1,219,089	E Ordinary Shares
Mr. Maximilian R.F. Wirtz		302,274	302,274	E Ordinary Shares
Evolve Resources Ltd.		50,000	-	E Ordinary Shares
Bank of Palestine P.L.C.		500,000	500,000	F Ordinary Shares
Reach for Investment and Development (Reach Holding) Ltd.		500,000	-	G Ordinary Shares

The holders of the various classes of ordinary shares have the following rights in the appointment of directors:

- The A Ordinary Shares have the right to appoint five directors;
- The B Ordinary Shares have the right to appoint one director;
- The C Ordinary Shares have the right to appoint one director;
- The D Ordinary Shares have the right to appoint one director and who shall also act as Chairman;
- The E Ordinary Shares have the right to appoint one director;
- The F Ordinary Shares have the right to appoint two directors;
- The G Ordinary Shares have no right to appoint any director.

As at the end of the comparative year, Pharmacare Premium Limited had resolved, approved and received funds but not yet registered the issuance and allotment of a further 1,000,375 Ordinary Shares of various classes. The said share increases have been duly registered with the Malta Business Registry during 2022.

Shareholding Statement ***(Contd.)***

The shares of Pharmacare Europe Limited are in turn held by:

		2022	2021	
Dar Al-Shifa' Company P.l.c. (Palestine)	Reg. No. 562600288	9,999	9,999	Ordinary Shares
Mr. Bassim S.F. Khoury Nasr		1	1	Ordinary Share

Russia – Ukraine War

On 24 February 2022, Russia invaded Ukraine in a major escalation of the Russia-Ukrainian conflict that began years earlier. The invasion received widespread international condemnation, with reactions including new sanctions imposed on Russia, which triggered widespread economic effects on the Russian and World economies. The sanctions imposed, food crisis, and fuel and gas supply limitations resulted in high inflation across the European Union and brought a number of uncertainties towards the largest economies. Responding to this, the Company and the group have strengthened internal procedures on client's acceptance and continuance, as well as made proper arrangements with suppliers, service providers and other counterparties. The economic effect to the Company and the group of the continuing war operations is very limited as supplies were not directly impacted.

These restrictive measures are expected to have a significant impact on the economies of the countries implementing such trade restrictions, with a spill-over on the world economy, as uncertainty and market volatility remain high across all industries with increasing tensions and rhetoric on both sides. The cost of doing business is undoubtedly set to rise further following the initial Covid shocks on the global economy seen in the last couple of years. Both the International Monetary Fund and the World Bank have indicated that the resulting impact of the conflict to global growth and recovery from Covid effects will be significant. As the price of oil and gas shifts upwards due to the war, transport and other procurement costs required for business will also increase. Due to the nature and decisiveness of these restrictive measures, the economic impact globally is expected to be long-lasting, even in the eventuality that the conflict ceases in the immediate future. The dynamics of international trade between the EU, the USA and Asia will change forever.

The repercussions of such conflicts may result in negative effects on the Company's and the group's investments. As at the date of this report, the Company and the group are not negatively impacted by the ongoing conflict in Ukraine.

In view of this, the directors continue to actively monitor all developments taking place internationally and to take any action that might be necessary in the eventuality that developments in the conflict start to impact the Company's and the group's performance and operations.

Subsequent Events

Successful Product Development Completion
The parent company completed the development activities for a new product during 2022 and was pending the results of the corresponding pivotal clinical trial. These results were received in early 2023 and were successful, allowing the completion of this development and the filling of the dossier for registration during 2023.

Issue of New Bonds
By virtue of a Prospectus issued by the Company on 5 December 2022, in February 2023 the Company issued € 17,000,000 6% unsecured bonds maturing 2033 and utilized part of the funds to redeem the original € 5,000,000 unsecured bonds which had a maturity date of 2025-2028 on the Official List of the Malta Stock Exchange. The Company then advanced the remaining proceeds from such bond issue to its parent company, Pharmacare Premium Limited, by way of a loan bearing interest at the rate of 6.6% per annum and which loan is repayable by February 2033. The funds from the loan are to be utilized for the part-financing of the capacity expansion of existing facilities, part-financing of further product development projects and for general corporate funding purposes.

Contracts of Significance with the Parent Company

The Company has advanced amounts borrowed by the Company by way of bonds listed on the Malta Stock Exchange to its parent company, Pharmacare Premium Limited. The terms of the loan agreement are set out in the notes to the financial statements for the year ended 31 December 2022.

Directors' Interest

The directors' beneficial interest in the shares of the Company as at 31 December 2022 is limited to 1 ordinary share having a nominal value of € 1 held by Mr. Bassim S.F. Khoury Nasr.

Auditors

Baker Tilly Malta will not be proposed for reappointment as auditors of the Company at the General Meeting.

Approved by the Board of Directors on 27 April 2023 and signed on its behalf by:

Mr. Amin Farah
Director

Mr. Hani H. Sarraf
Director

PHARMACARE FINANCE P.L.C.

STATEMENT OF COMPLIANCE - GOOD CORPORATE GOVERNANCE

Introduction

Pursuant to the requirements of the Prospects MTF Rules issued by the Malta Stock Exchange, Pharmacare Finance P.L.C. (the 'Issuer' or the 'Company') as wholly owned subsidiary of Pharmacare Premium Limited (the 'Guarantor') bar, one Ordinary Share held by Bassim S.K. Khoury Nasr, hereby reports on the extent to which the Company has adopted the 'Code of Principles of Good Corporate Governance' appended to the Prospects MTF Rules as well as the measures adopted to ensure compliance with the same Principles.

The Board of Directors of the Company notes that the Code does not dictate or prescribe mandatory rules but recommends principles of good governance. Nevertheless, the Board strongly maintains that the Principles are in the best interest of both the shareholders and investors, since they ensure that the directors adhere to internationally recognised high standards of corporate governance.

The Guarantor

The Guarantor, Pharmacare Premium Limited, is a private company and, accordingly, is not bound by the provisions of the Code set out in the Prospects MTF Rules of the Malta Stock Exchange. While the Guarantor is not required to adopt the provision of the Code, the Audit Committee, which is set up at the level of the Company, has been specifically tasked with keeping a watchful brief over the performance of the Guarantor and other related Companies.

Part 1: Compliance with the Code

The Board of Directors (the 'Board') of Pharmacare Finance P.L.C. (the 'Company') believes in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. In this context, it is relevant to note that the Company has issued bonds to the public and has no employees. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

Principle 1: The Board

The Board of Directors is responsible for devising a strategy and setting policies of the Company. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the Prospectus and all relevant rules and regulations.

The Board is composed of Mr. Bassim S.F. Khoury Nasr (Chairman), Mr. Amin Farah (Executive Director and Chief Executive Officer), Mr. Hani H. Sarraf (Executive Director), Ms. Marisa Tanti (Non-Executive Director), Mr. Louis Borg Manche' (Non-Executive Director) and Mr. Mark Vassallo (Non-Executive Director).

All of the directors were nominated and appointed by the shareholders. Mr. Louis Borg Manche', Ms. Marisa Tanti and Mr. Mark Vassallo are considered to be independent Directors since they are free of any business, family or other relationship with the Company.

Principle 1: The Board *(Contd.)*

During the financial year under review the Board of Directors met on four occasions.

The Board delegates specific responsibilities to an Audit Committee, details of which are found in Principle 4 hereunder.

The Directors and Restricted Persons (as defined in the Prospects MTF Rules) are informed and are aware of their obligations on dealings in securities of the Company within the established parameters of the law and the Prospects MTF Rules. Each such Director and Senior Officer (as defined in the Prospects MTF Rules) has been provided with the Code of dealing required in terms of Prospects MTF Rules and training in respect of their obligations arising thereunder.

The Memorandum and Articles of Association sets out the procedures to be followed in the appointment of the directors in an extensive manner. Shareholders having voting rights are entitled at the Annual General Meeting to appoint directors. Appointed directors shall hold office for a period of three years but shall be eligible for re-election.

Principle 2: Chairperson and Chief Executive Officer

The functions of the Chairperson and Chief Executive Officer are not vested in the same individual. The Chairperson's main function is to lead the Board, set the agenda and ensure that all Board members partake in discussions of complex and contentious issues.

The Chief Executive Officer has specific authorities from the Board to manage the Company's operational activities within the strategy and parameters set by it.

Principle 3: Composition of the Board

The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required and adds value to the functioning of the Board and gives direction to the Company.

The Board of Directors shall consist of a minimum number of three directors and a maximum of six members. The Board is composed of 3 executive directors and 3 non-executive directors, as listed in Principle 1 above. Each non-executive director has submitted a declaration to the Board declaring their independence as stipulated under the Code.

Principle 4: The Responsibilities of the Board

The Board has the first level responsibility for executing the four basic roles of Corporate Governance, namely accountability, monitoring, strategy formulation and policy development. The Board seeks to monitor effectively the implementation of strategy and policy by management. Clear internal and external reporting lines are established with a view to ensuring that the Board can properly discharge its obligation to take decisions in the best interests of the Company.

An Audit Committee has been set up with clear terms of reference in line with the Prospects MTF Rules. The Committee's primary objective is to assist the Board in fulfilling the oversight responsibilities over the financial reporting of the Company and its financial policies and internal control structure. The Committee oversees the conduct of the external audit and acts to facilitate communication between the Board of Directors, management and the external auditors. The external auditors are invited to attend the Audit Committee Meetings, whose members report directly to the Board of Directors.

Principle 4: The Responsibilities of the Board *(Contd.)*

The Audit Committee is composed of three non-executive Board members, namely:

Ms. Marisa Tanti - Chairperson
Mr. Louis Borg Manche'
Mr. Mark Vassallo

The Board considers Ms. Marisa Tanti to be independent and competent in accounting and/or auditing. Such determination was based on Ms. Tanti's substantial experience in various audits, accounting and risk management roles throughout her career.

The Audit Committee is expected to deal with and advice the Board of Directors on the following Group-wide basis:

- Evaluating any proposed transaction to be entered into by the Company or its Guarantor/s and a related party, to ensure that the execution of such transaction is at arm's length, on a commercial basis and ultimately in the best interest of the Company or its Guarantor/s;
- Maintaining open communication on financial matters between the Board of Directors, management and its external auditors, including the appointment of the auditors;
- Monitoring responsibility over the financial reporting processes, financial policies and internal control procedures.
- Preserving the Company's and Group's assets by assessing the Company's and Group's risk environment and determine how to deal with such risks.

Principle 5: Board Meetings

Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the directors. Meetings were attended as follows:

Members	*Meetings Attended out of total held during tenure*
Mr. Bassim S.F. Khoury Nasr	0 out of 4
Mr. Amin Farah	4 out of 4
Mr. Hani H. Sarraf	4 out of 4
Ms. Marisa Tanti	4 out of 4
Mr. Louis Borg Manche'	4 out of 4
Mr. Mark Vassallo	4 out of 4

Secretary to the Board

Mr. Hani H. Sarraf occupied the post of Company Secretary up to 29 November 2022 and following his resignation, was replaced by Dr. Katia Cachia with effect from the same date. The Company's Board Secretary is responsible to the Board for ensuring that the Board and Audit Committee proceedings are complied with and also aid the respective Chairperson to ensure that all members receive precise, timely and objective information.

Board Committees

Nomination and Remuneration Committee
Due to the size and nature of the Company's limited operational functions, the Board does not consider it necessary to set up a Nomination and Remuneration Committee. The directors received in aggregate € 13,335 for services rendered during 2022. The remuneration was approved by the Board and resolved to disclose the fees paid in aggregate rather than as separate figures for each director as recommended by the Code.

Senior Management
In view of the Company being primarily a finance Company, the Company does not have any employees. However, the overall management comprises: Mr. Bassim S.F. Khoury Nasr, as Chairman, Mr. Amin Farah, as CEO, and Mr. Hani H. Sarraf.

Principle 6: Information and Professional Development

Each director is made aware of the Company's on-going obligations in terms of the Companies Act, the Prospects MTF Rules and other relevant legislation. Directors have access to the advice and services of the Company Secretary. The Company is also prepared to bear the expense incurred by the directors requiring independent professional advice should they judge it necessary to discharge their responsibilities as directors.

Principle 7: Evaluation of the Board's Performance

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

Principle 8: Committees

The directors are paid on the basis of a fixed remuneration, the aggregate of which is approved in general meeting by the shareholders. In view of there being no executive positions within the Company, the Board has not fixed a remuneration policy for senior executives. Furthermore, the Board has not set up a remuneration and nomination committee due to the limited size and exigencies of the operations of the Company.

Principle 9: Relations with Shareholders and with the Market

The Company communicates with bondholders by way of the Annual Return and Financial Statements. The Company also communicates with bondholders with public announcements made through the Malta Stock Exchange as well as entertaining queries and requests made by individual bondholders on an ad hoc basis.

Principle 10: Institutional Shareholders

The Company has no direct institutional shareholders.

Principle 11: Conflicts of Interest

The directors are aware that their primary responsibility is always to act in the interest of the Company and its shareholders as a whole, irrespective of who appointed them to the Board. Acting in the interest of the Company includes an obligation to avoid conflicts of interest. In such instances, the Company has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interest of the Company.

Principle 12: Corporate Social Responsibility

The Pharmacare Group of companies understands the importance of contributing to society at large, both in terms of the wellbeing of its staff, as well as the contribution towards society at large. This contribution has manifested itself in a number of initiatives of the said Group. Further activities of this nature are expected to be organised in 2023.

PHARMACARE FINANCE P.L.C.

STATEMENT OF COMPLIANCE - GOOD CORPORATE GOVERNANCE

Part 2: Non-Compliance with the Code

Principle 4: Responsibilities of the Board

The Board has not yet developed a succession policy for the future composition of the Board of Directors, and this in view of the limited operations of business of the Company.

Principle 7: Evaluation of the Board's Performance

At present, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Issuer's shareholders, the market and the rules by which the Issuer is regulated as a listed company.

Principle 8: Committees

The Issuer does not have a Remuneration Committee as recommended by this principle because it is not deemed necessary in view of the very limited number of directors engaged by the Issuer. Furthermore, the Issuer does not have a Nomination Committee as recommended in Principle 8. Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association. The Issuer considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the Code.

Internal Control

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage, rather than to eliminate, the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

Authority to manage the business of the Company is delegated to the Chief Executive Officer within the limits set by the Board of Directors. Systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the directors on a regular basis.

Remuneration Statement

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the directors. The aggregate amount paid during the period amounted to € 13,335.

No part of the remuneration paid to the directors is performance based, and the Chief Executive Officer receives no additional remuneration. None of the directors, in their capacity as a director of the Company, is entitled to profit sharing, share options or pension benefits with respect to Pharmacare Finance P.L.C.

Risk Management

The objective of the risk management function is to minimize the cost of risks and to maximize the return on assets. The Company endeavors to achieve such objectives through procedures that involve a coordinated approach across the operations of the Company and the Group, designed to identify and measure the potential risks. Appropriate action is being taken by the Board to mitigate such risks. The Audit Committee makes recommendations, as necessary, to the Board.

PHARMACARE FINANCE P.L.C.

STATEMENT OF COMPLIANCE - GOOD CORPORATE GOVERNANCE

Dealings by Directors and Senior Officers in the Company's Bonds

The Board has a responsibility to monitor dealings by the directors and senior officers in the Company's Bonds. The Board approved the Code of Conduct for the transactions by directors and senior officers in compliance with the Prospects MTF Rules. The structured code of dealing, which includes names of directors and senior officials who have to comply with the Code, has been filed with the Malta Stock Exchange.

The above information is a fair summary of the Company's adoption of the Code of Good Corporate Governance. Overall, the Company has broadly implemented the Code where the Board of Directors believes that it would add value to the stakeholders. In certain instances, it was felt that the Code was more suited to companies who held equity on the Malta Stock Exchange, and therefore, its implementation would not be useful for a limited operating company like Pharmacare Finance P.L.C.

Approved by the Board of Directors on 27 April 2023 and signed on its behalf by:

Mr. Amin Farah
Director

Mr. Hani H. Sarraf
Director

bakertilly

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PHARMACARE FINANCE P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion
We have audited the financial statements of the Pharmacare Finance P.L.C. (the "Company") set out on pages 19 to 38 which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of Malta).

Our opinion is consistent with our additional report to the Audit Committee.

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

Independence
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 that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap 281).

The non-audit services that we have provided to the Company in the period from 1 January 2022 to 31 December 2022, are disclosed in Note 6 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PHARMACARE FINANCE P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Audit Approach
As part of designing our audit, we determined materiality and assessed the risk of material misstatements in the financial statements. In particular, we considered where the directors made subjective judgements, such as in respect of significant estimates that involved making assumptions and considering future events that are inherently uncertain. As in all audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into consideration the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality
The scope of our audit work was influenced by the application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The overall materiality amount has been set at € 3,980 based on 1% of gross revenues. Gross revenues have been chosen as a benchmark because, in our view, it is an appropriate measure for this type of entity. We considered that this provides us with a consistent year-on-year basis of determining materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during the course of the audit above € 169 (5%), as well as any misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements for the current period. 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.

At 31 December 2022 the Company held € 5,079,090 as a loan receivable from its parent company. The net proceeds from the Bond issue concluded during 2018 were used to finance loans to the parent company for its product development program. The balance as at year end included an additional € 200,000 advanced during the year under review.

During the audit process, we ascertained ourselves that the parent company's audited financial statements disclose such amount due to the Company. We have agreed the terms of the loan to the loan agreement. We have also assessed the financial soundness of the parent company and in so doing, we made reference to the latest audited financial statements, forecasts and other prospective information made available to us. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of the loan receivable from the parent company.

Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of the loans and accrued interest thereon.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PHARMACARE FINANCE P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and the Corporate Governance Statement of Compliance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as stated within the *Report on Other Legal and Regulatory Requirements*.

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Company's Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting.

Auditors' 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 auditors' 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 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 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, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PHARMACARE FINANCE P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditors' Responsibilities for the Audit of the Financial Statements (Contd.)

- 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 relevant ethical requirements regarding independence and 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 consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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 benefits of such communication.

Report on Other Legal and Regulatory Requirements
The annual financial report and financial statements contain other areas required by legislation or regulation on which we are required to report. The directors are responsible for these other areas.

We set out below the areas presented within the annual financial report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the other information section of our report. Except as outlined in the relative section, we have not provided an audit opinion or any form of assurance.

Directors' Report
The Malta Companies Act (Cap. 386) requires the directors to prepare a Directors' Report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.

We are required to consider whether the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

We are also required to express an opinion as to whether the Directors' Report has been prepared in accordance with the applicable legal requirements.

In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' Report, and if, 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 Malta Companies Act (Cap. 386).

We have nothing to report to you in this regard.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PHARMACARE FINANCE P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Report on Corporate Governance – Statement of Compliance
The Prospects MTF Rules issued by the Malta Stock Exchange require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Governance and the effective measures that they have taken to ensure compliance throughout the financial period with those Principles. The Prospects MTF Rules also require the auditors to include a report on the Statement of Compliance prepared by the Directors.

We read the Statement of Compliance with the Principles of Good Corporate Governance set out on pages 8 to 13 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 controls included in the Statement of Compliance cover the risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risks and control procedures.

In our opinion, the Statement of Compliance with the Principles of Good Corporate Governance has been properly prepared in accordance with the requirements of the Prospects MTF Rules issued by the Malta Stock Exchange.

Other Legal and Regulatory Requirements
Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.

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

Other Matter – Use of this Report
Our report, including our opinions, have been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Malta Companies Act (Cap.386) and for no other purposes. We do not, in giving our opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed to by our prior written consent.

This copy of the audit report has been signed by
Donald Sant for and on behalf of

Baker Tilly Malta
Registered Auditors
Level 5
Rosa Marina Building
216, Marina Seafront
Pieta' PTA 9041
Malta

27 April 2023

PHARMACARE FINANCE P.L.C.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		Euro	Euro
Finance Income	4	**397,955**	337,907
Finance Costs	5	**(287,500)**	(287,500)
Net Interest Income		**110,455**	50,407
Administrative Overheads		**(53,604)**	(50,003)
Other Operating Expenses	13	**(65,909)**	-
Operating Profit/(Loss)	6	**(9,058)**	404
Profit/(Loss) before Taxation		**(9,058)**	404
Tax Expense	7	**(36,003)**	(15,472)
Profit/(Loss) for the Year		**(45,061)**	(15,068)
Total Comprehensive Loss for the Year		**(45,061)**	(15,068)
Earnings/(Loss) per Share	8	**(0.18)**	(0.32)

The notes on pages 23 to 38 form an integral part of these financial statements.

PHARMACARE FINANCE P.L.C.

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	Note	2022	2021
		Euro	Euro
ASSETS			
Interest Bearing Receivables	9	**5,079,090**	4,879,090
Total Non-Current Assets		**5,079,090**	4,879,090
Other Receivables	10	**211,428**	146,985
Cash and Cash Equivalents	11	**1,647**	407
Total Current Assets		**213,075**	147,392
Total Assets		**5,292,165**	5,026,482
EQUITY			
Share Capital	12	**250,000**	46,588
Accumulated Losses		**(83,390)**	(38,329)
Total Equity		**166,610**	8,259
LIABILITIES			
Interest Bearing Borrowings	13	**-**	4,915,144
Total Non-Current Liabilities		**-**	4,915,144
Interest Bearing Borrowings	13	**4,993,471**	-
Other Payables	14	**96,081**	87,607
Taxation Payable	7	**36,003**	15,472
Total Current Liabilities		**5,125,555**	103,079
Total Liabilities		**5,125,555**	5,018,223
Total Equity and Liabilities		**5,292,165**	5,026,482

The notes on pages 23 to 38 form an integral part of these financial statements.

The financial statements on pages 19 to 38 were approved and authorised for issue by the Board of Directors on 27 April 2023 and signed on its behalf by:

Mr. Amin Farah
Director

Mr. Hani H. Sarraf
Director

PHARMACARE FINANCE P.L.C.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Total	Share Capital	Accumulated Losses
	Euro	Euro	Euro
Balance at 1 January 2022	**8,259**	**46,588**	**(38,329)**
Contributions by Owners of the Company			
Issue of Ordinary Shares	**203,412**	**203,412**	**-**
Comprehensive Loss for the Year			
Loss for the Year	**(45,061)**	**-**	**(45,061)**
Balance at 31 December 2022	**166,610**	**250,000**	**(83,390)**
Balance at 1 January 2021	23,327	46,588	(23,261)
Comprehensive Loss for the Year			
Loss for the Year	(15,068)	-	(15,068)
Balance at 31 December 2021	8,259	46,588	(38,329)

The notes on pages 23 to 38 form an integral part of these financial statements.

PHARMACARE FINANCE P.L.C.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		Euro	Euro
Cash Flows from Operating Activities			
Profit/(Loss) before Taxation		**(9,058)**	404
Adjustments for:			
Amortisation of Bond Costs		**78,327**	12,418
		69,269	12,822
Changes in			
Accrued Finance Income		**(64,443)**	(20,478)
Other Receivables		-	(26)
Accrued Finance Expense		**1,988**	1,168
Other Payables		**2,348**	6,712
Cash Generated from Operations		**9,162**	198
Taxes Paid		**(15,472)**	-
Net Cash from/(used in) Operating Activities		**(6,310)**	198
Cash Flows from Investing Activities			
Movement on Parent Company Accounts		**(195,862)**	-
Net Cash from/(used in) Investing Activities		**(195,862)**	-
Cash Flows from Financing Activities			
Proceeds from Issue of Share Capital		**203,412**	-
Net Cash from/(used in) Financing Activities		**203,412**	-
Net Movement in Cash and Cash Equivalents		**1,240**	198
Cash and Cash Equivalents at Beginning of Year		**407**	209
Cash and Cash Equivalents at End of Year	11	**1,647**	407

The notes on pages 23 to 38 form an integral part of these financial statements.

1. Reporting Entity

Pharmacare Finance P.L.C. (the "Company") is a public liability company domiciled and incorporated in Malta. The Company's registered office is at HHF003, Hal Far Industrial Estate, Hal Far, Birzebbugia BBG 3000, Malta.

The principal activity of the Company is to act as a finance vehicle to the parent company, namely Pharmacare Premium Limited.

2. Basis of Preparation

2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (the "applicable framework"). All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU. They have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta), to the extent that such provisions do not conflict with the applicable framework.

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis.

2.3 Going Concern Basis

During the financial period ended 31 December 2018, the Company issued € 5,000,000 5.75% Unsecured Bonds of € 100 each to the public, maturing 2025-2028. The net proceeds were advanced as a loan to the parent company, namely Pharmacare Premium Limited, at an interest rate of 6.85% per annum. As from 1 July 2021, the interest rate was increased to 7% per annum and effective 1 January 2022, the interest rate was again increased to 8% per annum.

The ability of Company to meet its obligations, both in terms of servicing its debt and ultimately repaying the bond holders on the redemption date, is dependent on the ability of Pharmacare Premium Limited, as guarantor, to meet its obligations towards the Company.

The directors note that the loss for the year resulted from the one-off write-off charge of bond costs following the early redemption of the bonds in 2023. The directors are satisfied that the Company has sufficient funds in order to meet its commitments in the foreseeable future and it is therefore appropriate to adopt the going concern assumption in the preparation of these financial statements. These financial statements do not include any adjustments should the above strategies not materialise.

2.4 Functional and Presentation Currency

These financial statements are presented in Euro (€), which is the Company's functional currency.

2.5 Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

2. Basis of Preparation *(Contd.)*

2.6 Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2.7 New Standards and Interpretations Not Yet Adopted

A number of amended standards became applicable for the current period and have been applied as necessary. The impact of the adoption of these revisions on the Company's accounting policies and on the financial results are insignificant.

Certain new standards, amendments and interpretations to existing standards have been published by the date of the authorisation for issue of these audited financial statements but are mandatory for the Company's accounting period after 1 January 2023. The Company may early adopt these revisions to the requirements of IFRSs as adopted by the EU. The Company's directors are of the opinion that there are no requirements that will have a significant impact on the financial statements in the period of initial application.

3. Significant Accounting Policies

The accounting policies set out below have been applied throughout the period presented in these financial statements.

3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

3.2 Revenue

Finance Income
Finance income comprises loan interest receivable in the ordinary course of business. Interest receivable is recognised in the income statement as it accrues, using the effective interest method.

3. Significant Accounting Policies *(Contd.)*

3.3 Finance Costs

Finance costs represent interest payable on the bond in issue as set out in the notes to these financial statements. Finance costs are recognised as an expense in profit and loss as these accrue, using the effective interest method.

3.4 Bond Issue Costs

Bond issue costs represent fees incurred in connection with the issuance of the bonds by the Company to investors. The cost of issuing bonds is recorded in a contra liability account and off-set from the nominal value of the bond in order to systematically move the bond issue costs from the balance sheet to the income statement over the term of the bond. As a result, the Company matches the cost of the bond to accounting periods that are benefitting from the bond being issued. The cost of the bond is amortised over the duration of the bond, being 10 years.

3.5 Loans Receivable

Debt instruments representing financial assets where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and where these give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding are measured at amortised cost using the effective interest method, less any expected credit losses.

On derecognition, impairment or disposal of debt instruments, any gains or losses are recognised within the profit or loss.

3.6 Receivables

Receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less expected credit losses.

Receivables are written off or impaired where there is no reasonable expectation of recovery. Indictors that there is no reasonable expectation of recovery include, amongst others, the failure by the debtor to abide by the credit terms or failure to engage in a repayment programme with the Company for the settlement of amounts due.

Expected credit losses on receivables are presented as net expected credit losses within operating profit. Subsequent recoveries of amounts previously written off or provided for are credited against the same line item.

3.7 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits at call with financial institutions, other short-term liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. Significant Accounting Policies *(Contd.)*

3.8 Impairment of Financial Assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets at amortised cost, namely loans due by related parties, other receivables and cash at bank.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit plan (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company measures loss allowances for trade receivables without a significant financing component and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset. In the case of interest-free short-term financial assets, such as trade receivables, ECLs are not discounted.

3. Significant Accounting Policies *(Contd.)*

3.8 Impairment of Financial Assets *(Contd.)*

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of comprehensive income.

Write-off
The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off on its financial assets based on whether there is a reasonable expectation of recovery and with reference to its historical experience of recoveries.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.9 Borrowings

Borrowings comprise funds acquired in order to assist with the financing of the Company's operations. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least one year after the reporting date. If not, they are presented as non-current liabilities. Any interest payable is recognised as an expense as this accrues in profit or loss, using the effective interest method.

3.10 Other Payables

Other payables comprise obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities, if payment is due within one year or less. If not, they are presented as non-current liabilities. The carrying amount of trade and other payables are considered to be the same as their fair values due to their short-term nature.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit will be required to settle the obligation.

3.12 Share Capital

Ordinary shares are classified as equity.

3. Significant Accounting Policies *(Contd.)*

3.13 Earnings per Share

The Company presents basic earnings per share (EPS) data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at year end.

3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

(a) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

(b) temporary differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

4. Finance Income

	2022	2021
	Euro	Euro
Interest Receivable on Parent Company Loans	**397,955**	337,907
Finance Income	**397,955**	337,907

5. Finance Costs

	2022	2021
	Euro	Euro
Bond Interest Expense	**287,500**	287,500
Finance Costs	**287,500**	287,500

6. Operating Profit/(Loss)

The results from operating activities are stated after charging the following:

	2022	2021
	Euro	Euro
Auditors' Remuneration	**7,080**	5,900
Auditors' Remuneration – Other Non-Audit Services	**590**	590
Directors' Remuneration	**13,335**	12,000

6.1 Employee Information

The Company did not have any persons employed with it during the accounting year.

7. Tax Expense

	2022	2021
	Euro	Euro
Current Taxation	**36,003**	15,472
Total Tax Charge	**36,003**	15,472

7.1 Reconciliation of Effective Tax Rate

The tax expense and the result of the accounting profit/(loss) multiplied by the applicable tax rate in Malta, the Company's country of incorporation, are reconciled as follows:

	2022	2021
	Euro	Euro
Profit/(Loss) before Taxation	**(9,058)**	404
Tax Using the Company's Domestic Tax Rate of 35%	**(3,170)**	141
Tax Effect of Non-Allowable Expenses	**39,173**	14,331
Tax Expense for the Year	**36,003**	14,472

7.2 Deferred Taxation

No account for deferred taxation is made in these financial statements on the basis that the Company does not have any losses or temporary differences which gave rise to deferred tax assets or liabilities.

8. Earnings/(Loss) per Share

Basic earnings/(loss) per share is based on the profit/(loss) attributable to the shareholders of Pharmacare Finance P.L.C. divided by the number of shares in issue at the year-end.

9. Interest Bearing Receivables

	2022	2021
	Euro	Euro
Non-Current:		
Loan Advanced to Parent Company	**5,079,090**	4,879,090
Total Interest Bearing Receivables	**5,079,090**	4,879,090

9.1 The loan due from the parent company is unsecured, originally bore interest at the rate of 6.85% per annum and is receivable within 10 years from 6 November 2018. As from 1 July 2021, the interest rate was increased to 7% per annum and effective 1 January 2022, the interest rate was again increased to 8% per annum. On 11 July 2022, an additional € 200,000 was advanced as a loan to the parent company. The parent company is acting as a Guarantor for the repayment of the Bond Issue and interest thereon. Hence, should the Company fail to honour its commitment towards the bondholders, the parent company would still exhaust its liability towards the Company on settlement of the liabilities due to the bondholders.

9.2 The net proceeds from the bond issue have been advanced by the Company to its parent company, Pharmacare Premium Limited. As noted in the prospectus dated 17 October 2018, the parent company utilised the said funds towards the funding of product development projects, as well as towards the financing of overheads and general expenses.

9.3 No provision for Expected Credit Losses was included in the financial statements as the Bond Issue and interest thereon is guaranteed by the parent company. The directors have assessed that the Probability of Default and Loss Given Default are non-existent.

10. Other Receivables

	2022	2021
	Euro	Euro
Accrued Interest on Loans Receivable from Parent Company	**204,545**	140,102
Prepayments	**6,883**	6,883
	211,428	146,985

10.1 Accrued interest on the loans receivable due from the parent company are due for payment on the anniversary of when the original principal of the loan was advanced by the Company in terms with conditions listed in the Company's Prospectus, taking also into consideration the extra € 200,000 advanced in the current year.

10.2 The Company's exposure to credit risk related to other receivables is disclosed in Note 16.3. No provision for Expected Credit Losses was considered necessary on the above balance due from the parent company, as the parent company is acting as Guarantor and is financially solid. The directors have therefore assessed that the Probability of Default and Loss Given Default are non-existent.

11. Cash and Cash Equivalents

	2022	2021
	Euro	Euro
Bank Balances	**1,647**	407
Cash and Cash Equivalents	**1,647**	407

12. Share Capital

	2022	2021
	Euro	Euro
Authorised 250,0000 (2021 - 46,588) Ordinary Shares of € 1 each	**250,000**	46,588
Issued and Fully Paid Up 250,0000 (2021 - 46,588) Ordinary Shares of € 1 each	**250,000**	46,588

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

13. Interest Bearing Borrowings

	2022	2021
	Euro	Euro
Non-Current:		
5.75% Bonds 2025-2028	-	5,000,000
Bond Costs	-	124,179
Amortization of Bond Costs	-	(39,323)
Net Bond Costs	-	84,856
Total Non-Current Interest Bearing Borrowings	-	4,915,144
Current:		
5.75% Bonds 2025-2028	**5,000,000**	-
Bond Costs	**124,179**	-
Amortisation of Bond Costs	**(117,650)**	-
Net Bond Costs	**6,529**	-
Total Current Interest Bearing Borrowings	**4,993,471**	-
Total Interest Bearing Borrowings	**4,993,471**	4,915,144

13. Interest Bearing Borrowings *(Contd.)*

13.1 By virtue of an offering memorandum dated 17 October 2018, the Company issued unsecured Bonds with a nominal value of € 5,000,000 which bonds mature between 2025 and 2028. Related bond issue costs amounting to € 124,179 were being amortised over the life of the bond. The bond is guaranteed by the parent company, Pharmacare Premium Limited. In February 2023, this bond was redeemed by way of early redemption following the issue of the new bond as disclosed in Note 21 to the financial statements.

13.2 Following the early redemption of the bond in February 2023, the unamortised balance of bond costs was amortized over the remaining life of the bond. This resulted in a further charge of € 65,909 over and above the yearly amortisation charge of € 12,418 being transferred to the profit and loss account during the year under review. The remaining balance of € 6,529 will be transferred to the profit and loss account in January 2023.

14. Other Payables

	2022	2021
	Euro	Euro
Accrued Interest on Borrowings	**53,872**	51,884
Other Payables	**9,751**	22,615
Accrued Expenses	**28,320**	13,108
Amounts due to Parent Company	**4,138**	-
	96,081	87,607

14.1 The carrying value of other payables classified as financial liabilities measured at amortised cost approximates fair value.

14.2 Amounts due to Parent Company are unsecured, interest-free and repayable on demand.

15. Fair Value Hierarchy

The following table shows financial instruments, including those recognised at fair value, for the year ended 31 December 2022, analyzed between those whose fair value is based on:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based upon observable market data.

15. Fair Value Hierarchy *(Contd.)*

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Total	Level 1	Level 2	Level 3
	Euro	**Euro**	**Euro**	**Euro**
31 December 2022				
Financial Assets				
Interest Bearing Receivables	**5,079,090**	-	-	**5,079,090**
Other Receivables	**211,428**	-	-	**211,428**
Cash and Cash Equivalents	**1,647**	-	-	**1,647**
	5,292,165	-	-	**5,292,165**
Financial Liabilities				
Interest Bearing Borrowings	**4,993,471**	-	-	**4,993,471**
Other Payables	**96,079**	-	-	**96,079**
	5,089,550	-	-	**5,089,550**
31 December 2021				
Financial Assets				
Interest Bearing Receivables	4,879,090	-	-	4,879,090
Other Receivables	146,985	-	-	146,985
Cash and Cash Equivalents	407	-	-	407
	5,026,482	-	-	5,026,482
Financial Liabilities				
Interest Bearing Borrowings	4,915,144	-	-	4,915,144
Other Payables	87,607	-	-	87,607
	5,002,751	-	-	5,002,751

During the reporting year ended 31 December 2022, there was no transfer between Level 1 and Level 2 fair value measurement.

16. Financial Risk Management

16.1 Overview

The Company activities potentially expose it to a variety of financial risks, including fair value or cash flow interest rate risk, credit risk, liquidity risks and market risks:

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

16. Financial Risk Management *(Contd.)*

16.2 Risk Management Framework

The Board has overall responsibility for the establishment and oversight of the Company's risk management objectives and policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details of these policies are set out below:

16.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the loans receivable from its parent company, Pharmacare Premium Limited.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Company's policy is to place cash with financial institutions of a high credit rating.

Exposure to Credit Risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting year was as follows:

	2022	2021
	Euro	Euro
Loans Receivable from Parent Company	**5,079,090**	4,879,090
Cash and Cash Equivalents	**1,647**	407
	5,080,737	4,879,497

16.3.1 The Company's loans receivable consist of advances to the parent company, Pharmacare Premium Limited, which advances have been principally affected out of the Company's bond issue proceeds. The Company monitors intra-group credit exposures on a regular basis and ensures timely performances of these assets in the context of overall group liquidity management. The repayment of the Company's bonds and interest thereon are guaranteed by the parent company, namely Pharmacare Premium Limited. The Company assesses the credit quality of the Guarantor taking into consideration the financial position, financial performance and other factors. The Company takes cognisance of the related party relationship and the directors do not expect any losses from non-performance or default.

16.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company is exposed to liquidity risk in relation to meeting the future obligations associated with its financial liabilities, which comprise principally of the bonds issued to the general public and other payables. Prudent liquidity risk management includes, maintaining sufficient cash and liquid assets to ensure the availability of an adequate amount of funding to meet the Company's obligations.

16. Financial Risk Management *(Contd.)*

16.4 Liquidity Risk *(Contd.)*

The Company's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the Company's advances to the parent company effected out of the bond issue proceeds, together with the related interest receivable, match the cash outflows in respect of the Company's bond borrowings, covering principal and interest payments, as referred to in the table hereunder.

The following table analyses the Company's liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal the carrying balances, as the impact of the discounting is not significant.

Exposure to Liquidity Risk
The following are the contractual maturities of financial liabilities:

	Within 1 Year	Between 1-2 Years	Between 2-5 Years	Over 5 Years
	Euro	Euro	Euro	Euro
31 December 2022				
Interest Bearing Borrowings	4,993,471	-	-	
Other Payables	96,079	-	-	-
	5,089,550	-	-	-
31 December 2021				
Interest Bearing Borrowings	-	-	-	4,915,144
Other Payables	87,607	-	-	-
	87,607	-	-	4,915,144

16.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign currency and interest rates will affect the Company's income on the loan affected from the proceeds of the unsecured Bonds. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

16.5.1 Fair Value Interest Rate Risk

The Company's transactions consist mainly of earning interest income on advances affected, principally from the bond issue proceeds, and servicing its borrowings. The Company's significant interest-bearing instruments, comprising of advances to the parent company and the bond issued to the general public, are subject to fixed interest rates. The Company has secured the spread between the return on its investment in the parent company and its cost of borrowings. Accordingly, the Company is not exposed to cash flow interest rate risk but is potentially exposed to fair value interest rate risk in view of the nature of the fixed interest nature of its instruments, which are however measured at amortised cost. The Company's operating income and cash flows are substantially independent of changes in market interest rates, and on this basis, the directors consider the potential impact on the profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be insignificant.

16. Financial Risk Management *(Contd.)*

16.5.2 Currency Risk

The Company is not exposed to foreign currency risk because its principal assets and liabilities are denominated in Euro. The Company's interest income, interest cost and other operating expenses are also denominated in Euro. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period, is not deemed necessary.

16.6 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The parent company's objectives when managing capital at the company level is to safeguard the respective company's ability to continue as a going concern in order to provide returns to the parent company and benefits to other stakeholders, and to maintain an optimal capital structure to reduce cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The capital equity, as disclosed in the financial statements, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements. Taking cognizance of the nature of the Company's assets, together with collateral held as security backing the Company's principal borrowings, the capital level at the end of the reporting period is deemed adequate by the directors.

17. Related Parties

17.1 Parent and Ultimate Controlling Party

The Company is a subsidiary of Pharmacare Premium Limited (the "Parent Company") whose registered office is at HHF 003, Hal Far Industrial Estate, Hal Far, Birzebbugia BBG 3000, Malta. Pharmacare Premium Limited is in turn a subsidiary of Pharmacare Europe Limited which itself is a subsidiary of Dar Al-Shifa' for Manufacturing of Pharmaceuticals Plc., a company incorporated in Palestine.

No single party has a controlling interest in the Company.

17.2 Identity of Related Parties

The Company has a related party relationship with its directors, parent and other related companies.

17.3 Related Party Transactions and Balances

	2022	2021
	Euro	Euro
Related Company		
Expenses Recharged from	**-**	(1,416)
Parent Company		
Interest Income Receivable from	**397,955**	337,907
Net Funds Advanced by/(to)	**4,138**	-

17. Related Parties *(Contd.)*

17.3 Related Party Transactions and Balances *(Contd.)*

Amounts due from related parties are disclosed in Notes 9 and 10 to these financial statements.

The key management of the Company are considered to be the directors. The directors' remuneration has been disclosed in Note 6 to these financial statements.

17.4 Related party transactions are entered into on a commercial basis with entities which are related by way of common shareholders who are able to exercise significant influence over the Company's operations. Transactions with these companies principally include advances affected by the Company from the Bond proceeds referred to in the notes to the financial statements.

18. Capital Commitments

The Company did not have any commitments to purchase any property, plant and equipment at year end.

19. Contingent Liabilities

At year end, the Company did not have any contingent liabilities.

20. Russia – Ukraine War

On 24 February 2022, Russia invaded Ukraine in a major escalation of the Russia-Ukrainian conflict that began years earlier. The invasion received widespread international condemnation, with reactions including new sanctions imposed on Russia, which triggered widespread economic effects on the Russian and World economies. The sanctions imposed, food crisis, and fuel and gas supply limitations resulted in high inflation across the European Union and brought a number of uncertainties towards the largest economies. Responding to this, the Company and the group have strengthened internal procedures on client's acceptance and continuance, as well as made proper arrangements with suppliers, service providers and other counterparties. The economic effect to the Company and the group of the continuing war operations is very limited as supplies were not directly impacted.

These restrictive measures are expected to have a significant impact on the economies of the countries implementing such trade restrictions, with a spill-over on the world economy, as uncertainty and market volatility remain high across all industries with increasing tensions and rhetoric on both sides. The cost of doing business is undoubtedly set to rise further following the initial Covid shocks on the global economy seen in the last couple of years. Both the International Monetary Fund and the World Bank have indicated that the resulting impact of the conflict to global growth and recovery from Covid effects will be significant. As the price of oil and gas shifts upwards due to the war, transport and other procurement costs required for business will also increase. Due to the nature and decisiveness of these restrictive measures, the economic impact globally is expected to be long-lasting, even in the eventuality that the conflict ceases in the immediate future. The dynamics of international trade between the EU, the USA and Asia will change forever.

The repercussions of such conflicts may result in negative effects on the Company's and the group's investments. As at the date of this report, the Company and the group are not negatively impacted by the ongoing conflict in Ukraine.

In view of this, the directors continue to actively monitor all developments taking place internationally and to take any action that might be necessary in the eventuality that developments in the conflict start to impact the Company's and the group's performance and operations.

21. Subsequent Events

21.1 Redemption of Bonds

In February 2023, following the issue of a new bond issue as further described in Note 21.2 below, the Company redeemed the original € 5,000,000 unsecured bonds which had a maturity date of 2025-2028.

21.2 New Bond Issue and Loan Advanced to Parent Company

In February 2023, the Company issued € 17,000,000 6% unsecured bonds maturing 2033 and utilized part of the funds to redeem the original € 5,000,000 unsecured bonds which had a maturity date of 2025-2028. The Company then advanced the proceeds from such bond issue, net of the redemption of the prior bond, to its parent company, Pharmacare Premium Limited, by way of a loan. This loan is subject to interest at the rate of 6.6% per annum and is repayable by February 2033. The group aims to utilize the bond proceeds as follows:

- € 5,200,000 For the redemption of the Company's prior bonds in issue, including interest and redemption premium.
- € 3,600,000 For part-financing of the capacity expansion of the parent company's lab and pilot-scale formulation within the existing facility in Hal Far, Malta, together with an investment in property, plant and equipment ancillary to the group's operations.
- € 3,800,000 For part-financing of further product development projects of the parent company.
- € 4,400,000 For general corporate funding purposes of the group.

21.3 Other

The directors have evaluated other subsequent events since 31 December 2022 up to the date of approval of these financial statements and concluded that there were no subsequent events which require disclosure in the financial statements.

PHARMACARE FINANCE P.L.C.

SCHEDULE TO INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	Euro	Euro
Finance Income		
Loan Interest Receivable	**397,955**	337,907
Finance Cost		
Bond Interest Expense	**287,500**	287,500
Net Interest Income	**110,455**	50,407
Administrative Overheads		
Amortization of Bond Costs	**12,418**	12,418
Auditors' Remuneration	**7,080**	5,900
Bank Charges	**300**	304
Directors' Remuneration	**13,335**	12,000
Legal and Professional Fees	**17,721**	17,497
Other Charges and Expenses	**912**	168
Registration Fee	**510**	300
Website Costs	**1,328**	1,416
	53,604	50,003
	56,851	404
Other Operating Expenses		
Further Amortization of Bond Costs	**(65,909)**	-
Operating Profit/(Loss)	**(9,058)**	404