PHARMACARE PREMIUM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

Company Reg. No. C 45245

PHARMACARE PREMIUM LIMITED

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31 DECEMBER 2022

PHARMACARE PREMIUM LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Board of Directors:

Mr. Bassim S.F. Khoury Nasr - Chairman
Mr. Amin Farah
Ms. Sandra Issa Tawfiq Habesch
Mr. Hani H. Sarraf
Mr. (Mohammad Tahseen) Salim Said Sabbagh
Mr. Paul Michael Wirtz
Mr. Youssef Issa Tawfiq Habesch

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

Principal Activities

The principal activity of the Company, which has remained unchanged from the previous accounting year, is that of the manufacturing and commercialisation of pharmaceutical products, the carrying out of contract testing services, as well as that of the development of new oncological pharmaceutical products and the licencing same.

Review of Business

During the year under review, the Company again registered another year of significant growth with revenues generated amounting to € 8,839,322 (2021 - € 6,180,350) representing an increase of 43% on the prior year figures. This activity included the manufacturing and worldwide selling of the Company's own products, in addition to contract manufacturing services for the Company's customers in various EU markets and also the licencing of products developed by the Company.

The value of the Company's investment in R & D activities were valued at € 7,487,168 (2021 - € 6,310,541).

Principal Risks and Uncertainties

The Company is mainly exposed to operational and market risk relating to the demand for pharmaceutical products. In order to manage and minimise the impact of these risks, the Company adopts a series of risk mitigation measures based on diversification. These include:

- Geographical diversification, where the Company markets its products in diverse territories, from Europe to Asia-Pacific and from Latin America to Africa and the Middle East.

- Product Portfolio Management: The Company continually invests in the development of new products which are added to its offerings on annual basis, mitigating the risk associated on over-reliance on a single product.

- A wider customer base in order not to rely on a small number of key accounts, but rather have a wider base of partners.

- Offering different products and services including out-licensing, contract manufacturing, contract packaging, contract development and direct marketing and distribution in select markets.

Review of Business ***(Contd.)***

Milestones for 2022

- The Company launched two products in Europe during 2022. These products were internally developed and successfully registered in various European and international markets.

- During 2022, the Company 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 Company conducted three clinical trials as part of the product development program during 2022.

- The Company 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 the patent expiry in the respective markets starting from Q1/2024.

- Business development activities 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 Company continued to grow its contract development and manufacturing activities through the onboarding of five new projects. Pharmacare Premium 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.

- During 2022, the Company successfully registered and launched a product in the Canadian market. Two additional products are under registration in Canada, and these are expected to be launched in 2023 in collaboration with two partners in this market.

- The Company 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.

- Additional registration procedures of the Company's products are ongoing in more than 16 other countries in Europe, MENA, Latin America, Asia and Canada.

- Pharmacare Premium 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 licenced to register and sell products in these markets and many others.

Future Developments

The Company continues to press ahead with product development, adding 2-4 new projects each year in order to widen the current 11 products it offers and reach a milestone of 20 products within the coming 3 years. In parallel to product developments, the Company has an investment program over the coming two years aimed at increasing capacities and capabilities in order to support the product development activities and corresponding production and business development requirements.

PHARMACARE PREMIUM LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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 operations. As at the date of this report, the Company is 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 performance and operations.

Results, Dividends and Reserves

The results for the year and the movement on the reserves are as set out on pages 7 and 9 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 above served in office throughout the year. In accordance with the Company's Articles of Association, the directors at date of this report are to remain in office.

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 PREMIUM LIMITED

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.

Signed on behalf of the Board of Directors on 27 April 2023 by:

Mr. Amin Farah	Mr. Hani H. Sarraf
Director	**Director**

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216, Marina Seafront,
Pieta' PTA 9041
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHARMACARE PREMIUM LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion
We have audited the separate financial statements of Pharmacare Premium Limited (the "Company") set out on pages 7 to 40 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 separate 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).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Company is investing in intangible assets consisting of product development costs which at year end amounted to € 4,558,691 and intellectual property rights, which at year end stood at a net amount of € 1,828,246. Furthermore, the Company has acquired licenses which are shown at a net amount of € 467,113. During the year, the Company invested an amount of € 1,676,980 in additions to intangible assets, out of which € 1,134,473 were internally generated through the capitalisation of labour costs which are based on management's estimates. The Company has utilized a timesheet software in order to more accurately record the time spent on intangible assets. However, the analysis of the data extracted is still subjective to estimates for cost allocation purposes.

We identified intangible assets as a significant risk, requiring special audit consideration. Our audit procedures included an evaluation of the significant judgements made by management, amongst others based on an examination of the associated revenue forecasts arising in future years from such costs. We also reviewed the assumptions and the methodology used by management on how they arrived at development costs and acquired intangible assets.

Based on the evidence obtained relating to capitalised labour costs, we accepted management's estimates and representations that such labour costs were specifically earmarked towards development of existing and new products with the aim of producing generic pharmaceuticals relating to oncology, which products are expected to generate future revenue as stated in the three-year forecasts approved by the Board of Directors.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PHARMACARE PREMIUM LIMITED

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.

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

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Companies Act (Cap. 386).

Based on the work performed, in our opinion:

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

- the directors' report has been prepared in accordance with the Companies Act (Cap. 386).

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

Responsibilities of the Directors
The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PHARMACARE PREMIUM LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

- 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.

- 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.

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.

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 PREMIUM LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		Euro	Euro
Revenue	4	**8,839,322**	6,180,350
Factory Cost of Production		**(4,438,585)**	(2,601,790)
Gross Profit		**4,400,737**	3,578,560
Depreciation		**(764,182)**	(686,246)
Amortisation		**(500,353)**	(349,120)
Operational Overheads		**(893,924)**	(978,890)
Selling and Distribution Overheads		**(222,583)**	(138,336)
Administrative Overheads		**(986,714)**	(699,312)
Operating Profit	5	**1,032,981**	726,656
Net Equity Movement on Investment in Subsidiary		**(46,643)**	(14,918)
Write off of Property, Plant and Equipment		**(46,102)**	-
		(92,745)	(14,918)
Finance Income	6	**35,811**	27,699
Finance Costs	6	**(755,597)**	(615,295)
Net Finance Costs	6	**(719,786)**	(587,596)
Profit before Taxation		**220,450**	124,142
Tax Expense	7	**(42,402)**	(75,025)
Profit after Taxation		**178,048**	49,117
Other Comprehensive Income			
Revaluation of Right-of-Use Assets		**-**	1,457,565
Movement in Deferred Tax on Revaluation of Right-of-Use Assets	7	**-**	(44,991)
		-	1,412,574
Total Comprehensive Income for the Year		**178,048**	1,461,691

The notes on pages 13 to 42 form an integral part of these financial statements.

PHARMACARE PREMIUM LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	Note	**2022** Euro	2021 Euro
ASSETS			
Property, Plant and Equipment	8	**4,827,477**	4,958,371
Right-of-Use Assets	9	**15,482,047**	15,650,001
Intangible Assets	10	**7,487,168**	6,310,541
Investment in Subsidiary	11	**164,945**	8,177
Total Non-Current Assets		**27,961,637**	26,927,090
Inventories	12	**2,079,642**	2,095,670
Trade and Other Receivables	13	**7,497,229**	4,671,222
Non-Interest Bearing Receivables	14	**1**	1
Cash and Cash Equivalents	15	**317,584**	549,857
Total Current Assets		**9,894,456**	7,316,750
Total Assets		**37,856,093**	34,243,840

PHARMACARE PREMIUM LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	Note	2022	2021
		Euro	Euro
EQUITY			
Share Capital	15	**17,628,715**	16,628,340
Share Premium	15	**10,325,905**	8,945,380
Capital Contribution	15	**-**	2,380,900
Reserves	15	**9,766,212**	9,951,392
Accumulated Losses		**(20,748,875)**	(21,112,103)
Total Equity		**16,971,957**	16,793,909
LIABILITIES			
Interest-Bearing Borrowings	16	**6,238,148**	6,288,361
Non-Interest Bearing Borrowings	17	**3,647,887**	28,848
Bank Borrowings	18	**565,983**	970,292
Lease Obligations	19	**1,218,445**	1,209,503
Trade and Other Payables	20	**857,667**	864,026
Deferred Tax Liability	7	**1,252,000**	1,252,000
Total Non-Current Liabilities		**13,780,130**	10,613,030
Trade and Other Payables	20	**4,328,379**	3,715,382
Interest-Bearing Borrowings	16	**1,116,000**	1,116,000
Non-Interest Bearing Borrowings	17	**49,902**	1,049,902
Bank Borrowings	18	**1,516,284**	864,401
Lease Obligations	19	**93,441**	91,216
Total Current Liabilities		**7,104,006**	6,836,901
Total Liabilities		**20,884,136**	17,449,931
Total Equity and Liabilities		**37,856,093**	34,243,840

The notes on pages 13 to 42 form an integral part of these financial statements.

The financial statements on pages 8 to 42 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 PREMIUM LIMITED

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

	Total	Share Capital	Share Premium	Capital Contrib.	Other Reserve	Accumul. Losses
	Euro	**Euro**	**Euro**	**Euro**	**Euro**	**Euro**
Bal. at 1 January 2022	**16,793,909**	**16,628,340**	**8,945,380**	**2,380,900**	**9,951,392**	**(21,112,103)**
Contributions by Owners						
Issuance of Share Capital	-	**1,000,375**	**1,380,525**	**(2,380,900)**	-	-
Comp. Income for Year						
Profit for the Year	**178,048**	-	-	-	-	**178,048**
Movement on Reserves						
Transfer on Revalued PPE	-	-	-	-	**(185,180)**	**185,180**
Bal. at 31 December 2022	**16,971,957**	**17,628,715**	**10,325,905**	-	**9,766,212**	**(20,748,875)**
Bal. at 1 January 2022	12,951,318	14,228,723	6,545,763	4,799,234	8,699,906	(21,322,308)
Contributions by Owners						
Issuance of Share Capital	-	2,399,617	2,399,617	(4,799,234)	-	-
Capital Contribution	2,380,900	-	-	2,380,900	-	-
Comp. Income for Year						
Profit for the Year	49,117	-	-	-	-	49,117
Movement on Reserves						
Transfer on Revalued PPE	-	-	-	-	(161,088)	161,088
Movement on Revaluation	1,457,565	-	-	-	1,457,565	-
Deferred Tax on Revaluation	(44,991)	-	-	-	(44,991)	-
Bal. at 31 December 2022	16,793,909	16,628,340	8,945,380	2,380,900	9,951,392	(21,112,103)

The notes on pages 13 to 42 form an integral part of these financial statements.

PHARMACARE PREMIUM LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		Euro	Euro
Cash Flows from Operating Activities			
Profit for the Year		**178,048**	49,117
Adjustments for:			
Depreciation and Amortisation		**1,264,535**	1,035,366
Loss on Write-off of Property, Plant and Equipment		**46,102**	-
Provision for Impaired Inventories		**(39,281)**	41,113
Expected Credit Losses		**55,561**	-
Equity Movement on Investment in Subsidiary		**46,643**	14,918
Unrealized Differences on Exchange		**42,246**	51,891
Finance Expense		**713,351**	615,295
Income Tax Expense		**42,402**	75,025
		2,349,607	1,882,725
Changes in			
Inventories		**55,310**	(803,546)
Trade and Other Receivables		**(2,919,506)**	(1,398,645)
Trade and Other Payables		**(301,915)**	912,303
Payments of Interest Classified as Operating less Finance Lease		**(652,983)**	(513,656)
Actual Lease Payments		**(113,232)**	(88,991)
Cash Lost from Operations		**(1,582,719)**	(9,810)
Taxes Paid		**(42,402)**	(75,025)
Net Cash used in Operating Activities		**(1,625,121)**	(84,835)
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment		**(447,405)**	(522,455)
Acquisition of Intangible Assets		**(1,676,980)**	(1,999,821)
Acquisition of Investment in Subsidiary		**(203,412)**	-
Net Cash used in Investing Activities		**(2,327,797)**	(2,522,276)
Cash Flows from Financing Activities			
Issuance of Share Capital and Share Premium		**2,380,900**	-
Movement on Capital Contribution		**(2,380,900)**	2,380,900
Movements on Bank Borrowings – Net		**(404,309)**	(383,816)
Movements on Third Party Loans		**(1,256,667)**	349,001
Movements on Shareholders Balances		**1,141**	(54,938)
Movements on Related Companies Balances		**894,350**	(277,966)
Movements on Subsidiary Company Balances		**195,863**	-
Movements on Parent Company Balances		**19,345**	(3,184)
Movements on Ultimate Parent Company Balances		**3,619,039**	(102,190)
Net Cash from Financing Activities		**3,068,762**	1,907,807
Net Movement in Cash and Cash Equivalents		**(884,156)**	(699,304)
Cash and Cash Equivalents at Beginning of Year		**155,628**	854,932
Cash and Cash Equivalents at End of Year	14	**(728,528)**	155,628

The notes on pages 13 to 42 form an integral part of these financial statements.

1. Reporting Entity

Pharmacare Premium Limited (the "Company") is a limited liability company domiciled and incorporated in Malta. The Company's registered office is at HHF003, Hal Far Industrial Estate, Hal Far, Birzebbugia, Malta.

2. Basis of Preparation

2.1 Statement of Compliance

These unconsolidated financial statements have been prepared and presented in accordance with the provisions of the Companies Act, 1995 relating to individual accounts, which requires adherence to International Financial Reporting Standards as adopted by the European Union. They have been drawn up in accordance with the provisions of the Companies Act, 1995 enacted in Malta, (The Act) save insofar as such provisions remove the requirement under IAS 27 Consolidated and Separate Financial Statements, of preparing and presenting consolidated Financial Statements of the group, of which the Company is parent.

The Company qualifies to prepare consolidated financial statements in terms of Article 173 of the Act. However, consolidated financial statements will be prepared at the level of the Ultimate Parent Company, namely Dar Al-Shifa' for Manufacturing of Pharmaceuticals Plc., a company incorporated in Palestine.

These financial statements therefore represent the separate financial statements of the Company, in which the investments are accounted for under the cost method.

The Act specifies that in the event that any of one of its provisions is in conflict or not comparable with IFRSs or its application is incompatible with the obligation for financial statements to give a true and fair view, that provision shall be departed from in order to give a true and fair view.

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis, except as modified by the fair valuation of the right-of-use of leasehold land and buildings.

2.3 Functional and Presentation Currency

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

2.4 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.)*

2.5 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.

The right-of-use of the leasehold land and buildings has been valued at fair value.

2.6 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 2022. 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. Significant Accounting Policies *(Contd.)*

3.2 Dividends and Other Income

Dividends receivable from its subsidiaries in the ordinary course of business are recognised in profit or loss when the right to receive payment is established.

3.2.1 Interest income from financial assets is presented as finance income where it is earned from financial assets that are held for cash management purposes.

3.3 Revenue

Sale of Goods
Revenue comprises the fair value of the consideration received or receivable for the sale and delivery of the goods in the ordinary course of business of the Company. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenues are shown net of value added tax, returns, rebates and discounts.

Rendering of Services
Revenue also comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of business of the Company. Revenue from the provision of services is recognized in proportion to the stage of completion of the transaction effected during the year. Revenue for services is recognised in the period in which they are rendered. Revenues are shown net of value added tax, rebates and discounts.

3.4 Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Leasehold land and buildings are recognised as right of use assets and are stated at fair values less subsequent depreciation.

Gains or losses on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. The gains or losses are recognized in the statement of comprehensive income as other operating income or other operating costs, respectively. Leasehold land and building are depreciated over the lease period. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following annual rates:

Leasehold Land and Buildings	-	65 years
Equipment and Machinery	-	5 – 12 years
Laboratory Equipment	-	5 – 12 years
Furniture and Fixtures	-	10 years
Computer Software and Hardware	-	4 years

3. Significant Accounting Policies *(Contd.)*

3.5 Intangible Assets

3.5.1 Externally Acquired Intangible Assets

Externally acquired intangible rights, such as product and marketing rights, are recognized in the statement of financial position. For a product under development, the cost bases are assessed. The costs of payments for research and development work undertaken that has not yet generated an intangible right recognizable in the statement of financial position are recognized as research and development costs. Amortisations of market authorisations included in the intangible rights are disclosed under selling and marketing expenses and recording of an amortisation expense will commence when an authority has issued authorisation for marketing of the product and selling of it commences. The license agreements are measured at their historical cost less accumulated amortisation and impairment. Intangible assets are amortised on a straight-line basis over the expected economic lives of the licenses. The license agreements are being amortised over 10 years.

3.5.2 Internally Generated Intangible Assets

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial or other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition in the profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets are being amortized over 10 years. No amortization is being provided for intangible assets which have still not been brought to use.

3.6 Impairment of Assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3. Significant Accounting Policies *(Contd.)*

3.7 Investments in Subsidiaries

A subsidiary is an entity which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is initially measured at cost. After initial recognition, an investment in subsidiaries may be carried either under the cost method, that is at cost less any impairment losses or under the equity method. The Company is measuring the investment in subsidiary company using the equity method.

Loans advanced by the Company to its subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the Company's net investment in those subsidiaries and included as part of the carrying amount of investments in subsidiaries.

3.8 Inventories

Raw Materials, Work in Progress and Finished Goods
Inventories are measured at the lower of cost and net realisable value. The cost of inventory is ascertained on the first in first out basis.

Raw materials, consumables and finished goods are valued at cost which comprises all costs of purchases, costs of conversion and other costs in bringing the inventories to their present location and condition.

The value of inventories at year end includes labour costs. Production overheads are written off to profit and loss account in the absence of proper costing system.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

3.9 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.

Trade receivables are written off or provided for 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 program with the Company for the settlement of amounts due.

Impairment losses on trade 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.

3.10 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

3. Significant Accounting Policies *(Contd.)*

3.11 Impairment of Financial Assets

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

3.11 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 amounts written off. However, financial assets that are written off could still be subject to enforcement activities for recovery of amounts due.

The Company's trade receivables do not consist of a significant financing component and thus these are measured on initial recognition at the transaction price determined under IFRS 15 - Revenue from Contracts with Customers. As a result, these do not have a contractual interest rate. Furthermore, these trade receivable balances, including balances due from related parties are generally repaid in full close to the year end. This implies that the effective interest rate for these receivables is zero. Accordingly, discounting of cash shortfalls to reflect the time value of money when measuring ECLs is generally not required.

When trade receivables, including amounts due from related parties become overdue and the balances are then modified to effectively incorporate a significant financing component, then the Company exercise judgement because using an effective interest rate of zero may no longer be appropriate.

3.12 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. Significant Accounting Policies *(Contd.)*

3.13 Trade and Other Payables

Trade and 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.

3.14 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.

3.15 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease of the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used its predetermined, the Company has the right to direct the use of the asset if either:

  (a) the Company has the right to operate the asset, or

  (b) the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3. Significant Accounting Policies ***(Contd.)***

3.15 Leases ***(Contd.)***

3.15.1 As a Lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assts are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit and loss if the carrying amount of the right of use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities as a separate line item in the statement of financial position.

Real Estate Leases

The Company has contracted a 65-year emphytheusis on the land, including any buildings thereon, during 2017. The right-of-use asset was recognized at cost, and subsequently at revalued amount, under property, plant and equipment. The lease liability was initially measured at the present value of future ground rent payments over the 65-year term of the lease, and subsequently measured at amortized cost, under lease obligations in the statement of financial position.

3. Significant Accounting Policies ***(Contd.)***

3.15 Leases *(Contd.)*

Short-Term Leases and Leases of Low-Value Assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment and motor vehicles. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.15.2 As a Lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease, if not, then it is an operating lease. As part of this assessment the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

3.16 Share Capital

Ordinary shares are classified as equity.

3.17 Employee Benefits

Pension Contributions

The Company contributes towards the state pension in accordance with local legislation. The only obligation of the Company is to make the required contributions. Costs are expensed in the period in which they are incurred.

3.18 Finance Income and Costs

Finance income and finance costs comprise interest income and interest expense respectively. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3. Significant Accounting Policies *(Contd.)*

3.19 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 recognized 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. Revenue

	2022	2021
	Euro	Euro
Pharmaceutical Products	**133,552**	237,450
Product Development Profit Share	**214,850**	151,013
Manufacturing Services	**6,180,381**	3,941,027
Contract Development	**311,875**	-
Contract Testing Services	**305,041**	459,788
Licensing Fees	**1,433,060**	855,500
Other Services	**260,563**	535,572
	8,839,322	6,180,350

5. Operating Profit

5.1 The results from operating activities are stated after charging/(crediting) the following:

	2022	2021
	Euro	Euro
Auditors' Remuneration	**14,000**	10,500
Auditors' Remuneration – Other Non-Audit Services	**900**	900
Depreciation and Amortisation	**1,264,535**	1,035,366
Directors' Remuneration	**205,863**	199,823
Director's Consultancy Services	**240,000**	240,000
Expected Credit Losses	**55,561**	-
Provision for Impaired Inventories	**(39,281)**	41,113

5.2 Employee Information

The average weekly number of persons employed by the Company during the year, including the working directors, was 91 (2021 – 78). Staff costs for the year comprised:

	2022	2021
	Euro	Euro
Salaries	**2,719,756**	2,284,043
Social Costs	**201,353**	167,387
	2,921,109	2,451,430

The cost of salaries by segment was as follows:

	2022	2021
	Euro	Euro
Directors' Remuneration (excluding Capitalized Salaries)	**139,824**	149,960
Administrative and Managerial	**297,117**	182,130
Operational	**123,731**	268,717
Production	**1,225,964**	962,778
Salaries Capitalised	**1,134,473**	887,845
	2,921,109	2,451,430

5.3 The average number of persons employed by the Company by segment was as follows:

	2022	2021
	No.	No.
Administrative and Managerial	**14**	15
Operational	**2**	2
Production	**28**	24
Product Development, IP and Buildings	**47**	37
	91	78

6. Finance Income and Finance Costs

	2022	2021
	Euro	Euro
Realized Gain on Exchange	**35,811**	27,699
Finance Income	35,811	27,699
Bank Interest Payable	**(27,917)**	(18,828)
Bank Loan Interest	**(65,863)**	(87,187)
Interest on Lease Liabilities	**(102,614)**	(101,639)
Interest on Subsidiary Company Loan	**(397,955)**	(337,907)
Interest on Other Loans	**(58,036)**	(17,843)
Other Interest	**(60,966)**	-
Unrealized Loss on Exchange	**(42,246)**	(51,891)
Finance Costs	(755,597)	(615,295)
Net Finance Costs	(719,786)	(587,596)

7. Tax Expense

	2022	2021
	Euro	Euro
Foreign Taxation	**42,402**	75,025
Total Tax Charge	42,402	75,025

Foreign taxation represents withholding taxes incurred on royalty income received by the Company.

7.1 Reconciliation of Effective Tax Rate

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

	2022	2021
	Euro	Euro
Profit for the Year	**220,450**	124,142
Tax Using the Company's Domestic Tax Rate of 35%	**77,158**	43,450
Tax Effect of:		
Depreciation Charges not Deductible by way of Taxable Deductions	**(31,522)**	(34,533)
Non-Allowable Expenses	**75,051**	24,245
Tax Losses and Capital Allowances Carried Forward/(Absorbed)	**(120,687)**	(33,162)
Foreign Withholding Tax Paid	**42,402**	75,025
Tax Expense for the Year	**42,402**	75,025

7. Tax Expense *(Contd.)*

7.3 Deferred Taxation

The Company has unabsorbed trading losses and capital allowances carried forward which are available for set-off against future taxable profits. The deferred tax benefits arising from these unabsorbed trading losses and capital allowances have not been recognized in these financial statements because the probability that future taxable profits will be available for set-off in the near future against the deferred tax asset is not assured.

Deferred tax has been computed solely on the revalued leasehold land and buildings at the rate of 8% as follows:

	2022	2021
	Euro	Euro
At Beginning of Year	**1,252,000**	1,207,009
Movement for the Year	-	44,991
At End of Year	**1,252,000**	1,252,000

8. Property, Plant and Equipment

	At 01.01.22	Additions	Disposals	**At 31.12.22**
	Euro	Euro	Euro	**Euro**
Cost:				
Laboratory Equipment	1,405,722	124,208	-	**1,529,930**
Equipment and Machinery	8,523,818	208,623	(64,030)	**8,668,411**
Furniture and Fixtures	199,011	40,332	-	**239,343**
Computer Software and Hardware	359,832	27,018	-	**386,850**
	10,488,383	400,181	(64,030)	**10,824,534**

	At 01.01.22	Charge For Year	Released on Disposal	**At 31.12.22**
	Euro	Euro	Euro	**Euro**
Depreciation:				
Laboratory Equipment	994,439	57,587	-	**1,052,026**
Equipment and Machinery	4,039,418	395,522	(17,929)	**4,417,011**
Furniture and Fixtures	153,886	16,920	-	**170,806**
Computer Software and Hardware	342,269	14,945	-	**357,214**
	5,530,012	484,974	(17,929)	5,997,057
Net Book Amount	4,958,371			**4,827,477**

8. Property, Plant and Equipment *(Contd.)*

8.1 At year end, the Company was still making use of the following fully depreciated assets:

	Euro
Laboratory Equipment	828,660
Fixtures and Fittings	121,989
Computer Equipment	338,860

8.2 During 2021, the Company effected a change in the depreciation rate of Equipment and Machinery from 10% to 6.67% and a change in the depreciation rate of Laboratory Equipment from 20% to 10%. Such changes have been adjusted for prospectively over the remaining useful life of the assets.

8.3 On 20 November 2020, the Company entered into an agreement with Xspray Pharma AB for the development of an Xspray facility within the Company's premises. The initial capital investment of such facility estimated at € 1.3 million will be reimbursed by Xspray Pharma AB by way of an advanced payment on account of the contractual annual rent. At year end, Xspray was finalizing the design and layouts of their custom-designed equipment which is expected to be provided in final version during the first half of 2023. Construction of the corresponding production rooms will start at the Company's premises accordingly. In 2022, some initial works were initiated and a corresponding environmental application process has been initiated with ERA. Milestone and regular payments are being received from Xspray according to contractual obligations.

9. Right-of-Use Assets

	At 01.01.22	Additions	**At 31.12.22**
	Euro	Euro	**Euro**
Valuation:			
Leasehold Land and Buildings	17,491,601	111,254	**17,602,855**
	At 01.01.22	Charge For Year	**At 31.12.22**
	Euro	Euro	**Euro**
Depreciation:			
Leasehold Land and Buildings	1,841,600	279,208	**2,120,808**
Net Book Amount	15,650,001		**15,482,047**

9.1 The Company's right-of-use assets comprising of land and buildings are stated at their revalued amount, this being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's right-of-use land and buildings was performed on 31 January 2022 by MGS Architects, who are independent valuers. Prior to the said valuation, another valuation had been carried out by TBA Periti as at 31 March 2017.

9. Right-of-Use Assets *(Contd.)*

9.2 Had land and buildings been stated using the historical cost basis, the amounts would be as follows:

	2022	2021
	Euro	Euro
Land		
Cost	**1,250,920**	1,250,920
Accumulated Depreciation	**(105,847)**	(86,602)
Net Book Amount	**1,145,073**	1,164,318
Buildings		
Cost	**4,423,545**	4,312,291
Accumulated Depreciation	**(1,104,780)**	(1,026,493)
Net Book Amount	**3,318,765**	3,285,798

10. Intangible Assets

	At 01.01.22	Additions	Reclassifications	**At 31.12.22**
	Euro	Euro	Euro	**Euro**
Cost:				
Developed Products	-	-	703,462	**703,462**
Intellectual Property	2,688,335	631,332	-	**3,319,667**
Licences	807,147	168,962	-	**976,109**
Products under Development	4,385,467	876,686	(703,462)	**4,558,691**
	7,880,949	1,676,980	-	**9,557,929**

	At 01.01.22	Charge For Year	Reclassifications	**At 31.12.22**
	Euro	Euro	Euro	**Euro**
Amortisation:				
Developed Products	-	70,344	-	**70,344**
Intellectual Property	1,159,462	331,959	-	**1,491,421**
Licences	410,946	98,050	-	**508,996**
	1,570,408	500,353	-	**2,070,761**
Net Book Amount	6,310,541			**7,487,168**

10.1 Products under development are currently not being amortised since such products under development were still in progress at year end.

10.2 During the year, readily developed product costs amounting to € 703,462 and which products started to be manufactured by the Company, have been reclassified from products under development and are being amortised over a period of 10 years.

11. Investment in Subsidiary

	2022	2021
	Euro	Euro
Equity Investments		
Investment in Subsidiary Company at Cost	**250,000**	46,588
Net Equity Movement in Investment in Subsidiary Company	**(85,055)**	(38,411)
Net Investment in Subsidiary	164,945	8,177

11.1 The Company's subsidiary as at 31 December 2022 is set out below. The share capital consists solely of ordinary shares that is held directly by the Company and the proportion of ownership interest held equals the voting rights held by the Company. During the year, the subsidiary company affected an increase in share capital, which increase was fully allotted to the Company. The country of registration is also the principal place of business:

Subsidiary	Incorp. In	% Holding 2022	% Holding 2021	Nature of Business
Pharmacare Finance Plc.	Malta	**99.9%**	99.9%	Group Financing Company

12. Inventories

	2022	2021
	Euro	Euro
Consumables	**367,641**	311,602
Raw Materials	**1,373,081**	957,801
Works in Progress	**340,724**	186,174
Finished Goods	**27**	681,206
	2,081,473	2,136,783
Provision for Impaired Inventories	**(1,831)**	(41,113)
	2,079,642	2,095,670

12.1 As from the current financial year, the Company started allocating labour and factory overheads to the cost of inventories held within works in progress and finished goods.

13. Trade and Other Receivables

	2022	2021
	Euro	Euro
Trade Receivables	**1,867,880**	1,097,268
Trade Receivables from Related Company	**614,308**	614,308
Accrued Income	**4,119,435**	2,353,717
Advance Payments to Suppliers	**198,250**	36,554
Other Receivables	**43,920**	-
Prepayments	**53,137**	54,519
Deferred Expenses	**114,407**	80,743
Indirect Taxation	**469,198**	407,524
Amounts due from Subsidiary Company	**4,137**	-
Amounts due from Parent Company	**-**	19,345
Amounts due from Shareholder	**12,557**	7,244
	7,497,229	4,671,222

13.1 The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 23.3. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses experienced within this period. History shows that the Company rarely suffered credit losses. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

13.2 Trade receivables are stated net of provisions for expected credit losses amounting to € 55,561 (2021: € Nil). Movement in provision for expected credit losses during the year amounted to € 55,561 which amount was charged to profit and loss account.

13.3 No allowance for expected credit losses is being provided on trade receivables due from the related company as the receipt thereof is guaranteed by the ultimate parent company.

13.4 The amounts due from the parent company, subsidiary company, shareholder and other related parties are unsecured, interest free and repayable on demand. No allowance for expected credit losses is being provided on such balances as the directors are confident that all balances due are recoverable.

14. Non-Interest Bearing Receivables

	2022	2021
	Euro	Euro
Current:		
Amounts due from Related Company	**85,955**	85,955
Provision for Expected Credit Losses	**(85,954)**	(85,954)
Total Non-Interest Bearing Receivables	**1**	1

14.1 The amounts due from the related company are stated net of an expected credit loss allowance for the full amount receivable.

14.2 These amounts due from the related company are unsecured, interest free and repayable on demand.

15. Cash and Cash Equivalents

	2022	2021
	Euro	Euro
Cash Balances	**673**	1,408
Bank Balances	**316,911**	548,449
	317,584	549,857
Bank Overdraft	**(1,039,652)**	(388,821)
Bank Balance Overdrawn	**(6,460)**	(5,408)
Net Cash and Cash Equivalents	**(728,528)**	155,628

15.1 No allowance for expected credit losses is being provided on bank balances held as these funds are maintained with reputable financial institutions.

16. Capital and Reserves

16.1 Share Capital

	2022	2021
	Euro	Euro
Authorised		
11,300,000 A Ordinary Shares of € 1 each	**11,300,000**	11,300,000
1,630,000 B Ordinary Shares of € 1 each	**1,630,000**	1,630,000
2,107,613 C Ordinary Shares of € 1 each	**2,107,613**	2,107,613
1,045,140 D Ordinary Shares of € 1 each	**1,045,140**	1,045,140
3,330,000 E Ordinary Shares of € 1 each	**3,330,000**	3,330,000
4,087,247 F Ordinary Shares (2021 – 4,387,247) of € 1 each	**4,087,247**	4,387,247
500,000 G Ordinary Shares (2021 – 200,000) of € 1 each	**500,000**	200,000
	24,000,000	24,000,000
Issued and Fully Paid Up		
10,750,000 A Ordinary Shares (2021 – 10,299,625) of € 1 each,	**10,750,000**	10,299,625
1,203,352 B Ordinary Shares (2021 – 1,203,352) of € 1 each	**1,203,352**	1,203,352
2,058,860 C Ordinary Shares (2021 – 2,058,860) of € 1 each	**2,058,860**	2,058,860
1,045,140 D Ordinary Shares (2021 – 1,045,140) of € 1 each	**1,045,140**	1,045,140
1,571,363 E Ordinary Shares (2021 – 1,521,363) of € 1 each	**1,571,363**	1,521,363
500,000 F Ordinary Shares of € 1 each	**500,000**	500,000
500,000 G Ordinary Shares (2021 – Nil) of € 1 each	**500,000**	-
	17,628,715	16,628,340

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.

16.2 Reserves

16.2.1 Share Premium

Share premium represents funds received on the issue of shares at a premium.

16. Capital and Reserves *(Contd.)*

16.2 Reserves *(Contd.)*

16.2.2 Other Reserve

The revaluation reserve arises from the revaluation of the right-of-use of land and buildings. During 2017, the Company acquired a 65-year emphytheusis on the land and buildings which were valued by independent architects at € 15,120,000. The revaluation increase was recognised in equity as a reserve. This revaluation was revised to € 15,087,613 during 2018 by way of a prior year adjustment. During 2019, the revaluation reserve was decreased by a further deferred tax movement of € 515,173 in view of the fact that should the Company dispose of such right-of-use assets, it would be liable to final withholding tax of 8% of the transfer value. On 31 January 2022 a further revaluation of property was performed by MGS Architects at € 15,650,000. The revaluation increase was recognised in equity as a reserve net of deferred tax movement on the said revaluation.

16.3 Capital Contribution

This balance in the comparative period represented funds advanced and contributed by the shareholders and other prospective investors on account of share capital increases, inclusive of share premium. The said share increases have been duly registered with the Malta Business Registry during the year.

17. Interest-Bearing Borrowings

	2022	2021
	Euro	Euro
Non-Current:		
Amounts due to Third Party	**799,665**	1,056,332
Amounts due to Subsidiary Company	**5,079,010**	4,879,010
Amounts due to Shareholders	**359,473**	353,019
	6,238,148	6,288,361
Current:		
Amounts due to Third Party	**1,116,000**	1,116,000
Total Interest-Bearing Borrowings	**7,354,148**	7,404,361

17.1 The third-party loan is secured by various hypothecs, guarantees and pledges. The loan bears interest at 1.5% per annum above the prevailing ECB base rate. During the 2020, the loan was repayable in 6-monthly instalments of € 256,667 following a 24-month moratorium period from 26 May 2017. In 2020, in view of the COVID-19 pandemic, the Company was granted a further moratorium, and thus only interest was paid on this loan during 2020. During 2021, the repayments were changed to € 93,000 per month, however this change is not substantiated by a formal amendment.

17.2 The subsidiary company loan is unsecured, bears interest at 6.85% p.a. and is repayable within 10 years from 6 November 2018. Effective July 2021, the interest rate was increased to 7% per annum and effective from 1 January 2022, the interest rate was further increased to 8% per annum.

17.3 The shareholders' loans are unsecured, bear interest at 1.8% per annum and have no fixed date of repayment.

18. Non-Interest Bearing Borrowings

	2022	2021
	Euro	Euro
Non-Current		
Amounts due to Ultimate Parent Company	**3,647,887**	28,848
Current:		
Amounts due to Third Party	**-**	1,000,000
Amounts due to Shareholders	**49,902**	49,902
	49,902	1,049,902
Total Non-Interest-Bearing Borrowings	**3,697,789**	1,078,750

18.1 The ultimate parent company balances are unsecured, interest-free and have no fixed date of repayment.

18.2 The third party loan and shareholders' loans are unsecured, interest-free and repayable on demand. The third party loan was settled in full during the current financial year.

19. Bank Borrowings

	2022	2021
	Euro	Euro
Non-Current:		
Bank Loans	**565,983**	970,292
Current:		
Bank Loans	**470,172**	470,172
Bank Overdraft	**1,039,652**	388,821
Bank Balance Overdrawn	**6,460**	5,408
	1,516,284	864,401
Total Bank Borrowings	**2,082,267**	1,834,693

19.1 The bank loans and overdraft are secured by various hypothecs, guarantees and pledges.

19.2 The Company has three bank loans which are all repayable within 7 years from the drawdown date during 2018. These loans are subject to the following interest and repayment programmes:

- Bank Loan I – subject to interest at 4.95% per annum and repayable in monthly instalments of € 10,672.
- Bank Loan II – subject to interest at 4.95% per annum and repayable in monthly instalments of € 11,328.
- Bank Loan III – subject to interest at 5.40% per annum and repayable in monthly instalments of € 17,181.

These loans were further subject to a 2-year moratorium on capital repayments from the drawdown date. During 2020, the Company was granted a further 4-month moratorium on capital and interest from May to August in view of the onset of the COVID-19 pandemic. No discounting was considered necessary in view that there was no substantial modification to the terms and agreements.

20. Lease Obligations

	2022	2021
	Euro	Euro
Non-Current		
Lease Obligation payments due after 1 year	**1,218,445**	1,209,503
Current		
Lease Obligation payments due within 1 year	**93,441**	91,216
Total Lease Obligations	**1,311,886**	1,300,719

20.1 During 2017, the Company renegotiated its tenure for the premises occupied by it from a rental agreement to a 65-year emphyteutical lease for the land and building at Hal Far, Malta. The finance lease liabilities are payable as follows:

	Within 1 Year	Between 2-5 Years	Over 5 Years
	Euro	Euro	Euro
31 December 2022			
Future Minimum Lease Payments	**93,440**	**376,098**	**6,920,035**
Interest	**(103,394)**	**(422,416)**	**(5,551,878)**
Present Value of Minimum Lease Payments	**(9,954)**	**(46,318)**	**1,368,158**
31 December 2021			
Future Minimum Lease Payments	91,216	373,762	7,016,043
Interest	(102,614)	(418,776)	(5,658,912)
Present Value of Minimum Lease Payments	(11,398)	(45,014)	1,357,131

21. Trade and Other Payables

	2022	2021
	Euro	Euro
Non-Current:		
Other Social Taxes	**857,667**	864,026
Current:		
Trade Payables	**1,326,694**	941,188
Trade Payables due to Related Companies	**1,056,969**	162,619
Other Payables	**-**	384,955
Deposits Received from Customers	**65,693**	-
Other Social Taxes	**1,035,562**	944,864
Accruals	**486,862**	1,009,970
Deferred Income	**356,599**	271,786
	4,328,379	3,715,382
Total Trade and Other Payables	**5,186,046**	4,579,408

21. Trade and Other Payables *(Contd.)*

21.2 The other social taxes payable are subject to repayment agreements as follows:

- Agreement I – repayable in 48 monthly instalments of € 6,732 from 20 June 2017;
- Agreement II – repayable in 60 monthly instalments of € 6,526 from 21 January 2019;
- Agreement III – repayable in 60 monthly instalments of € 7,913 from 21 May 2019;
- Agreement IV – repayable in 48 monthly instalments of € 10,908 from 21 May 2022;
- Agreement V – repayable in 60 monthly instalments of € 9,600 from 21 May 2022;
- Agreement VI – repayable in 60 monthly instalments of € 8,390 from 20 August 2022:

Agreement I was fully repaid during 2021. Part of the current year's social taxes amounting to € 499,000 and which amounts have not yet been paid to the Commissioner for Revenue are not supported by a repayment agreement and are classified within current liabilities.

22. 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.

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				
Investment in Subsidiary	164,945	-	164,945	-
Trade and Other Receivables	7,497,229	-	-	7,497,229
Non-Interest Bearing Receivables	1	-	-	1
Cash and Cash Equivalents	317,584	-	-	317,584
	7,979,759	-	164,945	7,814,814
Financial Liabilities				
Interest-Bearing Borrowings	7,354,148	-	-	7,354,148
Non-Interest-Bearing Borrowings	3,697,789	-	-	3,697,789
Bank Borrowings	2,082,267	-	-	2,082,267
Lease Obligations	1,311,886	-	1,311,886	-
Trade and Other Payables	5,390,046	-	-	5,390,046
	19,836,136	-	1,311,886	18,524,250

22. Fair Value Hierarchy (*Contd.*)

	Total	Level 1	Level 2	Level 3
	Euro	Euro	Euro	Euro
31 December 2021				
Financial Assets				
Investment in Subsidiary	8,177	-	8,177	-
Trade and Other Receivables	4,671,222	-	-	4,671,222
Non-Interest Bearing Receivables	1	-	-	1
Cash and Cash Equivalents	549,857	-	-	549,857
	5,229,257	-	8,177	5,221,080
Financial Liabilities				
Interest-Bearing Borrowings	7,404,361	-	-	7,404,361
Non-Interest-Bearing Borrowings	1,078,750	-	-	1,078,750
Bank Borrowings	1,834,693	-	-	1,834,693
Lease Obligations	1,300,719	-	1,300,719	-
Trade and Other Payables	4,579,408	-	-	4,579,408
	16,197,931	-	1,300,719	14,897,212

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

23. Financial Risk Management

23.1 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.

23.2 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:

23.2 Risk Management Framework

23.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Company's credit sales both to third parties and related entities. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Company has implemented credit reviews of new and existing customers before entering into contracts.

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 period was as follows:

	2022	2021
	Euro	Euro
Investment in Subsidiary	**164,945**	8,177
Trade and Other Receivables	**7,497,229**	4,671,222
Non-Interest Bearing Receivables	**1**	1
Cash and Cash Equivalents	**317,584**	549,857
	7,979,759	5,229,257

The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses experienced within this period. History shows that the Company rarely suffered credit losses. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

23.4 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

23. Financial Risk Management *(Contd.)*

23.4 Liquidity Risk *(Contd.)*

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	**1,116,000**	**799,665**	**5,079,010**	**359,473**
Non-Interest Bearing Borrowings	**49,902**	**3,647,887**	**-**	**-**
Bank Borrowings	**1,516,284**	**470,172**	**95,811**	**-**
Lease Obligation	**93,440**	**93,440**	**282,658**	**6,920,035**
Trade and Other Payables	**4,328,379**	**402,167**	**455,500**	**-**
	7,104,005	**5,413,331**	**5,912,979**	**7,279,508**
31 December 2021				
Interest-Bearing Borrowings	1,116,000	1,116,000	4,464,000	708,361
Non-Interest Bearing Borrow	1,049,902	-	-	28,848
Bank Borrowings	864,401	-	-	970,292
Lease Obligation	91,216	93,441	376,098	739,964
Trade and Other Payables	3,715,382	419,364	444,662	-
	6,836,901	1,628,805	5,284,760	2,447,465

23.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange currency financial instruments and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The overall effect of fluctuations in exchange rate at the reporting date on financial instruments such as trade receivables and payables are not considered by management to be material on the results of the Company.

23.5.1 Fair Value or Cash Flow Interest Rate Risk

The Company is exposed to cash flow interest rate risk from short term and long term borrowings at variable rates. The bank borrowings are dominated in Euro. Based on simulations performed, the impact on profit and loss and net assets of a 100 basis-point shift (being the maximum reasonable expectation of changes in interest rates) would be an increase or decrease of € 103,615 (2021 - € 92,391).

23.5.2 Currency Risk

The Company is exposed to currency risk on monetary amounts denominated in a currency other than the functional currency of the Company (€), mainly the US Dollar. Since the exposure is not significant, no hedging is performed by the Company.

23. Financial Risk Management *(Contd.)*

23.6 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's objectives are to safeguard their ability to continue as a going concern, so that they can continue to provide benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

24. Related Parties

24.1 Parent and Ultimate Controlling Party

The Company is a subsidiary of Pharmacare Europe Limited (the "Immediate Parent Company"), whose registered offices are at HHF 003, Hal Far Industrial Estate, Hal Far, Malta.

Pharmacare Europe Limited is in turn a subsidiary of Dar Al-Shifa' for Manufacturing of Pharmaceuticals Plc. (the "Ultimate Parent Company"), a company incorporated in Palestine.

No single party has a controlling interest in the Company.

The ultimate parent company prepares consolidated financial statements for the Group, which statements will be filed with the Malta Business Registry.

24.2 Identity of Related Parties

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

24.3 Related Party Transactions and Balances

	2022	2021
	Euro	Euro
Ultimate Parent Company		
Expenses Incurred from	**(1,127,671)**	(857,332)
Net Funds Advanced by/(to)	**3,619,039**	(102,190)
Immediate Parent Company		
Net Funds Advanced by/(to)	**19,345**	(3,184)
Related Companies		
Expenses Incurred from	**(597,113)**	(1,069,573)
Net Funds Advanced by/(to)	**894,350**	(277,966)

24. Related Parties *(Contd.)*

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

	2022	2021
	Euro	Euro
Subsidiary Company		
Interest Payable to	**(397,954)**	(337,907)
Net Funds Advanced by/(to)	**195,863**	-
Shareholders		
Interest Payable to	**(6,454)**	(7,272)
Net Funds Advanced by/(to)	**1,141**	(54,938)

Amounts due to and from related parties are disclosed in Notes 13, 14, 17, 18 and 21 to these financial statements.

The key management of the Company are considered to be the directors of the Company. The directors' remuneration and services have been disclosed in Note 5 to these financial statements.

25. Operating Commitments

As at year end, the Company did not have any other operating lease commitments.

26. Contingent Liabilities

26.1 Court Actions

As at year end, the Company had the following court actions being taken against it:

(i) The Company was served with a garnishee order for € 149,980 following a dispute with a supplier for work on the Company's premises which was considered substandard. The amount in dispute is actually € 152,000. During 2020, the Court rejected the counter-claim of the Company and ordered the Company to pay the supplier an amount of € 165,980. The Company has appealed the judgement and the outcome of the appeal is still unknown. In 2021, the Company was served with another garnishee order relating to this case for € 79,305.

(ii) The Company was served with another garnishee order for € 8,371 following a dispute with another supplier for trenching works carried out but which remain unpaid. The Company is claiming that such amounts are not due as these works were not quoted in the initial quotation of costs provided by the plaintiff. The proceedings are still ongoing and the outcome is still unknown.

(iii) A third-party supplier is claiming amounts of € 69,380 with respect to invoices for architectural works and machinery furnished to the Company. The Company is claiming that the relative invoices were paid and in return has requested a refund for over payments made. The proceedings are still ongoing and the Company is expecting judgement in 2023.

Management is contesting these cases and is convinced of a positive outcome. No provision for any liability that might arise from the above actions has been made in these financial statements.

26. Contingent Liabilities ***(Contd.)***

26.2 Guarantees

Guarantor for Subsidiary Company
As at year end, the Company was acting as a guarantor for a bond issue to the value of € 5 million issued by its subsidiary company, Pharmacare Finance P.l.c. and which funds have been advanced to the Company for the development of new oncological pharmaceutical products.

27. 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 shift 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 operations. As at the date of this report, the Company is 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 performance and operations.

28. Subsequent Events

28.1 New Bond Issue and Loan Advanced by the Subsidiary Company
In February 2023, the subsidiary company, Pharmacare Finance P.l.c. 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 subsidiary company, Pharmacare Finance P.l.c. then advanced the proceeds from such bond issue, net of the redemption of the prior bond, to the Company 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 subsidiary company's prior bonds in issue, including interest and redemption premium.
- € 3,600,000 For part-financing of the capacity expansion of the 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 Company's operations.
- € 3,800,000 For part-financing of further product development projects of the Company.
- € 4,400,000 For general corporate funding purposes of the group.

28. Subsequent Events ***(Contd.)***

28.2 Others

The directors evaluated 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.

29. Comparative Figures

Certain comparative figures have been amended to conform to the current year's presentation.

PHARMACARE PREMIUM LIMITED

SCHEDULE TO INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	Euro	Euro
Revenue		
Pharmaceutical Products	**133,552**	237,450
Product Development Profit Share	**214,850**	151,013
Manufacturing Services	**6,180,381**	3,941,027
Contract Development	**311,875**	-
Contract Testing Services	**305,041**	459,788
Licensing Fees	**1,433,060**	855,500
Other Services	**260,563**	535,572
	8,839,322	6,180,350
Cost of Sales		
Opening Inventory	**2,136,783**	1,333,237
Purchases	**1,787,892**	887,152
Freight and Other Charges	**123,395**	68,567
Direct Costs	**764,862**	614,095
Direct Productive Wages and Social Costs	**1,225,964**	962,778
Subcontracting Services	**520,443**	759,284
	6,559,339	4,625,113
Closing Inventory	**(2,081,473)**	(2,064,436)
Movement in Provision for Impaired Inventories	**(39,281)**	41,113
Factory Cost of Production	**4,438,585**	2,601,790
Gross Profit	**4,400,737**	3,578,560
Depreciation and Amortisation		
Amortisation of Intangible Assets	**500,353**	349,120
Depreciation of Property, Plant and Equipment	**484,974**	451,749
Depreciation of Right-of-Use Assets	**279,208**	234,497
	1,264,535	1,035,366
Overheads		
Operational Overheads	**893,924**	978,890
Selling and Distribution Overheads	**222,583**	138,336
Administrative Overheads	**986,714**	699,312
	2,103,221	1,816,538
Operating Profit	**1,032,981**	726,656

PHARMACARE PREMIUM LIMITED

SCHEDULE OF OVERHEADS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	Euro	Euro
Operational Overheads		
Computer Licences and Expenses	**131,475**	119,768
Consultancy Fees	**39,600**	50,029
Director's Remuneration	**174,633**	174,543
Director's Remuneration Capitalized to Product Development	**(66,039)**	(49,863)
Insurances	**45,156**	34,743
Repairs and Maintenance	**44,547**	22,551
Recruitment Expenses	**11,868**	-
Salaries and Social Costs	**123,731**	268,717
Staff Welfare and Clothing	**37,483**	37,205
Training Costs	**8,627**	-
Waste Disposal	**81,304**	87,380
Water and Electricity	**261,539**	233,817
	893,924	978,890
Selling and Distribution Overheads		
Advertising and Promotion	**10,147**	4,224
Commission Payable	**38,438**	75,604
Entertainment	**16,714**	10,907
Provision for Expected Credit Losses	**55,561**	-
Fuel and Oil	**74,367**	39,159
Travelling and Accommodation	**27,356**	8,442
	222,583	138,336
Administrative Overheads		
Accountancy Fees	**53,624**	53,477
Administration and Management Fees	**348**	1,269
Auditors' Remuneration	**14,000**	10,500
Bank Charges	**36,227**	18,488
Building Security	**56,248**	42,731
Car Expenses and Other Short-Term Leases	**36,655**	14,005
Cleaning	**8,234**	7,150
Collateral Premium Charge	**1,335**	1,335
Consulting and Professional Fees	**124,474**	64,581
Directors' Remuneration	**31,230**	25,280
Director's Consultancy Services	**240,000**	240,000
Donations	**3,000**	1,730
Fines and Penalties	**9,814**	3,491
Legal Fees	**35,964**	6,194
Printing and Stationery	**28,204**	14,386
Registration Fees	**1,400**	1,200
Salaries and Social Costs	**297,117**	182,130
Subscriptions	**3,241**	4,860
Telecommunication Expenses	**5,599**	6,505
	986,714	699,312