Smartcare Pinto Ltd

Report & Financial Statements

31 December 2022

Company registration number: C 86395

Contents

Director's report

The director presents his report and the audited financial statements for the year ended 31 December 2022.

Principal activities

The company's principal activity is to operate an old people's home.

Review of the business

The company registered a loss before tax of € 30,029 (2021: profit before tax of € 102,481) during the year under review.

The company managed to achieve revenue growth, but despite this, increases in labour and other direct operational costs, and administrative expenses, resulted in worsened financial results when compared to prior year. The management is exploring ways to better control controllable costs.

The director expects better results in the foreseeable future.

Results and dividends

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

Director

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

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

Disclosure of information to the auditor

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

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

Statement of director's responsibilities

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

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

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

Auditor

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

Andrew Debattista Segond
Director

Registered address:
326, Mdina Road
Qormi
Malta

28 April 2023

Statement of comprehensive income

	Notes	2022	2021
		€	**€**
Revenue	5	**2,789,161**	**2,589,042**
Cost of sales		(1,458,873)	(1,263,594)
Gross profit		**1,330,288**	**1,325,448**
Other income		32,833	5,254
Administrative expenses		(848,011)	(679,071)
Impairment loss on financial assets		-	(6,332)
Earnings before interest, tax, depreciation and amortisation		**515,110**	**645,299**
Depreciation and amortisation		(236,411)	(243,953)
Finance costs	7	(308,728)	(298,865)
(Loss) profit before tax	8	**(30,029)**	**102,481**
Tax income (expense)	9	9,090	(37,290)
(Loss) profit for the year		**(20,939)**	**65,191**
Other comprehensive (loss) income			
Items that will be reclassified subsequently to profit or loss:			
Tax effect on revalued property, plant and equipment		(201,264)	(52,672)
Other comprehensive loss for the year		**(201,264)**	**(52,672)**
Total comprehensive (loss) income for the year		**(222,203)**	**12,519**

Statement of financial position

	Notes	2022	2021
		€	€
Assets			
Non-current			
Property, plant and equipment	10	18,197,498	16,459,289
Intangible assets	11	-	2,772
Loan receivable	12	2,733,819	-
		20,931,317	**16,462,061**
Current			
Trade and other receivables	13	1,918,651	3,643,505
Cash and cash equivalents	14	156,527	3,106
		2,075,178	**3,646,611**
Total assets		**23,006,495**	**20,108,672**

Statement of financial position – continued

	Notes	2022	2021
		€	€
Equity			
Share capital	15	1,200	1,200
Revaluation reserve		11,253,603	11,481,361
Accumulated losses		(517,336)	(522,891)
Total equity		**10,737,467**	**10,959,670**
Liabilities			
Non-current			
Deferred tax liabilities	9	1,291,921	1,099,747
Borrowings	17	7,839,023	5,141,000
Payables	16	464,273	100,281
		9,595,217	**6,341,028**
Current			
Borrowings	17	-	513,952
Trade and other payables	16	2,673,811	2,294,022
		2,673,811	**2,807,974**
Total liabilities		**12,269,028**	**9,149,002**
Total equity and liabilities		**23,006,495**	**20,108,672**

The financial statements on pages 4 to 27 were approved, authorised for issue and signed by the director on 28 April 2023.

Andrew Debattista Segond
Director

Statement of changes in equity

	Share capital €	Accumulated losses €	Revaluation reserve €	Total equity €
At 1 January 2021	1,200	(614,574)	11,560,525	10,947,151
Profit for the year	-	65,191	-	65,191
Other comprehensive loss	-	-	(52,672)	(52,672)
Excess depreciation	-	26,492	(26,492)	-
At 31 December 2021	**1,200**	**(522,891)**	**11,481,361**	**10,959,670**
At 1 January 2022	1,200	(522,891)	11,481,361	10,959,670
Loss for the year	-	(20,939)	-	(20,939)
Other comprehensive loss	-	-	(201,264)	(201,264)
Excess depreciation	-	26,494	(26,494)	-
At 31 December 2022	**1,200**	**(517,336)**	**11,253,603**	**10,737,467**

Statement of cash flows

	Notes	2022	2021
		€	€
Operating activities			
(Loss) profit before tax		(30,029)	102,481
Adjustments	18	545,175	549,150
Net changes in working capital	18	(265,185)	(1,126,268)
Interest paid		(38,550)	(26,905)
Net cash generated/(used in) from operating activities		**211,411**	**(501,542)**
Investing activities			
Acquisition of property, plant and equipment	10	(1,974,883)	(1,241,933)
Proceeds from disposal of property, plant and equipment		3,000	-
Net cash used in investing activities		**(1,971,883)**	**(1,241,933)**
Financing activities			
Proceeds from bank borrowings		449,023	-
Advances from related parties, net		2,249,000	1,721,000
Interest paid		(270,178)	(271,960)
Net cash generated from financing activities		**2,427,845**	**1,449,040**
Net increase in cash and cash equivalents		667,373	(294,435)
Cash and cash equivalents, beginning of year	14	(510,846)	(216,411)
Cash and cash equivalents, end of year	14	**156,527**	**(510,846)**

Notes to the financial statements

1 Nature of operations

The company's principal activity is to operate an old people's home.

2 Basis of preparation

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

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

The company forms part of the Smartcare Group of Companies. The ultimate parent company is Smartcare Holdings Ltd, which is registered at the same address. Smartcare Holdings Ltd draws up the consolidated financial statements of the group which the company forms part.

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

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

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 January 2022

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

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

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

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

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

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

4 Summary of accounting policies

4.1 Overall considerations and presentation of financial statements

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

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

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

4.2 Revenue

Revenue is derived from services provided at the care home.

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

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

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

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

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

4.3 Expenses

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

4.4 Foreign currency translation

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

4.5 Employee benefits

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

4.6 Borrowing costs

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

4.7 Intangible assets

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

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

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

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

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

4.8 Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

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

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

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

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

4.9 Impairment testing on tangible and intangible assets

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

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

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

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

4.10 Financial instrument

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

• amortised cost;
• fair value through profit or loss (FVTPL); or
• fair value through other comprehensive income (FVOCI).

In the periods presented, the company does not have any financial assets categorised at FVTPL and FVOCI.

The classification is determined by both:

• the entity's business model for managing the financial asset; and
• the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within 'finance income or finance cost', except for impairment of receivables which is presented within ' credit impairment loss'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Impairment of financial assets

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

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

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

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

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

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

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

Trade and other receivables

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the company uses historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics. Refer to note 20.1 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The company's financial liabilities include trade and other payables and borrowings.

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

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

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

4.11 Income taxes

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

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

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

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

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

4.12 Cash and cash equivalents

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

4.13 Equity, reserves and dividend distributions

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

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

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

Dividend distributions payable to equity shareholders are included with short-term financial liabilities when the dividends are approved in the general meeting prior to the end of the reporting period.

4.14 Provisions

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

4.15 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

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

Significant management judgements

Recognition of deferred taxes

The extent to which deferred taxes can be recognised is based on an assessment of the probability of the company's future taxable income against which the deferred taxes can be utilised (see note 4.11)

Measurement of the expected credit losses

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

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

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

Estimation uncertainty

Impairment of property, plant and equipment and intangible assets

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

Useful lives of depreciable assets

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

Fair value measurement

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

5 Revenue

	2022	2021
	€	€
Revenue from care home	2,789,161	2,589,042

6 Staff costs

	2022	2021
	€	€
Wages and salaries	1,592,556	1,390,499
Social security costs	111,204	95,090
Director's remuneration	102,876	102,785
Recharges to related parties	(344,464)	(316,321)
	1,462,172	**1,272,053**

The average number of persons employed by the company during the year was 79 (2021: 67).

7 Finance costs

Finance costs are analysed as follows:

	2022	2021
	€	€
Interest on related party loan	270,178	271,960
Interest on bank borrowings	38,550	8,122
Other interest	-	18,783
	308,728	**298,865**

8 (Loss) profit before tax

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

	2022	2021
	€	€
Amortisation on intangible assets	2,773	9,076
Depreciation on property, plant and equipment	233,638	234,877
Auditor's remuneration	4,300	4,200
Director's remuneration	102,876	102,785

9 Tax income (expense)

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

	2022	2021
	€	€
(Loss) profit before tax	(30,029)	102,481
Tax rate	35%	35%
Expected tax income (expense)	**10,510**	**(35,868)**
Adjustments:		
Other permanent difference	(1,420)	(1,422)
Actual tax income (expense), net	**9,090**	**(37,290)**
Comprising:		
Deferred tax income (expense)	**9,090**	**(37,290)**

Deferred tax asset (liabilities)

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

	1 January 2021 €	Recognised in profit or loss €	Recognised directly in equity €	31 December 2021 €
Non-current assets				
Property, plant and equipment	(4,668)	8,589	-	3,921
Current assets				
Trade and other receivables	2,716	2,217	-	4,933
Unused tax losses and unabsorbed capital allowances	149,368	(48,096)	-	101,272
Revaluation of property, plant and equipment	(1,157,201)	-	(52,672)	(1,209,873)
Total	**(1,009,785)**	**(37,290)**	**(52,672)**	**(1,099,747)**

Deferred taxes for the comparative periods can be summarised as follows:

	1 January 2022 €	Recognised in profit or loss €	Recognised directly in equity €	31 December 2022 €
Non-current assets				
Property, plant and equipment	3,921	6,289	-	10,210
Current assets				
Trade and other receivables	4,933	-	-	4,933
Unused tax losses and unabsorbed capital allowances	101,272	2,801	-	104,073
Revaluation of property, plant and equipment	(1,209,873)	-	(201,264)	(1,411,137)
Total	**(1,099,747)**	**9,090**	**(201,264)**	**(1,291,921)**

10 Property, plant and equipment

	Land	Buildings	Mechanical & electrical installations	Medical equipment	Furniture and fittings	Hardware	Motor vehicles	Other equipment	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2021	14,064,692	210,308	525,000	750,000	173,000	72,000	11,824	52,000	-	15,858,824
Additions	694,138	-	-	-	-	-	12,800	-	534,995	1,241,933
Reclassification	-	(9,535)	-	-	-	-	-	-	9,535	-
At 31 December 2021	**14,758,830**	**200,773**	**525,000**	**750,000**	**173,000**	**72,000**	**24,624**	**52,000**	**544,530**	**17,100,757**
Depreciation										
At 1 January 2021	-	1,403	26,250	285,679	37,027	27,424	4,730	24,078	-	406,591
Depreciation	-	4,060	40,059	141,681	18,512	13,601	4,925	12,039	-	234,877
At 31 December 2021	**-**	**5,463**	**66,309**	**427,360**	**55,539**	**41,025**	**9,655**	**36,117**	**-**	**641,468**
Cost										
At 1 January 2022	14,758,830	200,773	525,000	750,000	173,000	72,000	24,624	52,000	544,530	17,100,757
Additions	857,012	280	-	-	-	-	-	-	1,117,591	1,974,883
Disposal	-	-	-	(6,195)	-	-	-	-	-	(6,195)
At 31 December 2022	**15,615,842**	**201,053**	**525,000**	**743,805**	**173,000**	**72,000**	**24,624**	**52,000**	**1,662,121**	**19,069,445**
Depreciation										
At 1 January 2022	-	5,463	66,309	427,360	55,539	41,025	9,655	36,117	-	641,468
Depreciation	-	4,060	40,059	140,442	18,512	13,601	4,925	12,039	-	233,638
Disposal	-	-	-	(3,159)	-	-	-	-	-	(3,159)
At 31 December 2022	**-**	**9,523**	**106,368**	**564,643**	**74,051**	**54,626**	**14,580**	**48,156**	**-**	**871,947**
Carrying amount										
At 31 December 2021	**14,758,830**	**195,310**	**458,691**	**322,640**	**117,461**	**30,975**	**14,969**	**15,883**	**544,530**	**16,459,289**
At 31 December 2022	**15,615,842**	**191,530**	**418,632**	**179,162**	**98,949**	**17,374**	**10,044**	**3,844**	**1,662,121**	**18,197,498**

The carrying amounts of the land, buildings and mechanical and electrical installations if the cost model had been used would be € 3,632,372 (2021: € 2,819,206).

11 Intangible assets

	2022	2021
	€	€
Cost		
1 January/31 December	**30,000**	**30,000**
Amortisation		
1 January	27,228	18,152
Charge for the year	2,772	9,076
31 December	**30,000**	**27,228**
Carrying amount 31 December	**-**	**2,772**

12 Loans receivable

	2022	2021
	€	€
Loans receivable from companies under common control	2,130,234	-
Loans receivable from intermediate parent company	454,234	-
Loans receivable from fellow subsidiary	89,449	-
Loans receivable from ultimate parent company	73,995	-
Estimated credit loss	(14,093)	-
	2,733,819	-

The loans receivables from intermediate and ultimate parent company are unsecured, interest-free and repayable after more than one year.

The movement in the expected credit losses is presented below:

	2022	2021
	€	€
At 1 January	14,093	7,761
Impairment loss on financial assets	-	6,332
At 31 December	**14,093**	**14,093**

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

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

13 Trade and other receivables

	2022 €	2021 €
Trade receivables	482,166	224,514
Amounts due from related parties	2,624	2,234,034
Estimated credit loss (refer to note 12)	-	(14,093)
Accrued income	241,424	229,737
Other receivables	24,487	3,330
Financial assets at amortised cost	**750,701**	**2,677,522**
Advances to suppliers	-	958,974
Prepayments	1,167,950	7,009
Total trade and other receivables	**1,918,651**	**3,643,505**

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

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

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

14 Cash and cash equivalents

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

	2022 €	2021 €
Cash on hand and in bank	156,527	3,106
Cash and cash equivalents in the statement of financial position	**156,527**	**3,106**
Bank overdraft	-	(513,952)
Cash and cash equivalents in the statement of cash flows	**156,527**	**(510,846)**

15 Share capital

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

	2022 €	2021 €
Shares authorised, issued and fully paid at 31 December		
1,200 ordinary shares of € 1 each	**1,200**	**1,200**

16 Trade and other payables

	2022 €	2021 €
Trade payables	557,299	752,175
Amount due to fellow subsidiary companies	762,561	308,930
Amount due to immediate parent company	767,637	531,495
Accruals	48,396	45,434
Financial liabilities at amortised cost	**2,132,893**	**1,638,034**
Other payables	1,005,191	756,269
Total trade and other payables	**3,138,084**	**2,394,303**
Comprising:		
Non-current		
Other payables	**464,273**	**100,281**
Trade and other payables - current	**2,673,811**	**2,294,022**

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

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

17 Borrowings

	2022 €	2021 €
Loan due to immediate parent company	7,390,000	5,141,000
Bank borrowings	449,023	-
Bank overdraft	-	513,952
Total borrowings	**7,839,023**	**5,654,952**
Comprising:		
Current	-	513,952
Non-current	7,839,023	5,141,000
	7,839,023	**5,654,952**

Bank overdraft

In 2021, the company had a bank overdraft facility of € 600,000. This facility was secured by special and general hypothecs over the company's assets, and by guarantees given by related companies. It was subject to interest at 4.5% per annum.

Bank borrowings are secured by general and special hypothec over the assets of Segond Boutique Hotel Ltd, a pledge over insurance policies and by guarantees given by the director. It is subject to an interest rate of 4.5%

Loans due to immediate parent companies

Loans due to intermediate parent company bear interest at 6.2% - 7.9% per annum and are repayable after more than one year.

18 Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

	2022 €	2021 €
Adjustments:		
Depreciation on property plant and equipment	233,639	234,877
Amortisation on intangible assets	2,772	9,076
Impairment loss on financial assets	-	6,332
Interest expense	308,728	298,865
Loss from disposal of property, plant and equipment	36	
	545,175	**549,150**
Net changes in working capital:		
Trade and other receivables	(1,008,964)	(2,010,244)
Trade and other payables	743,779	883,976
	(265,185)	**(1,126,268)**

19 Related party transactions

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

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

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Outstanding balances are usually settled in cash. Amounts due from/to related parties are disclosed in notes 12, 13, 16 and 17.

19.1 Transactions with related parties

	2022 €	2021 €
Interest expense to immediate and intermediate parent companies	453,278	271,960
Recharges to intermediate and penultimate parent company	14,815	14,640
Recharges to fellow subsidiary companies	217,681	6,297
Recharges to companies under common control	-	295,383

20 Risk management objectives and policies

The company is exposed to various risks in relation to financial instruments. The company's financial assets and liabilities by category are summarised in note 20.4. The main types of risks are credit risk, liquidity risk and market risk.

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

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

20.1 Credit risk

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

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

	Notes	2022 €	2021 €
Classes of financial assets – carrying amounts			
Financial assets at amortised cost:			
Loan receivables	12	2,733,819	-
Trade and other receivables	13	750,701	2,677,522
Cash and cash equivalents	14	156,527	3,106
		3,641,047	**2,680,628**

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

Cash and cash equivalents comprise cash on hand.

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

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

Based on the length of time a trade receivable is outstanding, customer's payment history as well as current and forward-looking information on macroeconomic factors affecting the customer's ability to pay, management concluded that the credit quality of trade receivables including those that are past due but not impaired to be good. The company provided for an expected credit loss on its related party balances amounting to € 14,093 (2021: € 14,093) since the company's main trade receivables have not defaulted any payments.

20.2 Liquidity risk

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

	Current	Non-current	
31 December 2021	**Within one year €**	**2 to 5 years €**	**later than 5 years €**
Loan due to intermediate parent company	-	-	5,141,000
Interest on loan due to intermediate parent company	406,139	1,624,556	1,624,556
Bank overdraft	513,952	-	-
Trade and other payables	1,638,034	-	-
	2,558,125	**1,624,556**	**6,765,556**

31 December 2022	Current Within one year €	Non-current 2 to 5 years €	 later than 5 years €
Loan due to immediate parent company	-	-	7,390,000
Interest on loan due to immediate parent company	545,639	2,182,556	2,182,556
Bank borrowings	-	-	449,023
Trade and other payables	2,132,893	-	-
	2,678,532	**2,182,556**	**10,021,579**

20.3 Market risk

Foreign currency risk

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

Interest rate risk

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

20.4 Summary of financial assets and liabilities by category

The carrying amounts of the company's financial assets and liabilities are recognised at the end of the reporting periods under review may also be categorised as follows. See note 4.10 for explanations about how the category of financial instruments affects subsequent measurement.

	Notes	2022 €	2021 €
Non-current assets			
Financial assets at amortised cost:			
Loan receivables	12	2,733,819	-
		2,733,819	**-**
Current assets			
Financial assets at amortised cost:			
- Trade and other receivables	13	750,701	2,677,522
- Cash and cash equivalents	14	156,527	3,106
		907,228	**2,680,628**
Current liabilities			
Financial assets at amortised cost:			
- Trade and other payables	16	2,132,893	1,638,034
- Bank borrowings	17	-	513,952
		2,132,893	**2,151,986**
Non-current liabilities			
Financial assets at amortised cost:			
- Borrowings	17	**7,839,023**	**5,141,000**

21 Fair value measurement

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

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

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

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

2021	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Property, plant and equipment	-	-	15,412,831

2022	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Property, plant and equipment	-	-	16,226,000

The fair value of the land, building and mechanical and electrical installations at 31 December 2022 and 2021 has been arrived at on the basis of a valuation carried out by independent valuers not related to the company with appropriate qualifications and experience in the valuation of properties in Malta. The fair value of the land, building and mechanical and electrical is based on the estimated market value of the care home as per architect's valuation dated 27 August 2021.

22 Contingent liabilities

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

23 Capital management policies and procedures

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

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

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

24 Post-reporting date events

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

Independent auditor's report

To the shareholder of Smartcare Pinto Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Smartcare Pinto Ltd set out on pages 4 to 27 which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cashflows and notes to the financial statements for the year then ended, including a summary of significant accounting policies.

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

Basis for opinion

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

Other information

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

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

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

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

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

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

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

Responsibilities of those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

Sharon Causon (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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

28 April 2023

Income statement schedule

	Page	2022	2021
		€	€
Revenue		2,789,161	2,589,042
Cost of sales	32	(1,458,873)	(1,263,594)
Gross profit		**1,330,288**	**1,325,448**
Other income		32,883	5,254
Administrative expenses	32	(1,084,422)	(923,024)
Credit impairment loss		-	(6,332)
Operating profit		**278,699**	**401,346**
Finance costs		(308,728)	(298,865)
Profit before tax		**(30,029)**	**102,481**

Income statement schedules – continued

	2022	2021
	€	€
Cost of sales - page 31		
Wages and salaries	919,133	814,828
Consumables and others	483,855	405,527
Subcontracted labour	44,610	36,429
Utilities expenses	11,275	6,810
	1,458,873	**1,263,594**
Administrative expenses – page 31		
Wages and salaries	644,198	588,329
Social security costs	111,204	95,090
Other staff costs	2,420	4,000
Licenses and permits	100	109
Insurance	8,198	8,200
Printing, postage and stationery	9,065	3,638
Telecommunications	24,009	16,632
Health and security	39,781	41,989
Professional fees	124,705	100,195
Bank charges	3,686	5,691
Management fee	-	6,782
Depreciation and amortisation	236,411	243,953
Utilities expenses	78,223	60,894
Expense recharges	(344,464)	(316,321)
Other expenses	126,886	63,843
	1,084,422	**923,024**