smartcare
FINANCE PLC

Smartcare Finance P L C
326, Mdina Road, Qormi, Malta
Co. Reg. No. C 90123
The "**Company**"

COMPANY ANNOUNCEMENT

The following is a company announcement issued by the Company pursuant to the Listing Rules issued by the Listing Authority.

Approval and Publication of Audited Financial Statements

The Company hereby announces that during the meeting of its Board of Directors held on Tuesday 27th April 2021, the Directors considered and approved the Company's Audited Financial Statements for the financial year ended 31st December 2020. Copies of the Company's and the Guarantors' Audited Financial Statements for the financial year ended 31st December 2020 and Smartcare Holdings Limited's Consolidated Audited Financial Statements for the financial year ended 31st December 2020 are attached to this announcement and are also available for viewing and download on the following link on the Company's website http://smartcaremalta.com/smartcare-finance-plc/.

The Board of Directors recommended to the Annual General Meeting of the Company that no dividend be declared.

The Company further announces that the Board of Directors resolved that the audited Financial Statements be submitted to the shareholders for their approval at the Annual General Meeting scheduled to take place on the same day.

The Company is further pleased to announce that the following resolutions were adopted by its shareholders during the Annual General Meeting held on the 27th April 2021.

(i) The Company has approved the audited Financial Statements, the Auditors' Report and the Directors' Report for the financial year ended 31st December 2020.
(ii) The Company has approved the re-appointment of Grant Thornton as the Company's auditor and authorised the Board of Directors to fix their remuneration.
(iii) The Company has approved the re-appointment of the current directors.

The shareholders took note of the Board of Directors' resolution that no dividend be declared.

UNQUOTE

Dr Katia Cachia
Company Secretary

27th April 2021

Smartcare Finance p.l.c.

Report & Financial Statements

31 December 2020

Company Registration Number: C 90123

Contents

Directors' report

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

Principal activity

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

Review of business

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

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

Principal risks and uncertainties

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

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

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

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

Results and dividends

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

Future developments

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

Directors

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

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

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

Disclosure of information to the auditor

At the date of making this report, the directors confirm the following:

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

Statement of directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

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

Andrew Debattista Segond
Director

Ian Joseph Stafrace
Director

Registered address:
326, Mdina Road
Qormi
Malta

27 April 2021

Corporate governance - statement of compliance

Preliminary

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

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

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

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

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

Compliance with the Code

Principle 1: The board

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

The directors individually and collectively are of the appropriate calibre, with the necessary skills and experience to contribute effectively to the decision making process. The directors have determined the company's strategic aims and organisational structure and always ensure that the company has the appropriate mix of financial and human resources to meet its objectives. The process of appointment of directors is transparent, is set out in the company's Articles of Association and it is conducted during the company's AGM, where all the shareholders of the company are entitled to participate in the voting process to elect the board of directors. Furthermore, in terms of the company's Memorandum and Articles of Association, a director is prohibited from voting on any contract or arrangement or any other proposal in which he has a material interest.

Principle 2: The company's chairman and chief executive

Due to its lean operating structure and the nature of its current business, the company does not employ a Chief Executive Officer (CEO). This function is undertaken by the executive directors of the company.

The day-to-day management of the company is vested with the executive directors of the company.

The chairman is responsible to lead the board and set its agenda and also ensures that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company.

Principle 3: Composition of the board

The board considers that the size of the board, whilst not being too large as to be unwieldy, is appropriate, taking into account the size of the company, its operations, its business risks and key performance indicators. The combined and varied knowledge, experience and skills of the board members provide a balance of competencies that are required and add value to the proper functioning of the board. The composition of the board is as follows:

Executive Directors

Mr Andrew Debattista Segond
Mr William Wait (Chairman)

Independent Non-Executive Directors

Dr Ian Joseph Strafrace
Mr Sandro Grech
Mr Arthur Gauci

None of the independent non-executive directors:

a) are or have been employed in any capacity by the company;
b) have, or had within the last three years, a significant business relationship with the company;
c) have received or receive significant additional remuneration from the company;
d) have close family ties with any of the executive members of the board;
e) have served on the board for more than twelve consecutive years; or
f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditors of the company.

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

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

The board

The board of directors of the company is responsible for the overall long-term direction of the company, assessing and evaluating the performance of the company's executive functionaries, ascertaining that control systems suitable to the company are implemented, that financial reporting is carried out to the highest attainable standards and to ascertain that the company maintains open communication channels with the market and stakeholders.

Meetings of the board

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

Board meetings are attended by Dr Katia Cachia who is the company secretary. The company ensures that sufficient information is provided to the attendees to effectively contribute during meetings of the board, and to take informed decisions on the manner in which the company's affairs are being administered.

Board members are notified of forthcoming meetings by the company secretary with the issue of an agenda and supporting reading materials, which are circulated well in advance of the meeting. All the directors have access to the company's corporate advisors at the company's expense should they so require.

Internal control

While the Board is ultimately responsible for the company's system of internal controls and for reviewing its effectiveness, the authority to determine day-to-day, non-material operational aspects that fall within the ordinary course are delegated to the executive directors.

Controls are designed to manage risk to achieve business objectives and to provide reasonable assurance against normal business risks.

Through the audit committee, the board reviews the effectiveness of the company's system of internal controls.

The key features of the company's system of internal control are as follows:

Organisation

The company operates through the executive director with clear reporting lines and delegation of powers.

Control environment

The company is committed to strong standards of business conduct and seeks to maintain these across all of its operations.

Risk identification

The executive director and company management are responsible for the identification and evaluation of key risks applicable to their respective areas of business – this is sufficient, given the nature and scale of the company's operations.

The company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives, given its size and nature of its activities to date.

Audit committee

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

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

The members of the committee have discussed various matters during the meetings held in 2020 and have formally set out the Terms of Reference of the committee which were recently updated on 29 January 2021. The purpose of the committee is to protect the interest of the company's share and bond holders and assist the directors in conducting their role effectively. The audit committee also monitors the financial reporting process, the effectiveness of internal control and the audit of the annual financial statements. Additionally, it is responsible for monitoring the performance of the trade debtors of the company, to ensure that budgets are achieved, and if not, that corrective action is taken as necessary. It also scrutinises and supervises related party transactions for materiality and ensures that these are carried out on an arm's length basis.

Attendance of board and committee meetings

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

Principle 6: Information and professional development

On joining the board, a director is provided with briefings by the executive director on the activities of the company. From time to time, the executive directors may meet other board members or organise information briefing sessions to ensure that the directors are made aware of the general business environment and the board's expectations.

Directors may, where they judge it necessary to discharge their duties as directors, consult the corporate advisors at the expense of the company.

Principle 7: Evaluation of the board's performance

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

Principle 8: Remuneration and nomination committees

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

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

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

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

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

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

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

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

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

Principle 11: Conflicts of interest

The directors of the company recognise their responsibility to act in the interest of the company and its shareholders as a whole, irrespective of who appointed them to serve on the Board. It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared so that steps may be taken to ensure that such items are appropriately dealt with. directors who have a conflict of interest do not participate in discussions concerning such matters unless the Board finds no objection to the presence of such directors. The directors are obliged to keep the Board advised on an on-going basis, of any interest that could potentially conflict with that of the company. In any event, directors refrain from voting on the matters where conflicts of interest arise. There were no such matters in the year under review.

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

Principle 12: Corporate social responsibility

The directors are committed to high standards of ethical conduct and to contribute to the development of the well-being of employees and their families as well as the local community and society at large.

Non-Compliance with the code

Principle 1: The company's chairman and chief executive

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

Principle 2: Composition of the board

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

Principle 3: Responsibility of the board

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

Principle 4: Board meetings

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

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

Principle 5: Information and professional development

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

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

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

Principle 6: Evaluation of the board's performance

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

Principle 7: Remuneration and nomination committees

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

Principle 8: Relations with shareholders and with the market

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

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

Andrew Debattista Segond	**Ian Joseph Stafrace**
Director	Director

Income statement

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

Statement of financial position

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

Statement of financial position - continued

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

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

Andrew Debattista Segond
Director

Ian Joseph Stafrace
Director

Statement of changes in equity

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

Statement of cash flows

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

Notes to the financial statements

1 Nature of operations

Smartcare Finance p.l.c. (the 'company') was incorporated on 7 January 2019. The company was formed principally to act as a financing and investment company, in particular the financing of companies within Smartcare Group of Companies.

2 Basis of preparation

2.1 General information and statement of compliance with IFRS

Smartcare Finance p.l.c. is a public listed company registered on 7 January 2019 incorporated and domiciled in Malta. The registered office is located at 326, Mdina Road, Qormi, Malta.

The company's parent company is Smartcare Holdings Ltd with the same place of incorporation and registered address as the company. The ultimate beneficial owner of Smartcare Finance p.l.c. is Mr Andrew Debattista Segond.

Consolidated financial statements have not been drawn up, since the company has taken advantage of the exemption from so doing conferred to it by article 174 of the Companies Act, Cap 386. Accordingly, these separate financial statements present information about the company as an individual undertaking and not about its group. The parent company is responsible for the preparation of the consolidated financial statements for the whole group.

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

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

2.2 Consideration of the effects of Covid 19

In light of the developing events relating to COVID-19, which has had a material effect on all aspects of life, the directors' position was that the health and well-being of the employees was and will remain of paramount concern.

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

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

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

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

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the company's financial statements.

4 Summary of accounting policies

4.1 Overall considerations and presentation of financial statements

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

The accounting policies are consistent with those applied in previous year.

The financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007). The company did not have any items classified as 'other comprehensive income' and consequently, management have elected to present only an income statement.

4.2 Revenue

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably. The following specific, recognition criteria must also be met before revenue is recognised.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income is recognised in the income statement when the right to receive payment is established.

4.3 Expenses

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

4.4 Borrowing costs

Borrowing costs primarily comprise interest on the company's borrowings. Borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

4.5 Foreign currency translation

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

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

4.6 Investment in subsidiary

Investment in subsidiary is included in the company's statement of financial position at cost less any impairment loss that may have arisen. Income from investment is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At the end of each reporting period, the company reviews the carrying amount of its investments in subsidiary to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in the income statement.

4.7 Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss model'. Instruments within the scope of the new requirements included most receivables.

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

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

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

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

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

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

Receivables

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

The company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics. Refer to note 19.1 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The company's financial liabilities include trade and other payables and debt securities in issue.

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

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

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

4.8 Income taxes

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

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

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

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

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

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the income statement, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.9 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits with bank.

4.10 Equity and dividend distributions

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

Retained earnings include all current and prior period results as disclosed in the income statement less dividend distributions.

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

4.11 Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events; for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

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

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

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

4.12 Significant management judgement in applying accounting policies and estimation uncertainty

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

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

Significant management judgement

Measurement of the expected credit losses

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

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

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

5 Revenue

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

6 Finance costs

Finance costs may be analysed as follows:

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

7 Profit before tax

Profit before tax is stated after charging:

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

8 Income tax expense

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

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

9 Investment in subsidiary

	2020	2019
	€	€
At 31 December	**1,200**	**-**

The company has an unquoted investment in the following subsidiary:

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

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

In 2020, the company had indirect investments in the companies mentioned below through its investment in Smartcare Group Investments Ltd.

Name of company	Nature of business	% ownership
Smartcare Developments Limited	Non-trading	100
Segond Boutique Hotels Limited	Non-trading	100
Smarcare Pinto Limited	Care home service	100
Smartcare Properties Limited	Develop and sell property	100

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

10 Loan receivable

	2020 €	2019 €
Loan to parent company	780,000	780,000
Loans to group companies	4,020,000	4,020,000
	4,800,000	**4,800,000**

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

11 Deferred expenditure

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

12 Trade and other receivables

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

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

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

All of the company's receivables have been reviewed for indicators of impairment. The impaired receivables were with respect to amounts due from related parties.

The movement in the expected credit losses is presented below:

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

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

13 Cash and cash equivalents

Cash and cash equivalents consist of balances with banks. Cash and cash equivalents included in the statement of cash flows reconcile to the amounts shown in the statement of financial position as follows:

	2020 €	2019 €
Cash at bank	**874**	**5,611**

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

14 Share capital

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

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

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

15 Debt securities in issue

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

At year end, the company had a balance of €4,873,491 (2019: € 4,858,479) from the bond issue of € 5 million 5% bonds of €100 nominal value each, redeemable at par in 2029. The amount is made up of the bond issue of € 5 million net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 5 June of each year at the above-mentioned rate. The bonds are listed on the Official Companies List of the Malta Stock Exchange and are jointly guaranteed by Smartcare Pinto Ltd and Smartcare Holdings Ltd.

16 Trade and other payables

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

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

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

17 Cash flow adjustments and changes in working capital

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

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

18 Related party transactions

Smartcare Finance p.l.c. forms part of the Smartcare Group of Companies.

The company's parent company is Smartcare Holdings Ltd. The ultimate beneficial owner of Smartcare Finance p.l.c is Mr Andrew Debattista Segond.

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

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantee was given or received. Outstanding balances are usually settled in cash. Amounts due from/to related parties are disclosed in notes 10, 12 and 16, respectively. Directors' fees are disclosed in note 7.

18.1 Transactions with related parties

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

19 Risk management objectives and policies

The company is exposed to various risks in relation to financial instruments. The company's financial assets and liabilities by category are summarised in note 19.4. The main types of risks are credit risk, liquidity risk and market risk.

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

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

19.1 Credit risk

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

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

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

Credit risk management

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

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

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

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

Based on the length of time a receivable is outstanding, the debtor's payment history as well as current and forward-looking information on macroeconomic factors affecting the debtor's ability to pay, management concluded that the credit quality of receivables including those that are past due but not impaired to be good. The company provided for an expected credit loss on its related party balances amounting to € 5,790 (2019: €3,244).

19.2 Liquidity risk

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

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

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

19.3 Market risk

Foreign currency risk

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

Interest rate risk

The company does not have any significant banking or other variable interest-bearing facilities and therefore is not subject to interest rate fluctuations.

19.4 Summary of financial assts and liabilities by category

The carrying amounts of the company's financial assets and liabilities are recognised at the end of the reporting periods may also be categorised as follows. See note 4.7 for explanations about how the category of financial instruments affects subsequent measurement.

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

20 Capital management policies and procedures

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

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

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

21 Post-reporting date events

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

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

Independent auditor's report

To the shareholders of Smartcare Finance p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Smartcare Finance p.l.c. set out on pages 4 to 28 which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the company have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. Total remuneration payable to the company's auditors in respect of the audit of the company's financial statements amounted to € 6,000.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financial assets at amortised cost

Key audit matter

The company acts as the main finance vehicle of the Smartcare Group. Financial assets at amortised cost, which are comprised of loans to related parties, are the largest asset category of the company.

How the key audit matter was addressed in our audit

Financial assets at amortised cost were checked and confirmed with the financial information of the respective related parties and related agreements. We also checked the financial situation of the related parties to ensure that there are no recoverability issues.

Debt securities in issue

Key audit matter

The company's main liability is with respect to the payment of interest and repayment of debt securities in issue.

How the key audit matter was addressed in our audit

Debt securities in issue were reconciled to the terms of the Prospectus. It was ensured that capitalisation of bond issue costs and amortisation of debt securities in issue was in accordance with the company's accounting policies. We also considered the company's liquidity risk, to ensure that the company can meet these obligations as they fall due.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report shown on pages 2 to 4 which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Responsibilities of those charged with governance for the financial statements

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

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

The directors are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

In terms of article 179A(4) of the Act, the scope of our audit does not include assurance on the future viability if the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

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

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

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

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority (the "Listing Rules") require the directors to prepare and include in their Annual Report a corporate governance statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require us, as the auditor of the company, to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance with the Code of Principles of Good Corporate Governance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance with the Code of Principles of Good Corporate Governance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate governance statement set out on pages 5 to 10 has been properly prepared in accordance with the requirements of the Listing Rules.

Other matters on which we are required to report by exception

We also have responsibilities

- under the Companies Act, Cap 386 to report to you if, in our opinion:
  - adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us;
  - the financial statements are not in agreement with the accounting records and returns;
  - we have not received all the information and explanations we require for our audit; or
  - certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- in terms of Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Auditor tenure

This is the first year wherein we are acting as auditors. Our appointment will be renewed annually by shareholder's resolution.

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

Sharon Causon (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

27 April 2021

Smartcare Holdings Ltd

Report & Financial Statements

31 December 2020

Company registration number: C 90121

Contents

Director's report

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

Principal activities

The principal activity of the company is to hold shares in group companies and interest in other companies.

Review of business

During the year under review the company received gross dividend income from its subsidiary of € 30,769 (2019: € nil) resulting in a profit after tax of € 4,713 (2019: loss € 21,063) after taking into account administrative expenses and other financial items.

Results

The profit for the year after taxation amounted to € 4,713 (2019: loss € 21,063).

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 affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing these financial statements, the 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and

- report comparative figures corresponding to those of the preceding accounting period.

The 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 have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. He is also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

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

Andrew Debattista Segond
Director

Registered address:
326, Mdina Road
Qormi
Malta

27 April 2021

Income statement

	Notes	2020	2019 11 ¾ months
		€	€
Dividend income		30,769	-
Administrative expenses		(6,967)	(6,586)
Operating profit (loss)		**23,802**	**(6,586)**
Finance income	5	54,080	23,854
Finance costs	5	(62,400)	(37,953)
Impairment losses of financial assets		-	(378)
Profit (loss) before tax	6	**15,482**	**(21,063)**
Tax expense	7	(10,769)	-
Profit (loss) for the year/period		**4,713**	**(21,063)**

Statement of financial position

	Notes	2020	2019
		€	€
Assets			
Non-current			
Investment in subsidiaries	8	249,999	101,599
Loan receivable	9	676,000	676,000
		925,999	**777,599**
Current			
Trade and other receivables	10	2,382,540	23,619
Cash and cash equivalents	11	1,257	2,405
		2,383,797	**26,024**
Total assets		**3,309,796**	**803,623**

Statement of financial position (continued)

	Notes	2020	2019
		€	€
Equity			
Share capital	12	2,374,526	1,200
Accumulated losses		(16,350)	(21,063)
Total equity (deficit)		**2,358,176**	**(19,863)**
Liabilities			
Non-current			
Borrowings	13	780,000	780,000
Current			
Trade and other payables	14	171,620	43,486
		171,620	43,486
Total liabilities		**951,620**	**823,486**
Total equity and liabilities		**3,309,796**	**803,623**

The financial statements on pages 4 to 20 were approved, authorised for issue and signed by the director on 27 April 2021.

Andrew Debattista Segond
Director

Statement of changes in equity

	Share capital	Accumulated losses	Total equity (deficit)
	€	€	€
Transaction with owners:			
Issue of share capital	1,200	-	1,200
Loss for the period	-	(21,063)	(21,063)
At 31 December 2019	**1,200**	**(21,063)**	**(19,863)**
At 1 January 2020	1,200	(21,063)	(19,863)
Transaction with owners:			
Issue of share capital	2,373,326	-	2,373,326
Profit for the year	-	4,713	4,713
At 31 December 2020	**2,374,526**	**(16,350)**	**2,358,176**

Statement of cash flows

	Notes	2020	2019
		€	€
Cash flows from operating activities			
Profit (loss) before tax		15,482	(21,063)
Adjustments	15	(22,449)	14,117
Net changes in working capital	15	(209,715)	43,703
Net cash flows (used in) generated from operating activities		**(216,682)**	**36,757**
Cash flows from investing activities			
Payment to acquire subsidiaries		-	(101,599)
Loan advanced to subsidiary		-	(676,000)
Interest received		77,934	-
Cash flows generated from (used in) investing activities		**77,934**	**(777,599)**
Cash flows from financing activities			
Proceeds from issue of share capital		200,000	1,200
Loan advanced from subsidiary		-	780,000
Interest paid		(62,400)	(37,953)
Net cash flows generated from financing activities		**137,600**	**743,247**
Net change in cash and cash equivalents		(1,148)	2,405
Cash and cash equivalents, beginning of the year		2,405	-
Cash and cash equivalents, end of the year	11	**1,257**	**2,405**

Notes to the financial statements

1 Nature of operations

Smartcare Holdings Ltd (the 'company') was incorporated on 7 January 2019. The principal activity of the company is the holding of shares and other ownership interests in other companies. The company serves as the ultimate holding company of the Smartcare Group of Companies.

2 Basis of preparation

2.1 General information and statement of compliance with IFRS

Smartcare Holdings Ltd, a private limited liability company, is incorporated and domiciled in Malta. The registered office is located at 326, Mdina Road, Qormi, Malta.

The ultimate beneficial owner of Smartcare Holdings Ltd is Mr Andrew Debattista Segond.

The financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union and in accordance with the Companies Act, Cap 396.

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

2.2 Consideration of the effects of Covid 19

In light of the developing events relating to COVID-19, which has had a material effect on all aspects of life, the director's position was that the health and well-being of the employees was and will remain of paramount concern.

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

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

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the company.

Management anticipates that all of the relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the company's financial statements.

4 Summary of accounting policies

4.1 Overall considerations and presentation of financial statements

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

The accounting policies are consistent with those applied in previous year.

The financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007). The company did not have any items classified as 'other comprehensive income' and consequently, management has elected to present only an income statement.

4.2 Income and expense recognition

Dividend income from investments is recognised at the time the right to receive payment is established.

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

4.3 Foreign currency translation

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

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

4.4 Investment in subsidiaries

Investment in subsidiaries are included in the company's statement of financial position at cost less any impairment loss that may have arisen. Income from investments is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At the end of each reporting period, the company reviews the carrying amount of its investments in subsidiaries to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in the income statement.

4.5 Financial instruments

Recognition and derecognition

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

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)
- fair value through other comprehensive income (FVOCI).

The company does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in the income statement are presented within 'finance income and finance costs', except for impairment of receivables which is presented within 'impairment losses of financial assets'.

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; and
- 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 (ECL) model'. Instruments within the scope of the requirements included loans and other receivables.

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

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

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

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

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

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

Receivables

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

The company assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics. Refer to note 17.1 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 borrowings and trade and other payables.

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 income' or 'finance costs'.

4.6 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 the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the income statement, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits with banks.

4.8 Equity and dividend distributions

Share capital represents the nominal value of shares that have been issued.

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

All transactions with owners are recorded separately within equity.

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

4.9 Provisions and contingent liabilities

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 end of the reporting period, including the risks and uncertainties 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. Long term obligations are discounted to their present values, where the time value of money is material.

Any reimbursement that the company is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate of the management.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4.10 Significant management judgements in applying accounting policies and estimation uncertainties

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.

In the opinion of the director, 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).

5 Finance income and finance costs

Finance income and finance costs may be analysed as follows:

	2020	2019 11 ¾ months
	€	€
Interest receivable on loan due from subsidiary	54,080	23,854
Finance income	**54,080**	**23,854**
Interest payable on loan due to subsidiary	(62,400)	(37,953)
Finance costs	**(62,400)**	**(37,593)**

6 Profit (loss) before tax

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

	2020	2019 11 ¾ months
	€	€
Auditor's remuneration	1,500	1,298

7 Tax expense

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

	2020	2019 11 ¾ months
	€	€
Profit (loss) before tax	15,482	(21,063)
Tax rate	35%	35%
Expected tax (expense) income	**(5,419)**	**7,561**
Adjustments for the tax effects of:		
Non-deductible expenses	(2,438)	(7,561)
Interest expense (excess of interest income)	(2,912)	-
Actual tax expense, net	**(10,769)**	**-**
Comprising:		
Current tax expense	**(10,769)**	**-**

8 Investment in subsidiaries

Movement in the company's investment in subsidiaries is as follows:

	2020	2019
	€	€
At 1 January	101,599	101,599
Additions	1,913,000	-
Disposals	(1,764,600)	-
At 31 December	**249,999**	**101,599**

At 31 December 2020, Smartcare Holdings Ltd has investment in the following subsidiary:

Name of company	Description of shares	% Holding 2020	% Holding 2019	Nature of business
Smartcare Finance plc	Ordinary shares of €1 each	99.99	99.99	Finance/investment

At 31 December 2020, the company has indirect investments in the companies mentioned below through its involvement in Smartcare Group Investments Ltd

Name of company	Description of shares	% Holding 2020	% Holding 2019	Nature of business
Smartcare Group Investments Ltd	Ordinary shares of €1 each	100	-	Holding company
Smartcare Developments Limited	Ordinary shares of €1 each	100	-	Non-trading
Segond Boutique Hotels Limited	Ordinary shares of €1 each	100	100 (direct)	Non-trading
Smartcare Pinto Limited	Ordinary shares of €1 each	100	100 (direct)	Care home service
Smartcare Properties Limited	Ordinary shares of €1 each	100	100 (direct)	Develop and sell property

In 2020, the group carried out a restructuring exercise whereby the company transferred the majority of its subsidiaries to Smartcare Group Investments Ltd, a private limited liability company, incorporated on 23 October 2020 and domiciled in Malta.

The company retained its shareholding in Smartcare Finance p.l.c which currently owns 100% shareholding in Smartcare Group Investments Ltd.

The transfer of the subsidiaries were at a consideration equal to the cost of investment. No gain/loss was recognised in the income statement.

The registered addresses and principal place of business of the above mentioned companies is 326, Mdina Road Qormi.

9 Loan receivable

	2020	2019
	€	€
Loan due from subsidiary	**676,000**	**676,000**

Loan due from subsidiary is unsecured, bears interest at 8% per annum and is repayable by 2029.

10 Trade and other receivables

	2020 €	2019 €
Amounts due from group companies	2,832,918	-
Amounts due from subsidiaries	-	143
Credit impairment loss	(378)	(378)
Accrued income	-	23,854
Financial assets	**2,382,540**	**23,619**

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

Amounts due from group companies are unsecured, interest free and repayable on demand.

11 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flow comprise the following:

	2020 €	2019 €
Cash at bank	**1,257**	**2,405**

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

12 Share capital

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

	2020 €	2019 €
Shares issued and fully paid at 31 December		
2,374,526 (2019:1,200) Ordinary shares at € 1 each	**2,374,526**	**1,200**
Shares authorised at 31 December		
2,374,526 (2019:1,200) Ordinary shares at € 1 each	**2,374,526**	**1,200**

During the year, the shareholder of the company approved the change in authorised share capital from 1,200 to 2,374,526 ordinary shares with a nominal value of € 1 each. The company issued 200,000 and 2,173,326 ordinary shares at € 1 each with the latter issue being by way of capitalisation of a shareholder's loan.

13 Borrowings

	2020 €	2019 €
Loan due to subsidiary	**780,000**	**780,000**

The loan due to subsidiary is unsecured, bears interest at 8% per annum and is repayable in 2029.

14 Trade and other payables

	2020 €	2019 €
Trade payables	8,999	-
Amount due to subsidiary	100,007	-
Amounts due to group companies	57,802	-
Amounts due to company under common control	1,880	-
Amount due to shareholder	926	-
Accruals	2,006	43,486
Financial liabilities	**171,620**	**43,486**

Financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

Amounts due to subsidiary, group companies, company under common control and shareholder are unsecured, interest free and repayable on demand.

15 Cash flow adjustments

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

	2020 €	2019 €
Adjustments:		
Interest expense on loan due to subsidiary	62,400	37,593
Interest income on loan due from subsidiary	(54,080)	(23,854)
Dividend income	(30,769)	-
Impairment losses on financial assets	-	378
	(22,449)	**14,117**
Net changes in working capital:		
Trade and other receivables	(619,675)	-
Trade and other payables	409,960	43,703
	(209,715)	**43,703**

16 Related party transactions

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. Transactions with related companies are generally effected on a cost plus basis. Outstanding balances are usually settled in cash. Amounts due from/to related parties are shown separately in notes 9, 10, 13 and 14.

Details of transactions between the company and its related companies are disclosed below.

16.1 Transactions with related parties

	2020 €	2019 €
Interest expense on loan due to subsidiary	62,400	23,854
Interest income on loan due from subsidiary	54,080	37,953
Re-charges from group companies	337	77

17 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 17.4. The main types of risks are market risk, credit risk and liquidity risk.

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

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

17.1 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 end of the reporting period, as summarised below:

	Notes	2020 €	2019 €
Classes of financial assets – carrying amounts			
- Loan receivable	9	676,000	676,000
- Trade and other receivables	10	2,382,540	23,619
- Cash and cash equivalents	11	1,257	2,405
		3,059,797	**702,024**

Credit risk with respect to receivables is internally contained as the receivables are due from group companies with no past default experience and considered to be creditworthy counterparties. In view of this, management considers that the receivables are fully recoverable and not impaired.

The carrying amount of financial assets recorded in the financial statements represents the company's maximum exposure to credit risk. None of the company's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparty is a reputable bank with whom the company enjoys a healthy commercial relationship and has high quality external credit ratings.

17.2 Liquidity risk

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

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2020	€	€	€	€
Borrowings	-	-	-	780,000
Interest on borrowings	-	62,400	249,600	274,047
Trade and other payables	171,620	-	-	-
	171,620	**62,400**	**249,600**	**1,054,047**

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2019	€	€	€	€
Borrowings	-	-	-	780,000
Interest on borrowings	-	62,400	249,600	312,000
Trade and other payables	43,486	-	-	-
	43,486	**62,400**	**249,600**	**1,092,000**

17.3 Market risk

Foreign currency risk

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

Interest rate risk

The company does not have any significant banking or other variable interest-bearing borrowing facilities and therefore is not subject to interest rate fluctuations.

17.4 Summary of financial assets and liabilities by category

The carrying amounts of the company's financial assets and liabilities as recognised at the end of the reporting period under review may also be categorised as follows. See note 4.5 for explanations about how the category of financial instruments affects their subsequent measurement.

	Notes	2020 €	2019 €
Non-current assets			
Financial assets at amortised cost:			
- Loan receivable	9	**676,000**	**676,000**
Current assets			
Financial assets at amortised cost:			
- Trade and other receivables	10	2,382,540	23,619
- Cash and cash equivalents	11	1,257	2,405
		2,383,797	**26,024**
Non-current liabilities			
Financial assets at amortised cost:			
- Borrowings	13	**780,000**	**780,000**
Current liabilities			
Financial assets at amortised cost:			
- Trade and other payables	14	**171,620**	**43,486**

18 Contingent liabilities

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

19 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.

20 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 by the director.

Independent auditor's report

To the shareholders of Smartcare Holdings Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Smartcare Holdings Ltd set out on pages 4 to 20 which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Basis for opinion

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

Other information

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

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

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

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

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

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

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

Responsibilities of those charged with governance for the financial statements

The 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 directors either intend 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.

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 CBD 1050
Malta

27 April 2021

Income statement schedule

	2020	2019
		11 ¾ months
	€	€
Dividend income	**30,769**	**-**
Administrative expenses		
Audit fee	1,770	1,298
Professional fees	4,919	4,236
Other expenses	278	1,052
Credit impairment loss	-	378
Total administrative expenses	**6,967**	**6,964**
Finance costs (net)	**8,320**	**14,099**
Profit (loss) before tax	**15,482**	**(21,063)**

Smartcare Pinto Ltd

Report & Financial Statements

31 December 2020

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 2020.

Principal activities

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

Review of the business

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

Results and dividends

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

Director

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

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

Disclosure of information to the auditor

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

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

Statement of director's responsibilities

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

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

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

Auditor

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

Andrew Debattista Segond
Director

Registered address:
326, Mdina Road
Qormi
Malta

27 April 2021

Statement of comprehensive income

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

Statement of financial position

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

Statement of financial position – continued

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

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

Andrew Debattista Segond
Director

Statement of changes in equity

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

Statement of cash flows

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

Notes to the financial statements

1 Nature of operations

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

2 Basis of preparation

2.1 General information and statement of compliance with IFRS

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

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

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

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

2.2 Consideration of the effects of COVID-19

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

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

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

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

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

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

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the company's financial statements.

4 Summary of accounting policies

4.1 Overall considerations and presentation of financial statements

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

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

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

4.2 Revenue

Revenue is derived from services provided at the care home.

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

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

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

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

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

4.3 Expenses

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

4.4 Foreign currency translation

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

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

4.5 Employee benefits

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

4.6 Borrowing costs

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

4.7 Intangible assets

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

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

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

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

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

4.8 Property, plant and equipment

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

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

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

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

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

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

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

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying 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 included trade and other receivables.

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

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

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

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

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

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

Trade and other receivables

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

The company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics. Refer to note 19.1 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

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

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

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

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

4.11 Income taxes

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

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

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

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

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

4.12 Cash and cash equivalents

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

4.13 Equity, reserves and dividend distributions

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

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

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

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

4.14 Provisions

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

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

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

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

4.15 Significant management judgement in applying accounting policies and estimation uncertainty

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

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

Significant management judgements

Recognition of deferred taxes

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

Measurement of the expected credit losses

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

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

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

Estimation uncertainty

Impairment of property, plant and equipment and intangible assets

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

Useful lives of depreciable assets

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

Fair value measurement

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

5 Revenue

	2020	2019
	€	€
Revenue from care home	**2,380,113**	**569,272**

6 Staff costs

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

7 Finance costs

Finance costs may be analysed as follows:

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

8 Profit (loss) before tax

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

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

9 Tax (expense) income

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

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

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

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

The movement can be analysed as follows:

	2020	2019
Movement for the year	(1,172,591)	162,806
Recognised directly in equity:		
Deferred tax on revaluation of property, plant and equipment	(1,157,201)	-
Recognised in profit or loss:		
Deferred tax on trade and other receivables	2,716	-
Deferred tax on property, plant and equipment	5,989	(10,657)
Unused tax on unused tax losses and unabsorbed capital allowances	(24,095)	173,463
	(15,390)	162,806
	(1,172,591)	**162,806**

10 Property, plant and equipment

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

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

11 Intangible assets

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

12 Trade and other receivables

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

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

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

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

The movement in the expected credit losses is presented below:

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

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

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

13 Cash and cash equivalents

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

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

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

14 Share capital

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

	2020	2019
	€	€
Shares issued and fully paid at 31 December		
1,200 ordinary shares of € 1 each	**1,200**	**1,200**
Shares authorised at 31 December		
1,200 ordinary shares of € 1 each	**1,200**	**1,200**

15 Trade and other payables

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

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

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

16 Borrowings

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

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

17 Cash flow adjustments and changes in working capital

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

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

18 Related party transactions

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

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

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Outstanding balances are usually settled in cash. Amounts due from/to related parties are disclosed in notes 12, 15 and 16.

18.1 Transactions with related parties

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

19 Risk management objectives and policies

The company is exposed to various risks in relation to financial instruments. The company's financial assets and liabilities by category are summarised in note 19.4. The main types of risks are credit risk, liquidity risk and market risk.

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

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

19.1 Credit risk

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

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

	Notes	2020 €	2019 €
Classes of financial assets – carrying amounts			
Trade and other receivables	12	1,567,659	285,661
Cash and cash equivalents	13	16,446	18,873
		1,584,105	**304,534**

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

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

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

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

Based on the length of time a trade receivable is outstanding, customer's payment history as well as current and forward-looking information on macroeconomic factors affecting the customer's ability to pay, management concluded that the credit quality of trade receivables including those that are past due but not impaired to be good. The company provided for an expected credit loss on its related party balances amounting to € 7,761 (2019: €526) since the company's main trade receivables have not defaulted any payments.

19.2 Liquidity risk

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

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

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

19.3 Market risk

Foreign currency risk

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

Interest rate risk

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

19.4 Summary of financial assets and liabilities by category

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

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

20 Fair value measurement

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

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

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

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

2020	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Property, plant and equipment	**-**	**-**	**14,800,000**

2019	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Property, plant and equipment	**-**	**-**	**5,676,400**

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

21 Contingent liabilities

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

22 Capital management policies and procedures

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

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

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

23 Post-reporting date events

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

Independent auditor's report

To the shareholder of Smartcare Pinto Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Smartcare Pinto Ltd set out on pages 4 to 26 which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cashflows and notes to the financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Basis for opinion

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

Other information

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

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

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

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

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

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

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

Responsibilities of those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

Sharon Causon (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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

27 April 2021

Income statement

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

Income statement schedules

	2020	2019
	€	€
Cost of sales - page 30		
Wages and salaries	748,199	315,122
Consumables and others	428,571	99,982
Subcontracted labour	12,824	1,424
Utilities expenses	66,709	27,825
	1,256,303	**444,353**

	2020	2019
Administrative expenses – page 30		
Wages and salaries	581,403	318,887
Social security costs	81,476	25,483
Other staff costs	8,798	29,932
Licenses and permits	225	170
Insurance	9,101	7,426
Printing, postage and stationery	5,820	2,298
Telecommunications	12,787	-
Health and security	41,893	24,981
Professional fees	9,012	19,881
Bank charges	3,970	1,797
Fines and penalties	-	1,118
Depreciation and amortisation	253,937	242,380
Expense re-charges	(274,774)	(168,971)
Other expenses	20,155	591
	753,803	**505,973**

Smartcare Holdings Ltd

Report & Consolidated Financial Statements

31 December 2020

Company registration number: C 90121

Contents

Director's report

The director presents his report and consolidated financial statements of Smartcare Holdings Ltd and its subsidiaries ('the group') for the year ended 31 December 2020.

Principal activities

The group is principally engaged in the operation of a care home and in acquiring property for development and sale.

Review of the business

Group revenue for the year ended 31 December 2020 amounted to € 2,590,114 (2019: €569,272). The revenue was generated from the retirement home in Qormi and sale of property.

The loss for the year before tax amounted to € 24,127 (2019: € 643,034). During the year the group appointed an independent architect to revalue Dar Pinto Malta, situated in Qormi. This resulted in a net gain on property revaluation of € 9,075,438 (2019: € 2,535,890).

The group used a net cashflow from operations of € 126,036 (2019: € 817,765) and invested € 2,602,003 (2019: € 4,481,596) in property, plant and equipment and intangibles. The main projects were the development (2019: acquisition) of property in Xaghra, Gozo to develop a boutique hotel and a penthouse in Triq Stella Maris, Sliema.

Net assets stood at € 13,429,932 (2019: € 2,056,862) at 31 December 2020.

The director expects the group to grow in all its core business segments during 2021 and will continue as a going concern.

Dividends

The director does not recommend the payment of a dividend.

Post reporting date events

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

Director

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

In accordance with the group'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 affairs of the group and of the profit or loss of the group 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 group will continue in the 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

A resolution to appoint Grant Thornton as auditor of the group will be proposed at the forthcoming Annual General Meeting.

Andrew Debattista Segond
Director

Registered office:
326, Mdina Road
Qormi
Malta

27 April 2021

Statement of comprehensive income

	Notes	2020	2019
			11 ¾ months
		€	€
Revenue	5	2,590,114	569,272
Cost of sales		(1,501,283)	(444,353)
Gross margin		**1,088,831**	**124,919**
Other income		7,713	-
Administrative expenses		(843,529)	(565,893)
Finance costs	7	(277,142)	(200,225)
Impairment on financial assets		-	(1,835)
Loss before income tax	8	**(24,127)**	**(643,034)**
Tax (expense) income	9	(51,567)	162,806
Loss for the year/period		**(75,694)**	**(480,228)**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		10,232,639	2,535,890
Tax effect on revaluation of property, plant and equipment	9	(1,157,201)	-
Other comprehensive income for the year/period		**9,075,438**	**2,535,890**
Total comprehensive income for the year/period		**8,999,744**	**2,055,662**

Statement of financial position

	Notes	2020	2019
		€	€
Assets			
Non-current			
Property, plant and equipment	11	19,022,418	6,443,475
Intangible assets	12	22,686	20,924
Goodwill	10	310,707	310,707
Deferred tax asset	9	-	162,806
Deferred expenditure	13	157,209	-
		19,513,020	**6,937,912**
Current			
Inventories	14	2,372,562	822,969
Trade and other receivables	15	2,479,817	562,037
Cash and cash equivalents	16	27,271	27,334
Other asset	17	470,000	-
		5,349,650	**1,412,340**
Total assets		**24,862,670**	**8,350,252**
Equity			
Share capital	18	2,374,526	1,200
Revaluation reserves		11,560,525	2,511,581
Accumulated losses		(505,119)	(455,919)
Total equity		**13,429,932**	**2,056,862**
Liabilities			
Non-current			
Borrowings	19	2,693,690	667,241
Debt securities in issue	20	4,873,491	4,858,479
Deferred tax liabilities	9	1,009,785	-
		8,576,966	**5,525,720**
Current			
Borrowings	19	763,657	-
Trade and other payables	21	2,065,789	767,670
Current tax payable		26,326	-
		2,855,772	**767,670**
Total liabilities		**11,432,738**	**6,293,390**
Total equity and liabilities		**24,862,670**	**8,350,252**

The financial statements on pages 5 to 28 were approved, authorised for issue and signed by the director on 27 April 2021.

Mr Andrew Debattista Segond
Director

Statement of changes in equity

	Share capital	Revaluation reserve	Accumulated losses	Total
	€	€	€	€
Transaction with owners:				
Issue of share capital	1,200	-	-	1,200
Loss for the period	-	-	(480,228)	(480,228)
Other comprehensive income	-	2,535,890	-	2,535,890
Excess depreciation	-	(24,309)	24,309	-
At 31 December 2019	**1,200**	**2,511,581**	**(455,919)**	**2,056,862**
At 1 January 2020	1,200	2,511,581	(455,919)	2,056,862
Transaction with owners:				
Issue of share capital	2,373,326	-	-	2,373,326
Loss for the year	-	-	(75,694)	(75,694)
Other comprehensive income	-	9,075,438	-	9,075,438
Excess depreciation	-	(26,494)	26,494	-
At 31 December 2020	**2,374,526**	**11,560,525**	**(505,119)**	**13,429,932**

Statement of cash flows

	Notes	2020	2019
		€	€
Operating activities			
Loss before income tax		(24,127)	(643,034)
Adjustments	22	531,079	442,605
Net changes in working capital	22	(623,137)	(3,409,380)
Taxes paid		(9,851)	-
Net cash used in operations		**(126,036)**	**(3,609,809)**
Investing activities			
Acquisition of property, plant and equipment		(2,591,165)	(1,678,460)
Acquisition of intangible assets		(10,838)	(11,092)
Net cash used in investing activities		**(2,602,003)**	**(1,689,552)**
Financing activities			
Proceeds from issue of share capital		200,000	1,200
Proceeds from issue of bond		-	4,849,883
Proceeds from bank borrowings		2,553,700	667,241
Interest paid		(262,130)	(191,629)
Net cash generated from financing activities		**2,491,570**	**5,326,695**
Net change used in cash and cash equivalents		(236,469)	27,334
Cash and cash equivalents, beginning of the year/period		27,334	-
Cash and cash equivalents, end of the year/period	16	**(209,135)**	**27,334**

Notes to the consolidated financial statements

1 Nature of operations

The group is principally engaged in the operation of a care home and in acquiring property for development and sale.

2 Basis of preparation

2.1 General information and group re-structuring

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

During the year, the group carried out a re-structuring exercise whereby the company transferred majority of its subsidiaries to Smartcare Group Investments Ltd, a private limited liability company, incorporated on 23 October 2020 and domiciled in Malta.

The company retained its investment in Smartcare Finance p.l.c which currently owns 100% shareholding in Smartcare Group Investments Ltd.

2.2 Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements consolidate those of the parent company and its subsidiaries (together referred to as the 'group' and individually as 'group entities').

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

2.3 Basis of measurement

Assets and liabilities are measured at historical cost except for land, building and mechanical and electrical installations forming part of property, plant and equipment which are stated at their fair values.

2.4 Consideration of COVID-19

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

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

The group's hotel is in its finishing stage. Employees had more time allocated to this project and worked at a faster pace since the pandemic brought about limited entertainment and travelling.

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

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

2.5 Functional and presentation currency

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

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the group's financial statements.

4 Significant accounting policies

4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The accounting policies have been consistently applied by the group during the period under review.

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

4.2 Basis of consolidation

4.2.1 Business combinations

IFRS as adopted by the EU requires business combinations to be accounted for using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition and remeasured at fair value at each reporting date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

4.2.2 Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date on which control ceases.

The consolidated financial statements have been prepared from the financial statements of the following companies comprising the group:

Name of company	Nature of business	% ownership 2020	% ownership 2019
Smartcare Holdings Ltd	Investment entity		
Smartcare Finance p.l.c.	Finance/investment	99.99	99.99
Smartcare Group Investment Ltd	Holding company	100	-
Smartcare Developments Limited	Non-trading	100	-
Segond Boutique Hotels Limited	Non-trading	100	100
Smartcare Pinto Limited	Care home service	100	100
Smartcare Properties Limited	Develop and sell property	100	100

The registered addresses and principal place of business of the above-mentioned companies is 326, Mdina Road Qormi.

4.2.3 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4.3 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

4.4 Revenue

Revenue is mainly derived from services from care home and sale of property.

To determine whether to recognise revenue, the group 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 group often enters into transactions involving a range of care home services and property sales. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract 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 group satisfies performance obligations by transferring the promised goods or services to its customers.

The group 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 group satisfies a performance obligation before it receives the consideration, the group 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.

4.5 Operating expenses

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

4.6 Employee benefits

The group contributes towards the State pension in accordance with local legislation. Obligations for such contributions are recognised as an expense in profit or loss when they are due.

4.7 Borrowing costs

Borrowing costs primarily comprise interest on the group'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 amortised on an effective interest basis over the life of the loan facility agreement.

4.8 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 of disposal. 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.

4.9 Property, plant and equipment

All property, plant and equipment used by the group 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 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 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 group 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 and loss during the financial period in which they are incurred.

Increases in carrying amount arising on revaluation of land and buildings 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	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.

Assets in the course of construction are not depreciated until such time that the assets are completed and available for use.

An assets' 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.

4.10 Goodwill

Goowill represents the future economic benefits arising from an acquisition of a business that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

4.11 Impairment testing on property plant and equipment, goodwill 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. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business acquisition and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other 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 for cash generating units reduce first the carrying amount of goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.12 Inventories

Inventories consist of properties held for resale, which are stated at lower of cost and estimated realisable value. Cost includes the acquisition of the property and developments costs incurred. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in commissions.

4.13 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial 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)

• fair value through other comprehensive income (FVOCI).

In the periods presented, the group 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 profit or loss are presented within 'finance expense' or 'finance income', except for impairment of trade receivables which is presented in 'impairment on financial assets'

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; and
• 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. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, 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 group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime 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 group uses their historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics.

Classification and measurement of financial liabilities

The group's financial liabilities include borrowings, debt securities in issue and trade and other payables.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the group 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'.

4.14 Income tax

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

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

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

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

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

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the income statement, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Bank overdrafts and balance overdrawn, which are repayable on demand and form an integral part of the group'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.

4.16 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 income statement less dividend distributions.

The revaluation reserve represents the surpluses arising on the revaluation of the group's care home which includes land, building and mechanical and electrical installations, net of related deferred tax effects.

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.

4.16 Provisions and contingent liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the group 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. Long term obligations are discounted to their present values, where the time value of money is material.

Any reimbursement that the group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate of the management.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4.17 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 director, 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 group's future taxable income against which the deferred taxes can be utilised (see note 4.14).

Measurement of the expected credit losses

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

A number of significant judgements are required in measurement of 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, goodwill 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 property, plant and equipment. Estimated fair values may vary from the actual price that would be achieved in an arm's length transaction at the reporting date.

5 Revenue

	2020	2019
	€	€
Revenue from care home	2,380,114	569,272
Revenue from sale of property	210,000	-
	2,590,114	**569,272**

6 Staff costs

	2020	2019
	€	€
Wages and salaries	1,226,908	548,925
Social security costs	81,476	25,482
Director's remuneration	123,934	122,294
Re-charged to companies under common control	(238,116)	(168,970)
	1,194,202	**(527,731)**
Average number of employees	**62**	**34**

7 Finance costs

Finance costs may be analysed as follows:

	2020 €	2019 €
Interest on debt securities in issue	250,000	152,055
Amortisation of bond issue cost	15,012	8,596
Interest on bank borrowings	6,238	39,574
Other interest	5,892	-
	277,142	**200,225**

8 Loss before income tax

The loss before income tax is stated after charging:

	2020 €	2019 €
Amortisation on intangible assets	9,076	9,076
Depreciation on property, plant and equipment	244,861	233,304
Auditor's remuneration	17,000	12,924
Director's remuneration	123,934	122,294

9 Tax expense (income)

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

	2020 €	2019 €
Loss before tax	(24,127)	(643,034)
Tax rate	35%	35%
Expected tax income	**8,444**	**225,062**
Non-deductible expenses	(21,569)	(14,121)
Group losses surrendered	-	(10,891)
Non-taxable income	494	-
Unabsorbed trading losses	-	(21,012)
Difference on property transfer and acquisition value	(22,094)	-
Other permanent difference	(21,588)	-
Under provision of deferred taxes	40,457	-
Intra-group profits	(35,711)	(16,232)
Actual tax (expense) income, net	**(51,567)**	**162,806**
Comprising:		
Current tax	(36,177)	-
Deferred tax	(15,390)	162,806
	(51,567)	**162,806**

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

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

The movement can be analysed as follows:

	2020	2019
Movement for the year	(1,172,591)	162,806
Recognised directly in equity:		
Deferred tax on revaluation of property, plant and equipment	(1,157,201)	-
Recognised in profit or loss:		
Deferred tax on trade and other receivables	2,716	-
Deferred tax on property, plant and equipment	5,989	(10,657)
Unused tax on unused tax losses and unabsorbed capital allowances	(24,095)	173,463
	(15,390)	162,806
	(1,172,591)	**162,806**

10 Goodwill

In 2019, the group acquired Smartcare Pinto Ltd from a related party. The details of the business combination are as follows:

	€
Consideration paid	1,200
Less:	
Intangible assets	14,181
Property, plant and equipment	2,467,156
Trade and other receivables	176,494
Trade and other payables	(2,967,338)
Net liabilities taken over	**(309,507)**
Goodwill	**310,707)**

11 Property, plant and equipment

Details of the group's property, plant and equipment and their carrying amounts are as follows:

	Land	Buildings	Mechanical & electrical installations	Medical equipment	Furniture and fittings	Hardware	Motor vehicles	Other equipment	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2019	1,496,967	110,298	330,895	472,707	109,038	45,380	-	32,774	-	2,598,059
Additions	6,400	90,475	194,105	277,293	63,962	26,620	11,824	19,226	988,555	1,678,460
Revaluation increase	2,400,260	-	-	-	-	-	-	-	-	2,400,260
At 31 December 2019	3,903,627	200,773	525,000	750,000	173,000	72,000	11,824	52,000	988,555	6,676,779
Depreciation										
At 1 January 2019	-	2,206	23,163	80,360	10,904	7,715	-	6,555	-	130,903
Depreciation	-	4,061	38,503	143,998	18,515	13,823	2,365	12,039	-	233,304
Revaluation increase	-	(2,206)	(23,163)	(80,360)	(10,904)	(7,715)	-	(6,555)	-	(130,903)
At 31 December 2019	-	4,061	38,503	143,998	18,515	13,823	2,365	12,039	-	233,304
Cost										
At 1 January 2020	3,903,627	200,773	525,000	750,000	173,000	72,000	11,824	52,000	988,555	6,676,779
Additions	-	9,535	-	-	-	-	-	-	2,581,630	2,591,165
Revaluation increase	10,161,065	-	-	-	-	-	-	-	-	10,161,065
At 31 December 2020	14,064,692	210,308	525,000	750,000	173,000	72,000	11,824	52,000	3,570,185	19,429,009
Depreciation										
At 1 January 2020	-	4,061	38,503	143,998	18,515	13,823	2,365	12,039	-	233,304
Depreciation	-	4,073	52,590	141,681	18,512	13,601	2,365	12,039	-	244,861
Revaluation increase	-	(6,731)	(64,843)	-	-	-	-	-	-	(71,574)
At 31 December 2020	-	1,403	26,250	285,679	37,027	27,424	4,730	24,078	-	406,591
Carrying amount										
At 31 December 2019	**3,903,627**	**196,712**	**486,497**	**606,002**	**154,485**	**58,177**	**9,459**	**39,961**	**988,555**	**6,443,475**
At 31 December 2020	**14,064,692**	**208,905**	**498,750**	**464,321**	**135,973**	**44,576**	**7,094**	**27,922**	**3,570,185**	**19,022,418**

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

12 Intangible assets

	Software €
Cost	
1 January 2019	18,908
Additions	11,092
At 31 December 2019	30,000
Amortisation	
1 January 2019	4,727
Charge for the year	9,076
Revaluation	(4,727)
At 31 December 2019	9,076
Cost	
1 January 2020	30,000
Additions	10,838
At 31 December 2020	40,838
Amortisation	
1 January 2020	9,076
Charge for the year	9,076
At 31 December 2020	18,152
Carrying amount	
At 31 December 2019	**20,924**
At 31 December 2020	**22,686**

13 Deferred expenditure

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

14 Inventories

	2020 €	2019 €
Work in progress	**2,372,562**	**822,969**

Inventories include properties held for development and sale in Malta and Gozo.

15 Trade and other receivables

	2020 €	2019 €
Trade receivables	114,169	92,246
Amounts due from companies under common control	1,754,365	280,640
Credit impairment loss	(1,835)	(1,835)
Receivables – net	**1,866,699**	**371,051**
Accrued income	189,139	176,923
Financial assets	**2,055,838**	**547,974**
Other receivable	65,200	-
Prepayments	357,087	14,063
VAT receivable	1,692	-
Trade and other receivable	**2,479,817**	**562,037**

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

Amounts due from companies under common control are unsecured, interest-free and are repayable upon demand.

All of the group's trade and other receivables have been reviewed for indicators of impairment. The impaired trade receivables were with respect to amounts due from related parties.

The movement in the expected credit losses is presented below:

	2020 €	2019 €
Balance at 1 January	1,835	-
Provision for expected credit loss	-	1,835
Balance at 31 December	**1,835**	**1,835**

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

The group's management considers that all the above financial assets that are not impaired or past due for each reporting dates under review are of good credit quality.

16 Cash and cash equivalents

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

	2020 €	2019 €
Cash in hand and at bank	27,271	27,334
Cash and cash equivalents in the statements of financial position	**27,271**	**27,334**
Bank overdrafts and bank balance overdrawn	(236,406)	-
Cash and cash equivalents in the statements of cash flows	**(209,135)**	**27,334**

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

17 Other asset

On 11 September 2020, Smarthomes Development Ltd, a company under common control, assigned its rights on a promise of sale over a property in Hamrun to the company for a consideration of €470,000.

18 Share capital

The share capital of Smartcare Holdings Ltd consists only of ordinary shares with a par value of € 1. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the shareholders' meetings of the group.

	2020 €	2019 €
Shares issued and fully paid at 31 December		
2,374,526 (2019: 1,200) Ordinary shares at € 1 each	**2,374,526**	**1,200**
Shares authorised at 31 December		
2,374,526 (2019: 1,200) Ordinary shares at € 1 each	**2,374,526**	**1,200**

During the year, the shareholder of the group approved the change in authorised share capital from 1,200 to 2,374,526 ordinary shares with a nominal value of € 1 each. The group issued 200,000 and 2,173,326 ordinary shares at € 1 each with the latter issue being by way of capitalisation of a shareholder's loan.

19 Borrowings

	2020 €	2019 €
Bank loans	3,220,941	667,241
Bank overdraft / balance overdrawn	236,406	-
	3,457,347	**667,241**
Comprising:		
Current	763,657	-
Non-current	2,693,690	667,241
	3,457,347	**667,241**

Bank loans are secured by general and special hypothec over the assets of Segond Boutique Hotels Ltd and Smartcare Developments Ltd, a pledge over insurance policies and by guarantees given by the 2 companies and director. The current interest rates vary between 4.5% and 5% per annum.

20 Debt securities in issue

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

As at year end, the group had a balance of € 4,873,491 (2019: € 4,858,479) from the bond issue of € 5 million 5% bonds of € 100 nominal value each, redeemable at par in 2029. The amount is made up of the bond issue of € 5 million net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 5 June of each year at the above mentioned rate. The bonds are listed on the Official Companies List of the Malta Stock Exchange and are guaranteed by Smartcare Pinto and Smartcare Holdings jointly.

21 Trade and other payables

	2020 €	2019 €
Trade payables	677,871	85,689
Amounts due from companies under common control	65,512	-
Amount due to shareholder	926	-
Accruals	215,865	537,275
Other payable	-	106
Financial liabilities	**960,174**	**623,070**
Deferred income	543,400	-
Other payables	562,215	144,600
Balance at 31 December	**2,065,789**	**767,670**

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

Amounts due from companies under common control and shareholder are unsecured, interest free and are repayable on demand.

22 Cash flow adjustments and changes in working capital

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

	2020 €	2019 €
Adjustments:		
Depreciation on property plant and equipment	244,861	233,304
Amortisation on intangible assets	9,076	9,076
Amortisation of bond issue costs	15,012	8,596
Interest expense	262,130	191,629
Financial liabilities	**531,079**	**442,605**
Net changes in working capital:		
Inventories	(1,549,593)	(822,969)
Trade and other receivables	(2,544,989)	(385,543)
Trade and other payables	3,471,445	(2,200,868)
	(623,137)	**(3,409,380)**

23 Related party transactions

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. Director's remuneration is disclosed in note 8.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Transactions with related companies are generally effected on a cost plus basis. Outstanding balances are usually settled in cash. Amounts due from/to companies under common control are shown separately in notes 15 and 21.

The group's ultimate controlling party is Andrew Debattista Segond who owns 100% of its share capital.

24 Risk management objectives and policies

The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in note 24.4. The main types of risks are credit risk, liquidity risk and market risk.

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

The most significant risk to which the group is exposed to are described below.

24.1 Credit risk

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

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

	Notes	2020	2019
		€	€
Classes of financial assets – carrying amounts			
- Trade and other receivables	15	2,055,838	547,974
- Cash and cash equivalents	16	27,271	27,334
		2,083,109	**575,308**

Credit risk management

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

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

The group 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 group provided for an expected credit loss on its related party balances amounting to € 1,835 (2019: € 1,835)

24.2 Liquidity risk

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

31 December 2020	Current within 6 months €	6 to 12 months €	Non-current 2 to 5 years €	later than 5 years €
Bank borrowings	-	550,976	1,887,822	1,551,669
Bank overdraft	236,406	-	-	-
Debt securities in issue	-	-	-	5,000,000
Interest on debt securities in issue	250,000	-	1,000,000	847,976
Trade and other payables	1,060,174	-	-	-
	1,546,580	**550,976**	**2,887,822**	**7,399,645**

31 December 2019	Current within 6 months €	6 to 12 months €	2 to 5 years €	Non-current later than 5 years €
Bank borrowings	-	-	527,250	815,991
Debt securities in issue	-	-	-	5,000,000
Interest on debt securities in issue	250,000	-	1,000,000	1,097,976
Trade and other payables	623,070	-	-	-
	873,070	**-**	**1,527,250**	**6,913,967**

24.3 Market risk

Foreign currency risk

The group transacts business mainly in euro and had no significant foreign currency denominated financial assets and liabilities at the end of the financial reporting period under review. Consequently, the group's exposure to foreign currency risk is negligible.

Interest rate risk

The group's exposure to interest rate risk is limited to the variable interest rates on borrowings.

The following calculation illustrates the sensitivity of profit to a reasonably possible change in interest rates of + or - 100 basis points. This change is considered by management to be reasonably possible based on observation of current market conditions. The calculation is based on the group's financial instruments held at each reporting date. All other variables are held constant.

In such circumstances, the potential impact of the shift in interest rates with effect from the beginning of the year on the net results of the group for the reporting periods presented would be -/+ € 34,573 (2019: € 6,672).

24.4 Summary of financial assts and liabilities by category

The carrying amounts of the group's financial assets and liabilities are recognised at the end of the reporting periods under review may also be categorised as follows. See note 4.13 for explanations about how the category of financial instruments affects subsequent measurement.

	Notes	2020 €	2019 €
Current assets			
Financial assets at amortised cost:			
- Trade and other receivables	15	2,055,838	547,974
- Cash and cash equivalents	16	27,271	27,334
		2,083,109	**575,308**
Current liabilities			
Financial assets at amortised cost:			
- Trade and other payables	21	960,174	623,070
- Borrowings	19	763,657	-
		1,723,831	**623,070**
Non-current liabilities			
Financial assets at amortised cost:			
- Borrowings	19	2,693,690	667,241
- Debt securities in issue	20	4,873,491	4,858,479
		7,567,181	**5,525,720**

25 Fair value measurement

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

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

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

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

2020	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Property, plant and equipment	-	-	**14,800,000**

2019	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**
Property, plant and equipment	-	-	**5,676,400**

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

26 Post-reporting date events

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

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

Independent auditor's report

To the shareholders of Smartcare Holdings Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Smartcare Holdings Ltd. and the consolidated financial statements of its group, set out on pages 5 to 28 which comprise the statement of financial position of the group and the group as at 31 December 2020, and their statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the group gives a true and fair view of the financial position of the group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group 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 are responsible for the other information. The other information comprises the director's report shown on pages 2 to 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:

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

In preparing the financial statements, the director are responsible for assessing the group'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 intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The director are responsible for overseeing the group'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 group'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 group'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 consolidated 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

Causon

Sharon Causon (Partner) for and on behalf of

GRANT THORNTON
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27 April 2021