COMPANY ANNOUNCEMENT

The following is a company announcement issued by the Company, in terms of the Capital Markets Rules issued by the Malta Financial Services Authority.

Approval and Publication of Interim Condensed Consolidated Financial Statements

QUOTE

The Company hereby announces that during the meeting of its Board of Directors held on Wednesday, 23rd August 2023, the Company's interim condensed consolidated financial statements for the six-month financial period ended 30th June 2023 were approved.

Copies of the aforesaid consolidated interim condensed consolidated financial statements are available for viewing and download on the following link on the Company's website: https://pharmacarefinance.com/investor-relations-2/ .

The Board of Directors resolved not to declare an interim dividend.

UNQUOTE

Katia Cachia
Company Secretary
24th August 2023

Pharmacare Finance p.l.c

Condensed Interim Financial Statements

For the period 1 January to 30 June 2023

Company Registration Number: C 86057

Contents

Directors' report pursuant to Capital Markets rule 5.75.2

This half-yearly directors' report is being published in terms of Chapter 5 of the Capital Markets Rules published by the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The half-yearly report, of which this directors' report forms part, comprises the unaudited condensed interim financial statements of Pharmacare Finance p.l.c (the "Company") for the six months ended 30 June 2023 prepared in accordance with International Financial Reporting Standards adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). The comparative statement of financial position has been extracted from the audited financial statements for the year ended 31 December 2022.

Principal activity

The principal activity of the company is to act as a finance company to its immediate parent company, namely Pharmacare Premium Limited, in connection with the financing of pharmaceutical products being developed.

Review of business

The company raised € 17 million in 2023 through the issuance of bonds which are quoted on the Malta Stock Exchange and guaranteed by Pharmacare Premium Limited. The proceeds of the bonds, net of expenses and redemption of the previous bonds of € 5 million with maturity date of 2025-2028 have been used to finance the projects of Pharmacare Premium Limited.

During the period ended 30 June 2023, the company registered a loss before taxation of € 11,764 (2022: profit before tax of € 27,126). The net assets of the company at the end of the period amounted to € 151,752 (30 June 2022 – € 18,280).

Principal risks and uncertainties

The Company acts as a finance company for projects being developed by its immediate parent company, namely Pharmacare Premium Limited, which company is also guaranteeing such bonds.

The Company is therefore fully dependent on the business prospects of Pharmacare Premium Limited, and consequently. the operating results of the parent company have a direct effect on the Company's financial performance and financial position. Therefore, the risks intrinsic in the business and operations of Pharmacare Premium Limited have a direct effect on the ability of the Company, and Pharmacare Premium Limited acting as its Guarantor, to meet their respective obligations in connection with the payment of the interest on the Bonds and repayment of the principal when due.

Pharmacare Premium Limited remains committed to continue investing in new product development, however because of various matters affecting the market. the development plans of Pharmacare Premium Limited's products will continue to invariably need to be revised. Matters affecting such revisions include the introduction or withdrawal of products to be developed, new timelines for the introduction of new products, as well as projected product development costs.

It is to be noted that during the past six months, Pharmacare Premium Limited continued to identify additional products for future development.

The Group's business continues to be dependent on a number of key clients. Failure to retain such clients may materially impact the Group's revenue and substantially affect the operations and financial considerations of the Group and consequently of the Company. However, the Group has been successful in attracting new clients and contracts from its existing customers. As of 30 June 2023, the Group has successfully completed the development of another product, initiated the development activities of four new products and further expanded its customer base with additional licensing agreements, now exceeding 70 customers in diverse regions. During the first half of 2023, the Group has continued development and registration of new products planned to go to market in the next months to further strengthen the Group's product portfolio.

Similarly, the Group, which is engaged in the manufacturing of pharmaceutical products, relies on imported raw materials from suppliers, and may therefore be exposed to risks associated with their supply chain and could negatively affect the price movements and availability of the products for sale.

Furthermore, the Group growth is relying on key senior personnel who have contacts and expertise in the pharmaceutical industry. The loss of such key personnel can have an adverse effect on the financial results of the Group. In order to mitigate this risk, the Group's directors have continued to expand its pool of expertise and have added additional resources in all key areas of the business.

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

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

Dividends

The directors do not recommend the payment of an interim dividend.

Directors' interest

The directors' beneficial interest in the shares of the company as at 30 June 2023 was limited to 1 ordinary share having a nominal value of € 1 held by Mr. Bassim S.F. Khoury Nasr. No changes in the directors' beneficial interest took place during the period under review.

Amin Farah
Director

Hani H. Sarraf
Director

Registered address:
HHF 003, Hal Far Industrial Estate
Hal Far
Birzebbugia BBG 3000
Malta

23 August 2023

Income statement

	Notes	2023 6 months (unaudited) €	2022 6 months (unaudited) €
Finance income	5	465,511	193,560
Finance costs	6	(436,901)	(148,777)
Net interest income		**28,610**	**44,783**
Administrative expenses		(40,374)	(17,657)
(Loss) profit before tax	7	**(11,764)**	**27,126**
Tax expense	8	(3,094)	(17,105)
(Loss) profit for the period		**(14,858)**	**10,021**

Statement of financial position

	Notes	30 June 2023 (unaudited) €	31 December 2022 (audited) €
Assets			
Non-current			
Loans receivable	9	16,809,090	5,079,090
		16,809,090	**5,079,090**
Current			
Receivables	10	502,276	211,428
Cash and cash equivalents	11	3,762	1,647
		506,038	**213,075**
Total assets		**17,315,128**	**5,292,165**

Statement of financial position – continued

	Notes	30 June 2023 (unaudited) €	31 December 2022 (audited) €
Equity			
Share capital	12	250,000	250,000
Accumulated losses		(98,248)	(83,390)
Total equity		**151,752**	**166,610**
Liabilities			
Non-current			
Debt securities in issue	13	16,741,014	-
		16,741,014	**-**
Current			
Debt securities in issue	13	-	4,993,471
Trade and other payables	14	386,359	96,081
Income tax payable	8	36,003	36,003
		422,362	**5,125,555**
Total liabilities		**17,163,376**	**5,125,555**
Total equity and liabilities		**17,315,128**	**5,292,165**

The financial statements on pages 5 to 21 were approved by the board of directors, authorised for issue on 23 August 2023 and signed on its behalf by:

Amin Farah
Director

Hani H. Sarraf
Director

Statement of changes in equity

	Share capital €	(Accumulated losses) €	Total equity €
At 1 January 2022	46,588	(38,329)	8,259
Contributions by owners of the company:			
Issuance of ordinary shares	203,412	-	203,412
Loss for the year	-	(45,061)	(45,061)
At 31 December 2022 (audited)	**250,000**	**(83,390)**	**166,610**
At 1 January 2023	250,000	(83,390)	166,610
Loss for the period	-	(14,858)	(14,858)
At 30 June 2023 (unaudited)	**250,000**	**(98,248)**	**151,752**

Statement of cash flows

	Notes	2022 6 months (unaudited) €	2021 6 months (unaudited) €
Operating activities			
(Loss) profit before tax		(11,764)	27,126
Adjustments	15	(28,610)	(44,783)
Net changes in working capital	15	42,336	22,398
Net cash generated from operating activities		**1,962**	**4,741**
Investing activity			
Loans issued to parent company		(11,730,000)	-
Cash used in investing activity		**(11,730,000)**	**-**
Financing activity			
Proceeds from issue of bonds		11,730,153	-
Cash generated from financing activity		**11,730,153**	
Net increase in cash and cash equivalents		2,115	4,741
Cash and cash equivalents, beginning of period		1,647	407
Cash and cash equivalents, end of period	11	**3,762**	**5,148**

Notes to the financial statements

1 Nature of operations

Pharmacare Finance p.l.c. (the 'company') was incorporated on 30 April 2018. The company was formed principally to act as a finance vehicle to the parent company, namely Pharmacare Premium Limited.

2 Basis of preparation

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

Pharmacare Finance p.l.c. is a public liability company domiciled and incorporated in Malta. The registered office is located at HHF 003, Hal Far Industrial Estate, Hal Far, Birzebbugia, BBG 3000, Malta.

The company's parent company is Pharmacare Premium Ltd with the same place of incorporation and registered address as the company.

The condensed interim financial statements as at end 30 June 2023 has been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) applicable to interim financial reporting (International Accounting Standards 34, "Interim Financial Reporting"). The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS as adopted by the EU.

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

2.2 Going concern basis

During the financial period ended 31 December 2023, the company issued €17,000,000 6% unsecured bonds of €100 each to the public, maturing in 2033. The net proceeds were advanced as a loan to the parent company, namely Pharmacare Premium Limited at an interest rate of 6.6% per annum.

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

The directors are satisfied that the company will earn sufficient funds in order to meet its commitments in the foreseeable future, and it is therefore appropriate to adopt the going concern assumption in the preparation of the financial statements. The financial statements do not include any adjustments should the above strategies not materialise.

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 January 2023

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the company's financial results or position.

3.1 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 condensed interim 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 years.

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.

Finance income

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

4.3 Finance costs

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

4.4 Bond issue costs

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

4.5 Loans receivable

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

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

4.6 Receivables

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

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

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

4.7 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).

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

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

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

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

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

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

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

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'.

4.9 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.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits with bank.

4.11 Borrowings

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

4.12 Other payables

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

4.13 Equity

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.

4.14 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.

4.15 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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).

5 Finance income

	2023 6 months (unaudited) €	2022 6 months (unaudited) €
Interest income from Parent company loans	465,511	193,560
	465,511	**193,560**

6 Finance costs

Finance costs may be analysed as follows:

	2023 6 months (unaudited) €	2022 6 months (unaudited) €
Interest on debt securities in issue	419,514	142,568
Amortisation of bond issue costs	17,387	6,209
	436,901	**148,777**

7 (Loss) profit before tax

(Loss) profit before tax is stated after charging:

	2023 6 months (unaudited) €	2022 6 months (unaudited) €
Auditor's remuneration	1,500	-
Directors' fees	16,668	6,000

8 Tax expense

The relationship between the expected tax income (expense) based on the effective tax rate of the company at 35% (2022: 35%) and the actual tax income (expense) recognised in the income statement can be reconciled as follows:

	2023 6 months (unaudited) €	2022 6 months (unaudited) €
(Loss) profit before tax	(11,764)	27,126
Tax rate	35%	35%
Expected tax income (expense)	**4,117**	**(9,494)**
Disallowed (expenses) income	(1,023)	26,599
Actual tax income, net	**3,094**	**17,105**

9 Loans Receivable

	30 June 2023 (unaudited)	31 December 2022 (audited)
Loans receivable from parent company	16,809,090	5,079,090
	16,809,090	**5,079,090**

The loan due from the parent company is guaranteed by the parent company, bears interest at 6.6% per annum and is receivable annually in arrears on 3 February of each year. The interest shall accrue daily until repayment of the principal amount and payment of all accrued interest in full. The principal loan will be paid in full on the 3 February 2033. The parent company is acting as a guarantor for the repayment of the bond issue and interest thereon. Hence, should the company fail to honour its commitment towards the bondholders, the parent company would still exhaust its liability towards the company on settlement of the liabilities due to the bondholders.

The net proceeds from the bond issue have been advanced by the company to its parent company. The parent company utilised the said funds towards the funding of product development projects, capacity expansion as well as towards the financing of overheads and general expenses.

10 Receivables

	30 June 2023 (unaudited) €	31 December 2022 (audited) €
Other debtors	499,523	204,545
Prepayments	2,753	6,883
Total receivables	**502,276**	**211,428**

Accrued interest on the loans receivable due from parent company are due for repayment on the anniversary of when the original principal of the loan was advanced by the company in terms with conditions listed in the company's prospectus.

The company's exposure to credit risk related to other receivables is disclosed in note 17.1. No provision for the expected credit losses was considered necessary on the above balance due from parent company, as the parent company is acting as guarantor and is financially solid. The directors have therefore assessed that the probability of default and loss given default are non-existent.

All of the company's receivables have been reviewed for indicators of impairment.

11 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:

	30 June 2023 (unaudited) €	31 December 2022 (audited) €
Cash at bank	3,762	1,647
Cash and cash equivalents within the statement of financial position	**3,762**	**1,647**

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

12 Share capital

The share capital of 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.

	30 June 2023 (unaudited)	31 December 2022 (audited)
Shares issued and fully paid at 30 June / 31 December	250,000	250,000
250,000 ordinary shares at € 1 each	**250,000**	**250,000**
Shares authorised at 30 June / 31 December	250,000	250,000
250,000 ordinary shares at € 1 each	**250,000**	**250,000**

13 Debt securities in issue

	30 June 2023 (unaudited) €	31 December 2022 (audited) €
Opening balance	5,000,000	5,000,000
Bond issued during the year	17,000,000	-
Redemption of bond	(5,000,000)	-
Bonds, at face value	**17,000,000**	**5,000,000**
Bonds, at face value	17,000,000	5,000,000
Bond issue costs	(394,024)	(124,179)
Amortisation of bond issue costs	135,038	117,650
	16,741,014	**4,993,471**

At period/year end, the company had a balance of € 16,741,014 (2022: € 4,993,471) from the bond issue of € 17 million 4.65% bonds of € 100 nominal value each, redeemable at par in 2033. During the period, the € 5 million bonds on Prospects MTF were redeemed and € 17 million bonds was raised. Consequently, the amount as at 30 June 2023 is made up of the bond issue of € 17 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 3 February 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 Pharmacare Premium Ltd.

14 Trade and other payables

	30 June 2023 (unaudited) €	31 December 2023 (audited) €
Accrued interest on borrowings	347,788	53,872
Amounts due to parent company	-	4,138
Other payables	8,143	9,751
Accrued expenses	30,428	28,320
Financial liabilities at amortised cost	**386,359**	**96,081**

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

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

15 Cash flow adjustments and changes in working capital

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

	2023 6 months (unaudited) €	2022 6 months (unaudited) €
Adjustments:		
Amortisation of bond issue costs	17,387	6,209
Interest expense on debt securities in issue	419,514	142,568
Interest income on loans receivable	(465,511)	(193,560)
	(28,610)	**(44,783)**
Net changes in working capital:		
Receivables	171,569	37,371
Trade and other payables	(129,233)	(14,973)
	42,336	**22,398**

16 Related party transactions

The company is subsidiary of Pharmacare Premium Limited which owns 99.9% of the Ordinary Shares of the Company's issued share capital.

Pharmacare Premium Limited is in turn a subsidiary of Pharmacare Europe Limited which itself is a subsidiary of Dar Al-Shifa' for Manufacturing of Pharmaceuticals p.l.c., a company incorporated in Palestine.

No single party has a controlling interest in the Company.

16.1 Transactions with related parties

	2023 6 months (unaudited) €	2022 6 months (audited) €
Parent company:		
Interest income from parent company	465,511	193,560
Directors:		
Directors' remuneration	16,668	6,000

Amounts due to and from related parties are disclosed in notes 9, 10 and 14.

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 17.5. 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.

17.1 Credit risk

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

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	30 June 2023 (unaudited) €	31 December 2022 (audited) €
Classes of financial assets – carrying amounts			
Receivables	10	499,523	204,545
Cash and cash equivalents	11	3,762	1,647
		503,285	**206,192**

Credit risk management

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

17.2 Liquidity risk

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

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

30 June 2023 (unaudited)	Current	Non-current	
	within 1 year	2 to 5 years	later than 5 years
	€	€	€
Debt securities in issue	-	-	16,741,014
Trade and other payables	386,359	-	-
	386,359	**-**	**16,741,014**

31 December 2022 (audited)	Current		Non-current
	within 1 year	2 to 5 years	later than 5 years
	€	€	€
Debt securities in issue	4,993,471	-	-
Trade and other payables	96,081	-	-
	5,089,552	**-**	**-**

17.3 Market risk

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

Interest rate risk

The company's transactions consist mainly of earning interest income of advances affected, principally from the bond issue proceeds, and servicing its borrowings. The company's significant interest-bearing instruments, comprising of advances to the parent company and the bond issued to the general public, are subject to fixed interest rates. The company has secured the spread between the return on its investment in the parent company and its cost of borrowings.

17.4 Foreign currency risk

The company transacts its business mainly in Euro and does not have significant foreign currency denominated financial assets and liabilities at the end of the financial reporting period under review.

Consequently, the company is not materially exposed to foreign currency risk.

17.5 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 4.8 for explanations about how the category of financial instruments affects subsequent measurement.

	Notes	30 June 2023 (unaudited) €	31 December 2022 (audited) €
Non-current assets			
Financial assets at amortised cost:			
- Loans receivable	9	**16,809,090**	**5,079,090**
Current assets			
Financial assets at amortised cost:			
- Receivables	10	502,276	211,428
- Cash and cash equivalents	11	3,762	1,647
		506,038	**213,075**
Non-current liabilities			
Financial liabilities at amortised cost:			
- Debt securities in issue	13	**16,741,014**	**-**
Current liabilities			
Financial assets at amortised cost:			
- Debt securities in issue	13	-	4,993,471
- Trade and other payables	14	386,359	96,081
- Income tax payable	8	36,003	36,003
		422,362	**5,125,555**

18 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.

19 Post-reporting date events

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

Statement pursuant to Capital Markets Rule 5.75.3

We confirm that to the best of our knowledge:

• the condensed interim financial statements give a true and fair view of the financial position of the company as at 30 June 2023, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) applicable to interim financial reporting (International Accounting Standard 34, '*Interim Financial Reporting*');

• the interim directors' report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.

Amin Farah
Director

Hani H. Sarraf
Director

23 August 2023

Report on review of interim financial information

To the Board of Directors of Pharmacare Finance p.l.c

Introduction

We have reviewed the accompanying condensed statement of financial position of Pharmacare Finance p.l.c for the period ended 30 June 2023 and the related condensed income statement, condensed statement of changes in equity, condensed statement of cash flows for the period then ended, and selected explanatory notes (the "interim financial information"). The Directors are responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34 'Interim Financial Reporting'). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 (Revised), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of Pharmacare Finance p.l.c as at 30 June 2023 and of its financial performance and cash flows for the period then ended in accordance with International Accounting Standard 34 – Interim financial reporting.

Sharon Causon (Partner) for and on behalf of
GRANT THORNTON

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

23 August 2023