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 rules of Prospects MTF Rules.

Quote

The Board of Directors of the Company met on Wednesday 10th June, 2020, and considered and approved the Company's Audited Financial Statements for the financial period ended 31st December, 2019.

The Board of Directors shall be recommending to the Annual General Meeting of the Company that no dividend be declared in respect of the financial year ended 31st December 2019.

Copies of the Company's Audited Financial Statements for the financial year ended 31st December 2019, as approved, are available for viewing below as an attachment to this announcement and at the Company's registered office, and are also available for download from the Company's website: http://smartcaremalta.com/smartcare-finance-plc/.

The Company further announces that the Board of Directors resolved that the Audited Financial Statements be submitted to the shareholders of the Company for their approval at the forthcoming Annual General Meetings scheduled to take place on 24th June 2020 for the purpose of considering, and if deemed fit, passing the resolutions set out hereunder:

ORDINARY RESOLUTIONS

1. To consider and approve the Company's Annual Report and Audited Financial statements for the financial year ended 31St December 2019.
2. To re-appoint Reanda Malta Limited as auditors of the Company and to authorise the Directors to fix their remuneration.

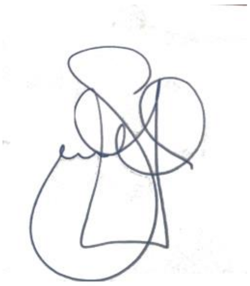
3. To appoint the Directors in accordance with the Articles of Association of the Company.

It is further announced that the Boards of Directors of Smartcare Pinto Limited and Smartcare Holdings Limited, being the Guarantors of the Bonds issued by the Company, also met on Wednesday 10th June, 2020, and considered and approved the Audited Financial Statements and the Audited Consolidated Financial Statements, respectively, of each of said entities for the financial period endied 31st December, 2019.

Copies of the aforesaid Audited Financial Statements in respect of each of Smartcare Pinto Limited and Smartcare Holdings Limited are available for viewing and download from the Company's website: [http://smartcaremalta.com/smartcare-finance-plc/.](http://smartcaremalta.com/smartcare-finance-plc/)

17th ,June2020

Unquote



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Dr Sam Abela

Company Secretary

Company Registration Number: C 90123

Smartcare Finance p.l.c

Directors' Report
and
Financial Statements

For the period from
7 January 2019
To
31 December 2019

CONTENTS

GENERAL INFORMATION

Registration

Smartcare Finance p.l.c is registered in Malta as a public listed company under the Companies Act, 1995. The company's registration number is C 90123.

Directors

Mr. Andrew Debattista Segond
Mr. Norval Desira (appointed on the 15th January 2019)
Mr. William Wait
Mr. Ian Joseph Stafrace
Mr Keith Fenech (appointed on the 22nd May 2020)
Ms. Jacqueline Camilleri (resigned on the 20th June 2019)

Company Secretary

Mr. Sam Abela

Registered Office

326,
Mdina Road
Qormi
Malta

Auditors

Reanda Malta Ltd
A3 Towers, Block A3, Level 12,
Triq il-Kanonku Karm M Bologna,
Paola, PLA 1211
Malta.

DIRECTORS' REPORT

The directors submit the annual report and the audited financial statements for the period ended 31 December 2019.

Principal activity

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

Review of the business

The company made a profit before tax of Euro 23,480 for the period ended 31 December 2019.

Interest income from related parties amounted to Eur 233,556 in 2019. During the period under review, the company registered a net profit before taxation of €23,480. The resulting earnings per share for the period under review amounted to €0.489 per share.

Principal risks and uncertainties

The company is exposed to risks inherent to its' operation and can be summarized 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 period are set out in the Statement of Comprehensive Income on page 11. The directors do not recommend the payment of a dividend.

Events after the reporting period

No significant events occurred after the reporting period which require mention in this report.

Future developments

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

Directors

During the period ended 31 December 2019, the directors were as listed on page 2.
In accordance with the Company's Memorandum and Articles of Association, the present directors remained in office.

DIRECTORS' REPORT – continued

Statement of Directors' responsibilities

The Companies Act (Cap. 386) requires the directors to prepare financial statements in accordance with generally accepted accounting principles as defined in the same Act, and in accordance with the provision of such Act, for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial year and of the profit or loss for that period.
In preparing the financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company 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 assets and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Auditors

Reanda Malta Ltd have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

The directors' report was approved by the Board of Directors and was signed on its behalf by:

Mr. Andrew Debattista Segond
Director

Mr. William Wait
Director

Mr. Norval Desira
Director

Mr. Ian Joseph Stafrace
Director

10 June 2020

CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE

Preliminary

The Prospect Rules issued 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 plc. (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 pf 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.

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.

CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE – continued

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 competences 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

Independent Non-Executive Directors

Dr Ian Joseph Stafrace
Mr Keith Fenech

Non-Executive Director

Dr Norval Desira

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.

Principles 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 Calamatta Cuschieri who are the Corporate Advisors of the Company, Dr Sam Abela who is the Company Secretary and Nexia BT who are the Company's financial advisors. 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.

CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE – continued

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.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

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 the 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 Keith Fenech – Member
Mr William Wait - Member

The members of the Committee have discussed various matters during the meetings held in 2019 and have formally set out the Terms of Reference of the Committee. 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.

The Malta Stock Exchange reviewed the Committee's Terms of Reference as part of the admission process with respect to the Bonds issued by the Company.

CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE – continued

Attendance of Board and Committee Meetings

During the year under review the Board and the Committee held 3 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.

Principles 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 sheets 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".

CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE – continued

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 find 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 operation.

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: Responsibilities 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.

CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE – continued

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 10 June 2020 and signed on its behalf by:

Mr. Andrew Debattista Segond
Director

Dr Ian Joseph Stafrace
Director

REANDA (MALTA) Ltd
Certified Public Accountants

A3 Towers, Block A3, Level 12, Triq il-Kanonku Karm M Bologna,
Paola, PLA 1211, Malta

Tel : (356) 21235064 ; Mob: (356) 9944 3367 ;
E-Mail: robert@reandamalta.com
WEB : www.reandamalta.eu

INDEPENDENT AUDITOR'S REPORT TO SMARTCARE FINANCE p.l.c. ON CORPORATE GOVERNANCE MATTERS

Pursuant to the Listing Authority Rules issued by the Malta Financial Services Authority, the directors are required to include in their annual report a Statement of Compliance to 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 with these principles.

Our responsibility as laid down by Listing Rule 5.98 requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company`s system of internal control or its corporate governance procedures.

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

Robert Borg (Director)
For and on behalf of

Reanda Malta Limited
10 June 2020

REANDA

REANDA (MALTA) Ltd
Certified Public Accountants

A3 Towers, Block A3, Level 12, Triq il-Kanonku Karm M Bologna,
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INDEPENDENT AUDITORS' 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, which comprise of the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended, and a summary of significant accounting policies and other explanatory information set out on pages 19 to 35.

In our opinion, the financial statements give a true and fair view of the financial position of Smartcare Finance p.l.c as at 31 December 2019, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

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

Key Audit Matters

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

1. Loans and receivables

Key audit matter

The company acts as the main finance vehicle of the Smartcare Group of companies. The loans and receivables are the largest asset category of the company.

How the key audit matter was addresses in our audit

Loans and receivables 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.

REANDA

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INDEPENDENT AUDITORS' REPORT (continued)

Other Information

The directors are responsible for the other information. The other information comprises the general information and the directors' report. Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 disclosure requirements of Article 177 of the Companies Act (Cap 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Companies Act (Cap 386).

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Companies Act (Cap 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

REANDA

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INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibilities for the Audit of the Financial Statements – continued

As part of an audit in accordance with ISAs, we exercise professional judgment 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 the directors.

- Conclude on the appropriateness of the directors' 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

We communicate with the directors 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.

This copy of the audit report has been signed by
Robert Borg (Director)
For and on behalf of

Reanda Malta Limited
10 June 2020

STATEMENT OF COMPREHENSIVE INCOME

	Notes	07.01.2019 To 31.12.2019 EUR
Revenue		-
Administrative Expenses		(54,777)
Loss before finance charges		(54,777)
Interest income		233,556
Finance costs		(152,055)
Credit impairment loss		(3,244)
Operating Profit before taxation	5	23,480
Taxation	6	-
Profit for the period		23,480
Total Comprehensive profit for the period		23,480

STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	2019 EUR
ASSETS		
Non-Current Assets		
Receivable from subsidiaries	7	4,862,416
Current Assets		
Trade and Other Receivables	8	230,312
Cash and Cash Equivalents	9	5,611
		235,923
TOTAL ASSETS		5,098,339
EQUITY AND LIABILITIES		
Equity		
Share Capital	10	48,000
Retained Earnings		23,480
Total Shareholder's Funds		71,480
Non-Current Liabilities		
Debt securities in issue	14	4,858,479
Current Liabilities		
Trade and Other Payables	11	168,380
Total Liabilities		5,026,859
TOTAL EQUITY AND LIABILITIES		5,098,339

The financial statements on pages 15 to 35 have been authorised for issue by the Board of Directors on 10 June 2020 and were signed on its behalf by:

Mr. Andrew Debattista Segond
Director

Mr. William Wait
Director

Mr. Norval Desira
Director

Mr. Ian Joseph Stafrace
Director

STATEMENT OF CHANGES IN EQUITY

	Share Capital EUR	Retained Earnings EUR	Total EUR
FINANCIAL PERIOD ENDED 31 DECEMBER 2019			
Share Capital Issue	48,000	-	48,000
Comprehensive income			
Profit for the period	-	23,480	23,480
Balance at 31 December 2019	48,000	23,480	71,480

STATEMENT OF CASH FLOWS

	Note	2019 EUR
Cash flows from operating activities		
Profit before tax		23,480
Adjustment for amortisation		8,596
Operating profit before working capital changes		32,076
(Increase) in Trade and Other Receivables		(230,312)
Increase in Trade and Other Payables		168,380
Net cash used in operations		(29,856)
Cash flows from financing activities		
Share Capital Issue		48,000
Costs re bond issue		(150,117)
Debt securities issue		5,000,000
Advances to related parties		(4,862,416)
Net cash generated from financing activities		35,467
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,611
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9	5,611

NOTES TO THE FINANCIAL STATEMENTS

1. Company Information

The audited financial statements of Smartcare Finance p.l.c for the period ended 31 December 2019 were authorised for issue on the 10 June 2020. The company is a public listed company registered on 7 January 2019 incorporated and domiciled in Malta. The registered office is located 326, Mdina Road, Qormi Malta.

The ultimate beneficial owner of Smartcare Finance p.l.c is Mr. Andrew Debattista Segond.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the Group and the Holding Company.

2.1 *Basis of preparation*

The financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Companies Act, 1995 (Chapter 386 of the Laws of Malta). These financial statements are prepared under the historical cost convention, as modified by the fair valuation of financial assets and financial liabilities.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies (see note 4.1 – Critical accounting estimates, and judgements in applying the Company's accounting policies).

2.2 *Standards, interpretations and amendments to published standards effective in 2019*

In 2019, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2019.

2.3 *Standards, interpretations and amendments to published standards effective in 2020*

Certain new standards, amendments and interpretations to existing standards which are mandatory for accounting periods beginning after 1 January 2020 have been published by the date of authorisation for issue of this financial information. The Company has not early adopted these requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

2.3.1 IFRS 3 Business Combinations

The 'Definition of a Business' issued by the IASB aims at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

2.3.2 IAS 1 Presentation of Financial Statements

The 'Definition of Material' issued by the IASB clarified the definition of materiality and aligns the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

2.4 *Consolidation*

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognises any noncontrolling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this aggregate is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the subsidiaries are consistent with the policies adopted by the Company. In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Holding's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

2.5 *Foreign Currency Translation*

The financial statements are presented in euro (€), which is the Company's presentation currency.

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.6 *Financial assets*

In the current year, the significant accounting policies for financial assets are as follows:

The Company classifies its financial assets as subsequently measured at amortised cost or measured at FVTPL on the basis of both:

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

Financial assets at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost include, trade receivables amounts due by related undertakings and cash and cash equivalents.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

For financial assets at amortised cost, appropriate allowances for expected credit losses ('ECLs') are recognised in profit or loss in accordance with the Company's accounting policy on ECLs.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

2.7 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.8 *Investments in subsidiaries*

The Company classifies investments in entities which it controls as subsidiaries.

The Company's investments in subsidiaries are stated at cost less impairment losses in the Company's stand-alone financial statements. Impairment losses recognised in prior periods are reversed through profit or loss if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

2.9 *Investment in associate*

Associates are all entities over which the Company has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. The Company's investment in associates includes goodwill identified on acquisition. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognised in the Company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the Company's separate financial statements, investments in associates are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the Director, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of the associate are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

2.10 *Intangible assets*

2.10.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

2.10.2 Computer software

Costs incurred to acquire and bring to use specific software are capitalised and amortised on the basis of the expected useful lives. Software has a maximum expected useful life of four years.

2.11 *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 the acquisition of the items

Land and buildings are shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

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 the 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, as follows:

Years	
Buildings	50 or over period of lease/arrangement
Leasehold property	Over period of lease/arrangement
Computer equipment	4
Other	4 – 8

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount 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

2.12 *Impairment of non-financial assets*

Assets that have an indefinite useful life, for example goodwill or certain intangible assets, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less costs to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

2.13 *Non- Current assets held for sale*

Non-current assets are classified as assets held for sale and are stated at the lower of carrying amount and fair value less costs to sell when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

2.14 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

2.16 *Trade and other receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

2.17 *Share Capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 *Financial Liabilities*

2.18.1 Initial recognition and measurement

The Company recognises a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability.

2.18.2 Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:
- financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (for example, short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Company recognises any expense incurred on the financial liability; and
- financial guarantee contracts and loan commitments .

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

2.18.3 Derecognition

The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.19 *Trade and other payables*

Trade payables comprise obligations to pay for goods or 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 *Provisions for legal and other claims*

Provisions for legal and other claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 *Interest income and expense*

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

The calculation does not consider Expected Credit Losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (POCI) financial assets - assets that are credit-impaired at initial recognition - the Company calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of Expected Credit Losses in estimated future cash flows.

2.22 *Dividend income*

Dividends are recognised in profit or loss in 'dividend income' when the entity's right to receive payment is established.

2.23 *Leases*

2.23.1 When a Group company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.24 *Cash and cash equivalents*

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.25 *Dividend distribution*

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial Risk Management

3.1 Introduction

The Company's business involves taking on risks in a targeted manner and managing them professionally. The core 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 risk 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 defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Company is exposed to a number of risks, which it manages at different levels.
The main categories of risk are:

- *Credit risk*: Credit risk stems from the possible non-prompt repayment or non-payment of existing and contingent obligations by the Company's counterparties, resulting in the loss of equity and profit. It is the risk that deterioration in the financial condition of a borrower will cause the asset value to decrease or be extinguished. Country risk and settlement risk are included in this category. Country risk refers to the risk of losses arising from economic or political changes that affect the country from which the asset originates. Settlement risk refers to the risk of losses through failure of the counterparty to settle outstanding dues on the settlement date owing to bankruptcy or other causes.

- *Market risk*: Risk of losses arising from unfavourable changes in the level and volatility of interest rates, foreign exchange rates or investment prices.

- *Liquidity risk*: Liquidity risk may be divided into two sub-categories:

  - Market (product) liquidity risk: Risk of losses arising from difficulty in accessing a product or market at the required time, price and amount.
  - Funding liquidity risk: Risk of losses arising from a timing mismatch between investing, placements and fund raising activities resulting in obligations missing the settlement date or satisfied at higher than normal rates.

- *Operational risk*: Risk of loss resulting from the lack of skilful management or good governance within the Company and the inadequacy of proper control, which might involve internal operations, personnel, systems or external occurrences that in turn affect the income and capital funds of financial institutions. The Company has adopted an operational risk management framework and procedures, which provide for the identification, assessment, management, monitoring and reporting of the Company's operational risks.

The Company's approach to management of the above risks is addressed in this note.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial Risk Management...continued

3.2 *Expected credit loss management*

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:
- a financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- if a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- if the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- financial instruments in 'Stage 1' have their ECL measured at an amount equal to the portion of lifetime Expected Credit Losses that result from default events possible within the next 12 months. Instruments in 'Stages 2' or '3' have their ECL measured based on Expected Credit Losses on a lifetime basis.
- a pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis ('Stage 3').

The Expected Credit Loss requirements apply to financial assets measured at amortised cost and FVOCI. At initial recognition, an impairment is required for ECL resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered 'Stage 1'. Financial assets which are considered to have experienced a significant increase in credit risk would be classified as 'Stage 2' and financial assets for which there is objective evidence of impairment, thus considered to be in default or otherwise credit-impaired, would be classified as 'Stage 3'.

3.3 *Measuring ECL – Explanation of inputs, assumptions and estimation techniques*

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected Credit Losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

The ECL is determined by projecting the PD, EAD and LGD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the originated effective interest rate or an approximation thereof.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

The PD, EAD and LGD parameters are derived from internally developed statistical models and other historical data, and market data, adjusted to reflect forward-looking information as described below.

NOTES TO THE FINANCIAL STATEMENTS

3. **Financial Risk Management...continued**

3.4 *Loss allowances under IFRS*

Reconciliation of 12-month and Lifetime ECL provision

The loss allowance recognised in the period is impacted by a variety of factors, as described below:
- transfers between 'Stage 1' and 'Stages 2' or '3' due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up' (or 'step down') between 12-month and Lifetime ECL;
- additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- impacts on the measurement of ECL due to changes made to models and assumptions;
- discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

3.4.1 Trade and other receivables

The Company assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history in the case of credit sales.

3.5 Capital risk management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the consolidated statement of financial position, are:
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for 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.

NOTES TO THE FINANCIAL STATEMENTS

4. Accounting Estimates and Judgements

4.1 Critical accounting estimates and judgements in applying the Company's accounting policies

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

4.2 Measurement of the Expected Credit Losses

The measurement of the Expected Credit Loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

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.

4.3 Assessment of estimates and judgements

In the opinion of the Director, the accounting estimates and judgements made in the course of preparing these consolidated financial statements, which have been highlighted above, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

5. Operating Loss

	07.01.2019 To 31.12.2019 EUR
The operating loss is stated after charging the following:	
Auditors Remuneration	5,310
Amortisation	8,596
Directors' fees	37,857

NOTES TO THE FINANCIAL STATEMENTS – continued

6. Taxation

No provision for income tax has been made in these financial statements in view of the transfer of loss from one of the group companies. The company benefited from group loss relief

7. Receivable from subsidiaries

	Total
	EUR
Period ended 31 December 2019	
Advances during the period	4,862,416

These amounts carry interest at the rate of 8% and are repayable within 10 year

8. Trade and Other Receivables

	2019
	EUR
Interest receivable	233,556
Estimated Credit Loss	(3,244)
	230,312

9. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and 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:

	2019
	EUR
Cash at Bank	5,611

NOTES TO THE FINANCIAL STATEMENTS – continued

10. Share Capital

	2019 EUR
Authorised, Issued and Fully paid up	
48,000 Ordinary Shares of €1.00 each	48,000

11. Trade and Other Payables

	2019 EUR
Trade payables	10,252
Accruals	158,128
	168,380

12. Related Party Disclosures

Transactions with related parties

	Transactions Value for the Period ended 31 December 2019 EUR	Balance Outstanding As at 31 December 2019 EUR
Interest receivable		
Interest receivable from Group companies	230,312	230,312
Financing Activities		
Amounts due from Group Companies (net of ECL)	5,092,728	5,092,728

€4,862,416 are advances to group companies are due to be paid after 10 years.
The balance of €230,312 is the accrued interest payable on the long term advances.

NOTES TO THE FINANCIAL STATEMENTS – continued

13. Credit impairment losses

	Write Downs	Reversals of write-downs	Total
	2019	2019	2019
	EUR	EUR	EUR
Loans and advances to group companies			
Related Parties	(3,244)	-	(3,244)
Credit impairment losses	(3,244)	-	(3,244)

14. Debt Securities in Issue

	2019
	EUR
Bond Issue during the year	5,000,000
Bond issue costs	(150,117)
Amortisation of bond issue costs	8,596
	4,858,479

As at year end, the company had a balance of €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.

SUPPLEMENTARY STATEMENTS

	Statement
Administrative Expenses	I

STATEMENT I

	07.01.2019 To 31.12.2019 EUR
Administration Expenses	
Directors' fees payable	37,857
Licences and Permits	350
Advertising	375
MSE amendments	76
Legal and Professional	885
Accountancy	1,286
Audit fee	5,310
Amortisation	8,596
Bank Charges	42
	54,777

Company Registration Number: C 90121

Smartcare Holdings Ltd

Director's Report
and
Financial Statements

For the period
7 January 2019
To
31 December 2019

CONTENTS

GENERAL INFORMATION

Registration

Smartcare Holdings Ltd is registered in Malta as a limited liability company under the Companies Act, 1995. The company's registration number is C 90121.

Director

Mr. Andrew Debattista Segond

Company Secretary

Mr. Andrew Debattista Segond

Registered Office

326,
Mdina Road
Qormi
Malta

Auditors

Reanda Malta Ltd
A3 Towers, Block A3, Level 12,
Triq il-Kanonku Karm M Bologna,
Paola, PLA 1211
Malta.

DIRECTOR'S REPORT

The director submits the annual report and the audited financial statements for the period ended 31 December 2019.

Principal activity

The company is a holding company, having its principal activity to subscribe for, take, purchase, sell, invest in, exchange, or otherwise acquire, hold, manage, develop, deal with and turn into account any bonds, debentures, shares, stocks options or securities of governments, states, municipalities, public authorities, or public or private, limited or unlimited companies, and whether on a cash or margin basis and including short sales and to lend or borrow money against the security of such bonds, debentures, shares, stocks, options, or other securities.

Review of the business

Company
The company made a loss of Euro 21,063 for the period ended 31 December 2019.

Group
Group revenue for the period ending 31 December 2019 amounted to €569,272. The revenue was generated from the retirement home in Qormi.

The loss for the year before tax amounted to €643,034 representing loss/revenue ratio of 113%. 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 €2,511,581.

The Group used a net cashflow from operations of €186,424 and invested €5,304,566 in property, plant & equipment and investment property. The main projects were the acquisition of property in Xaghra Gozo, to develop a boutique Hotel and a penthouse ins Triq Stella Maris, Sliema.

Net assets stood at €2,056,862 at 31 December 2019.

The directors expect the group to grow in all its core business segments during 2020 and will continue as a going concern.

Dividends
The director does not recommend the payment of a dividend.

Events after the reporting period
No significant events occurred after the reporting period which require mention in this report.

Director
During the period ended 31 December 2019, the director was as listed on page 2.
In accordance with the Company's Memorandum and Articles of Association, the present director remained in office.

DIRECTOR'S REPORT – continued

Statement of Director's responsibilities
The Companies Act (Cap. 386) requires the director to prepare consolidated financial statements in accordance with generally accepted accounting principles as defined in the same Act, and in accordance with the provision of such Act, for each financial period which give a true and fair view of the financial position of the Group as at the end of the financial year and of the profit or loss for that period.
In preparing the financial statements, the directors are 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 assets and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

The director is also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act (Cap 386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the director determines 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.

Auditors
Reanda Malta Ltd have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

The director's report was approved by the Board of Directors and was signed on its behalf by:

Mr. Andrew Debattista Segond
Director
10 June 2020

REANDA

REANDA (MALTA) Ltd
Certified Public Accountants

A3 Towers, Block A3, Level 12, Triq il-Kanonku Karm M Bologna, Paola, PLA 1211, Malta

Tel : (356) 21235064 ; Mob: (356) 9944 3367 ;
E-Mail: robert@reandamalta.com
WEB : www.reandamalta.eu

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Smartcare Holdings Ltd

Opinion

We have audited the consolidated financial statements of Smartcare Holdings Ltd, which comprise of the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended, and a summary of significant accounting policies and other explanatory information set out on pages 12 to 31.

In our opinion, the financial statements give a true and fair view of the financial position of Smartcare Holdings Ltd as at 31 December 2019, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

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 Auditors' 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 that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The director is responsible for the other information. The other information comprises the general information and the director's report. Our opinion on the financial statements does not cover the other information, including the director's report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 disclosure requirements of Article 177 of the Companies Act (Cap 386). Based on the work we have performed, in our opinion:

- the information given in the director's report for the financial period 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 Companies Act (Cap 386).

In the 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. We have nothing to report in this regard.

REANDA (MALTA) Ltd
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT (continued)

Responsibilities of the Directors for the Financial Statements

The director is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Companies Act (Cap 386), 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The director is responsible for overseeing the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISAs, we exercise professional judgment 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 the director.

- Conclude on the appropriateness of the director'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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

REANDA (MALTA) Ltd
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibilities for the Audit of the Financial Statements – continued

- 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 the director 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.

This copy of the audit report has been signed by
Robert Borg (Director)
For and on behalf of

Reanda Malta Limited
10 June 2020

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group	Company
		07.01.2019 To 31.12.2019 EUR	07.01.2019 To 31.12.2019 EUR
Revenue	5	569,272	-
Cost of Sales		(444,353)	-
Administrative Expenses		(574,489)	(6,586)
Loss before finance charges		(449,570)	(6,586)
Finance costs	6	(191,629)	(37,953)
Finance income		-	23,854
Credit impairment loss		(1,835)	(378)
Operating Loss before taxation	7	(643,034)	(21,063)
Taxation	8	162,806	-
Loss for the period		(480,228)	(21,063)
Total Comprehensive loss for the period		(480,228)	(21,063)

STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	Group 2019 EUR	Company 2019 EUR
ASSETS			
Non-Current Assets			
Goodwill	9	310,707	-
Deferred tax asset	8	162,806	-
Investments in Subsidiaries		-	101,599
Intangible assets	11	20,924	-
Property Plant & Equipment	10	6,443,475	-
Advances to Related Parties		-	676,143
		6,937,912	777,742
Current Assets			
Inventories	14	822,969	-
Trade and Other Receivables	12	562,037	23,476
Cash and Cash Equivalents	13	27,334	2,405
		1,412,340	25,881
TOTAL ASSETS		8,350,252	803,623
EQUITY AND LIABILITIES			
Equity			
Share Capital	15	1,200	1,200
Revaluation Reserve		2,511,581	-
Retained Earnings		(455,919)	(21,063)
Total Shareholder's Funds		2,056,862	(19,863)
Non-Current Liabilities			
Debt Securities in issue	17	4,858,479	-
Borrowings	20	667,241	780,000
		5,525,720	780,000
Current Liabilities			
Trade and Other Payables	16	767,670	43,486
Total Liabilities		6,293,390	823,486
TOTAL EQUITY AND LIABILITIES		8,350,252	803,623

The consolidated financial statements on pages 8 to 31 have been authorised for issue by the Board of Directors on 10 June 2020 and were signed on its behalf by:

Mr. Andrew Debattista Segond
Director

STATEMENT OF CHANGES IN EQUITY

Group

FINANCIAL PERIOD ENDED 31 DECEMBER 2019	Share Capital EUR	Revaluation Reserve EUR	Retained Earnings EUR	Total EUR
Share Capital Issue	1,200	-	-	1,200
Comprehensive income				
Loss for the period	-	-	(480,228)	(480,228)
Revaluation	-	2,535,890	-	2,535,890
Excess Depreciation	-	(24,309)	24,309	-
Balance at 31 December 2019	1,200	2,511,581	(455,919)	2,056,862

Company

FINANCIAL PERIOD ENDED 31 DECEMBER 2019	Share Capital EUR	Retained Earnings EUR	Total EUR
Share Capital Issue	1,200	-	1,200
Comprehensive income			
Loss for the period	-	(21,063)	(21,063)
Balance at 31 December 2019	1,200	(21,063)	(19,863)

STATEMENT OF CASH FLOWS

	Note	Group	Company
		2019	2019
		EUR	EUR
Cash flows from operating activities			
(Loss) before tax		(643,034)	(21,063)
Adjustment for:			
Amortisation		8,596	-
Depreciation		242,380	-
Operating loss before working capital changes		(392,058)	(21,063)
(Increase) in Trade and Other Receivables		(562,037)	(23,476)
Increase in Trade and Other Payables		767,670	43,486
Increase in Inventories		(822,969)	-
Net cash used in operations		(1,009,394)	(1,052)
Cash flows from investing activities			
Acquisition of investments in subsidiaries		-	(101,599)
Goodwill at acquisition		(310,707)	-
Acquisition of property plant and equipment		(4,170,889)	-
Net cash used in investing activities		(4,481,596)	(101,599)
Cash flows from financing activities			
Cash issue for shares		1,200	1,200
Debt securities issue		4,849,883	-
New bank borrowings		667,241	-
Advances to related parties		-	(676,144)
Advances from related parties		-	780,000
Net cash generated from financing activities		5,518,324	105,056
NET INCREASE IN CASH AND CASH EQUIVALENTS		27,334	2,405
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	27,334	2,405

NOTES TO THE FINANCIAL STATEMENTS

1. Company Information

The consolidated audited financial statements of Smartcare Holdings Ltd for the period ended 31 December 2019 were authorised for issue on the 10 June 2020. The company is a limited liability company registered on 7 January 2019 incorporated and domiciled in Malta. The registered office is located 326, Mdina Road, Qormi Malta.

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

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the Group and the Holding Company.

2.1 *Basis of preparation*

The consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Companies Act, 1995 (Chapter 386 of the Laws of Malta). These financial statements are prepared under the historical cost convention, as modified by the fair valuation of financial assets and financial liabilities.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies (see note 4.1 – Critical accounting estimates, and judgements in applying the Group's accounting policies).

2.2 *Standards, interpretations and amendments to published standards effective in 2019*

In 2019, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2019.

2.3 *Standards, interpretations and amendments to published standards effective in 2020*

Certain new standards, amendments and interpretations to existing standards which are mandatory for accounting periods beginning after 1 January 2020 have been published by the date of authorisation for issue of this financial information. The Group has not early adopted these requirements of IFRSs as adopted by the EU and the director is of the opinion that, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

2.3.1 IFRS 3 Business Combinations

The 'Definition of a Business' issued by the IASB aims at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

2.3.2 IAS 1 Presentation of Financial Statements

The 'Definition of Material' issued by the IASB clarified the definition of materiality and aligns the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

2.4 *Consolidation*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any noncontrolling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this aggregate is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the subsidiaries are consistent with the policies adopted by the Company. In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Holding's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

2.5 *Foreign Currency Translation*

The financial statements are presented in euro (€), which is the Group's presentation currency.

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.6 *Financial assets*

In the current year, the significant accounting policies for financial assets are as follows:

The Group classifies its financial assets as subsequently measured at amortised cost or measured at FVTPL on the basis of both:

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

Financial assets at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost include, trade receivables amounts due by related undertakings and cash and cash equivalents.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

For financial assets at amortised cost, appropriate allowances for expected credit losses ('ECLs') are recognised in profit or loss in accordance with the Group's accounting policy on ECLs.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

2.7 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.8 *Investments in subsidiaries*

The Group classifies investments in entities which it controls as subsidiaries.

The Group's investments in subsidiaries are stated at cost less impairment losses in the Company's stand-alone financial statements. Impairment losses recognised in prior periods are reversed through profit or loss if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

2.9 *Investment in associate*

Associates are all entities over which the Company has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. The Company's investment in associates includes goodwill identified on acquisition. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognised in the Company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the Company's separate financial statements, investments in associates are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the Director, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of the associate are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

2.10 *Intangible assets*

2.10.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

2.10.2 Computer software

Costs incurred to acquire and bring to use specific software are capitalised and amortised on the basis of the expected useful lives. Software has a maximum expected useful life of four years.

2.11 *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 the acquisition of the items

Land and buildings are shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

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 or loss during the financial period in which they are incurred.

Increases in the 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, as follows:

	Years
Buildings	50 or over period of lease/arrangement
Leasehold property	Over period of lease/arrangement
Computer equipment	4
Other	4 – 8

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount 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

2.12 *Impairment of non-financial assets*

Assets that have an indefinite useful life, for example goodwill or certain intangible assets, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less costs to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

2.13 *Non- Current assets held for sale*

Non-current assets are classified as assets held for sale and are stated at the lower of carrying amount and fair value less costs to sell when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

2.14 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

2.16 *Trade and other receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

2.17 *Share Capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 *Financial Liabilities*

2.18.1 Initial recognition and measurement

The Group recognises a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability.

2.18.2 Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (for example, short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- financial guarantee contracts and loan commitments .

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

2.18.3 Derecognition

The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.19 *Trade and other payables*

Trade payables comprise obligations to pay for goods or 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 *Provisions for legal and other claims*

Provisions for legal and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 *Interest income and expense*

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies...continued

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

The calculation does not consider Expected Credit Losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (POCI) financial assets - assets that are credit-impaired at initial recognition - the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of Expected Credit Losses in estimated future cash flows.

2.22 *Dividend income*

Dividends are recognised in profit or loss in 'dividend income' when the entity's right to receive payment is established.

2.23 *Leases*

2.23.1 When a Group company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.24 *Cash and cash equivalents*

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.25 *Dividend distribution*

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial Risk Management

3.1 Introduction

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core 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 risk 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 foregone, which may be caused by internal or external factors.

The Group is exposed to a number of risks, which it manages at different levels.
The main categories of risk are:

- *Credit risk*: Credit risk stems from the possible non-prompt repayment or non-payment of existing and contingent obligations by the Group's counterparties, resulting in the loss of equity and profit. It is the risk that deterioration in the financial condition of a borrower will cause the asset value to decrease or be extinguished. Country risk and settlement risk are included in this category. Country risk refers to the risk of losses arising from economic or political changes that affect the country from which the asset originates. Settlement risk refers to the risk of losses through failure of the counterparty to settle outstanding dues on the settlement date owing to bankruptcy or other causes.

- *Market risk*: Risk of losses arising from unfavourable changes in the level and volatility of interest rates, foreign exchange rates or investment prices.

- *Liquidity risk*: Liquidity risk may be divided into two sub-categories:

  - Market (product) liquidity risk: Risk of losses arising from difficulty in accessing a product or market at the required time, price and amount.
  - Funding liquidity risk: Risk of losses arising from a timing mismatch between investing, placements and fund raising activities resulting in obligations missing the settlement date or satisfied at higher than normal rates.

- *Operational risk*: Risk of loss resulting from the lack of skilful management or good governance within the Group and the inadequacy of proper control, which might involve internal operations, personnel, systems or external occurrences that in turn affect the income and capital funds of financial institutions. The Group has adopted an operational risk management framework and procedures, which provide for the identification, assessment, management, monitoring and reporting of the Group's operational risks.

The Group's approach to management of the above risks is addressed in this note.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial Risk Management...continued

3.2 Expected credit loss management

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:
- a financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- if a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- if the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- financial instruments in 'Stage 1' have their ECL measured at an amount equal to the portion of lifetime Expected Credit Losses that result from default events possible within the next 12 months. Instruments in 'Stages 2' or '3' have their ECL measured based on Expected Credit Losses on a lifetime basis.
- a pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis ('Stage 3').

The Expected Credit Loss requirements apply to financial assets measured at amortised cost and FVOCI. At initial recognition, an impairment is required for ECL resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered 'Stage 1'. Financial assets which are considered to have experienced a significant increase in credit risk would be classified as 'Stage 2' and financial assets for which there is objective evidence of impairment, thus considered to be in default or otherwise credit-impaired, would be classified as 'Stage 3'.

3.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected Credit Losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

The ECL is determined by projecting the PD, EAD and LGD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the originated effective interest rate or an approximation thereof.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

The PD, EAD and LGD parameters are derived from internally developed statistical models and other historical data, and market data, adjusted to reflect forward-looking information as described below.

NOTES TO THE FINANCIAL STATEMENTS

3. Financial Risk Management...continued

3.4 *Loss allowances under IFRS*

Reconciliation of 12-month and Lifetime ECL provision

The loss allowance recognised in the period is impacted by a variety of factors, as described below:
- transfers between 'Stage 1' and 'Stages 2' or '3' due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up' (or 'step down') between 12-month and Lifetime ECL;
- additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- impacts on the measurement of ECL due to changes made to models and assumptions;
- discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

3.4.1 Trade and other receivables

The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history in the case of credit sales.

3.5 Capital risk management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the consolidated statement of financial position, are:
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

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

NOTES TO THE FINANCIAL STATEMENTS

4. Accounting Estimates and Judgements

4.1 Critical accounting estimates and judgements in applying the Group's accounting policies

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

4.2 Measurement of the Expected Credit Losses

The measurement of the Expected Credit Loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

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.

4.3 Assessment of estimates and judgements

In the opinion of the Director, the accounting estimates and judgements made in the course of preparing these consolidated financial statements, which have been highlighted above, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

5. Revenue

Group

	2019 EUR
Revenue from old people's home	569,272

NOTES TO THE FINANCIAL STATEMENTS – continued

6. Finance costs

	Group	Company
	07.01.2019 To 31.12.2019 EUR	07.01.2019 To 31.12.2019 EUR
Interest on amounts payable to related parties	-	37,953
Interest on bank loans and overdrafts	39,575	-
Interest on debt securities in issue	152,054	-
	191,629	37,953

7. Operating Loss

	Group	Company
The operating loss is stated after charging the following:	07.01.2019 To 31.12.2019 EUR	07.01.2019 To 31.12.2019 EUR
Auditors Remuneration	12,924	1,298
Wages	524,477	-
Employers' NI	39,969	-
Directors Fees	37,857	-
Amortisation	8,596	-
Depreciation	242,380	-

8. Taxation

Company

No provision for income tax has been made in these financial statements in view of the group's loss for the period.

The directors do not consider it prudent to recognise the relevant deferred tax asset.

Group

The group has recognised Eur 162,806 in deferred taxes on accumulated losses and unabsorbed capital allowances.

9. Goodwill

Goodwill of €310,707 arose on the acquisition of Smartcare Pinto in 2019.

NOTES TO THE FINANCIAL STATEMENTS – continued

10. Property, Plant and Equipment

Group

	Hardware	Mechanical And Electrical	Medical	Furniture And Fittings	Buildings	Other Equipment	Motor Vehicles	Land	ANYC	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Year ended 31 December 2019										
Additions	64,285	501,837	669,640	162,096	198,567	45,445	11,824	1,503,367	988,555	4,145,616
Revaluation	7,715	23,163	80,360	10,904	2,206	6,555	-	2,400,260	-	2,531,163
Depreciation	(13,823)	(38,503)	(143,998)	(18,515)	(4,061)	(12,039)	(2,365)	-	-	(233,304)
Closing Net Book Value	58,177	486,497	606,002	154,485	196,712	39,961	9,459	3,903,627	988,555	6,443,475
As at 31 December 2019										
Cost	72,000	525,000	750,000	173,000	200,773	52,000	11,824	3,903,627	988,555	6,676,779
Accumulated Depreciation	(13,823)	(38,503)	(143,998)	(18,515)	(4,061)	(12,039)	(2,365)	-	-	(233,304)
Net Book Value	58,177	486,497	606,002	154,485	196,712	39,961	9,459	3,903,627	988,555	6,443,475

The fair value of land and buildings as at 31 December 2019, is based on the valuation carried out by an independent architect, on the 27th May 2019.

Had the group's and company's land and buildings been measured on a historical cost basis, their carrying amount would have been € 1,503,367.

Assets not yet capitalised represent property under construction.

NOTES TO THE FINANCIAL STATEMENTS – continued

11. Intangible assets

Group

	Software EUR	Total EUR
Year ended 31 December 2019		
Additions	25,273	25,273
Revaluation	4,727	4,727
Depreciation charge	(9,076)	(9,076)
Closing Net Book Value	20,924	20,924
As at 31 December 2019		
Cost	30,000	30,000
Accumulated depreciation	(9,076)	(9,076)
Closing Net Book Value	20,924	20,924

12. Trade and Other Receivables

	Group 2019 EUR	Company 2019 EUR
Trade receivables	92,246	-
Estimates Credit Loss on Trade Receivables	(526)	-
Prepayments and accrued income	190,986	-
Accrued Income (net of ECL)	-	23,476
Amounts due from related companies	280,640	-
Estimates Credit Loss on amounts due from related parties	(1,309)	-
	562,037	23,476

13. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and 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:

	Group 2019 EUR	Company 2019 EUR
Cash at Bank	27,334	2,405

NOTES TO THE FINANCIAL STATEMENTS – continued

14. Inventories

Group	2019 EUR
Period ended 31 December 2019	
Additions to property for the year	822,969

15. Share Capital

Company	2019 EUR
Authorised, Issued and Fully paid up	
1,200 Ordinary Shares of €1.00 each	1,200

16. Trade and Other Payables

	Group 2019 EUR	Company 2019 EUR
Trade Payables	85,689	-
Other payables	107	-
Indirect taxation and social security	144,600	-
Accruals	537,275	43,486
	767,671	43,486

17. Debt Securities in Issue

	2019 EUR
Bond Issue during the year	5,000,000
Bond issue costs	(150,117)
Amortisation of bond issue costs	8,596
	4,858,479

As at year end, the Group had a balance of €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.

NOTES TO THE FINANCIAL STATEMENTS – continued

18. Related Party Disclosures

Transactions with related parties

Company

	Transactions Value for the Period ended 31 December 2019 EUR	Balance Outstanding As at 31 December 2019 EUR
Revenue		
Related Parties	23,854	-
Expenditure		
Related Parties	37,953	-
Financing Activities		
Amounts due from Subsidiary	676,143	676,143
Amounts due to Subsidiary	780,000	780,000

The advances to and from the subsidiaries are due to be paid after 5 years

Group

	Transactions Value for the Period ended 31 December 2019 EUR	Balance Outstanding As at 31 December 2019 EUR
Capital expenditure		
Related Parties	602,253	-
Financing Activities		
Amounts due from Related Companies	279,331	279,331

NOTES TO THE FINANCIAL STATEMENTS – continued

19. Credit impairment losses

Company

	Write Downs	Reversals of write-downs	Total
	2019	2019	2019
	EUR	EUR	EUR
Accrued income	(379)	-	(379)
Credit impairment losses	(379)	-	(379)

Group

	Write Downs	Reversals of write-downs	Total
	2019	2019	2019
	EUR	EUR	EUR
Related party balances	(1,835)	-	(1,835)
Credit impairment losses	(1,835)	-	(1,835)

20. Borrowings

Company

	2019
	EUR
Related party borrowings	780,000

Related party balances carry interest at 8% and are repayable in ten years.

Group

	2019
	EUR
Bank Borrowings	667,241

As from year 3 bank loan repayments amounting to €15,300 per month are to be effected. Bank loans carry an interest rate of 4.5% per annum.

21. Contingencies and Liabilities

There is a General Hypothec of €2,455,000 over the Group's assets and a special privilege of the same amount over the property owned.