smartcare
FINANCE PLC

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

COMPANY ANNOUNCEMENT

The following is a company announcement issued by the Company pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority.

Approval and Publication of Financial Analysis Summary

QUOTE

The Board of Directors of Smartcare Finance p.l.c. hereby announces that the Financial Analysis Summary dated 26 June 2023, compiled by Calamatta Cuschieri Investment Services Ltd, has been approved for publication and is attached to this announcement and may be accessed and downloaded from the Company's website: http://smartcaremalta.com/smartcare-finance-plc/.

UNQUOTE

Dr Katia Cachia
Company Secretary

26 June 2023

Calamatta Cuschieri

The Directors
Smartcare Finance p.l.c.
326, Mdina Road,
Qormi
Malta

26 June 2023

Dear Board Members,

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Smartcare Finance p.l.c. (the "**Issuer**"), and the joint "**Guarantors**" Smartcare Pinto Ltd and Smartcare Holdings Ltd, where the latter acts as the parent company of the companies forming part of (the "**Group**") as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

a) Historical financial data for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 have been extracted from the audited financial statements of the Issuer and the Guarantors.

b) The forecast data for the financial year 2023 has been provided by management.

c) Our commentary on the Issuer and Guarantors' results and financial position is based on the explanations provided by management.

d) The ratios quoted in the Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.

e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer's securities.

Yours sincerely,

Patrick Mangion
Head of Capital Markets

FINANCIAL ANALYSIS SUMMARY 2023

smartcare

FINANCE PLC

Smartcare Finance p.l.c.

26 June 2023

Prepared by Calamatta Cuschieri Investment Services Limited

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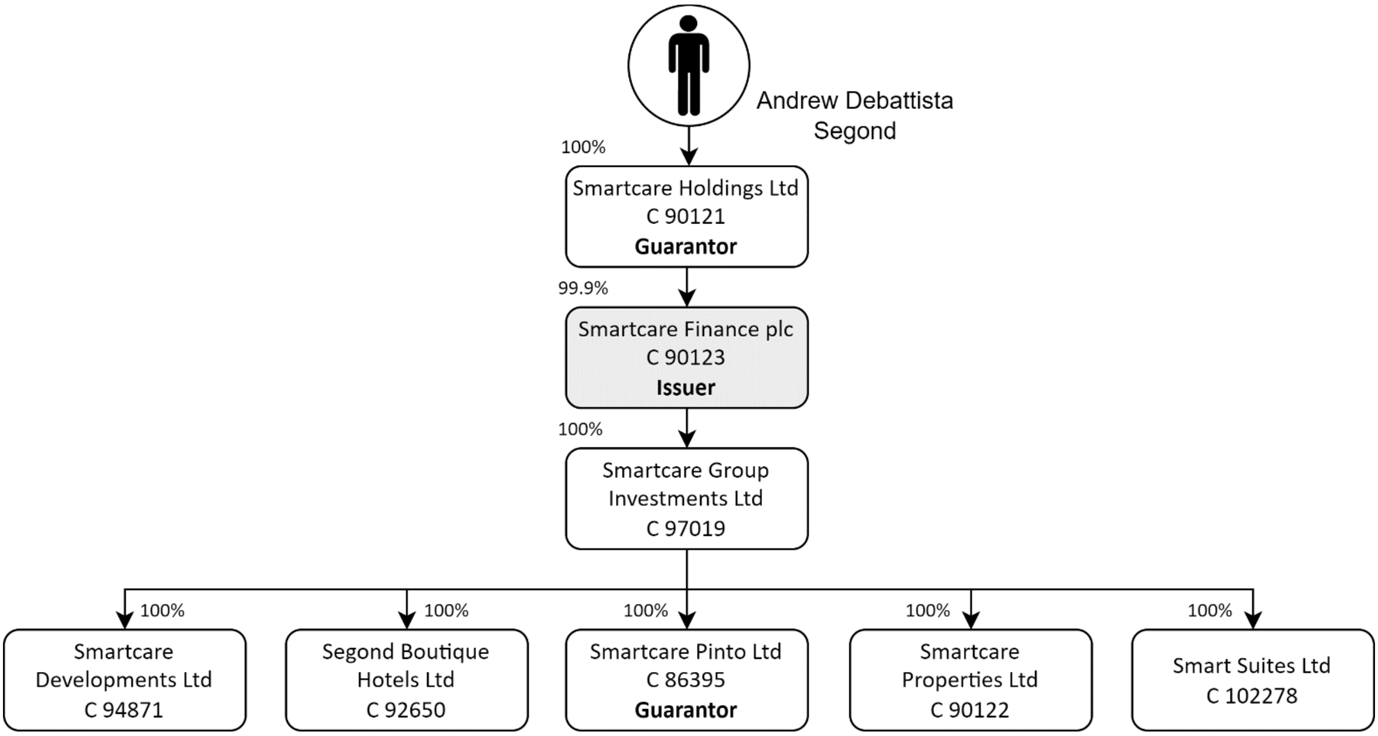
Part 1 - Information about the Group

1.1 Issuer's Key Activities and Structure

The Group structure is as follows:



The "**Group**" of companies consists of Smartcare Finance p.l.c., the Issuer of the bonds (the "**Issuer**"), Smartcare Holdings Ltd ("**SHL**"), and Smartcare Pinto Ltd ("**SPL**") both being the **Guarantors**, with Smartcare Holdings Ltd also being the holding company of the Group, as well as Smartcare Group Investments Ltd, Smartcare Developments Ltd, Segond Boutique Hotels Limited, Smartcare Properties Limited, and Smart Suites Ltd.

The principal activity of the Group is the management and operation of a private health care residence and a hotel, in addition to the development of residential and commercial real estate.

Smartcare Finance plc, having company registration number C 90123, is a public limited liability company registered in Malta on 7 January 2019. The Issuer is, except for one ordinary share directly held by Andrew Debattista Segond, a wholly owned subsidiary of SHL. As at the date of the Analysis, the Issuer, which was set up and established to act as a finance vehicle, has an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up.

Smartcare Holdings Ltd, a private limited liability company with company registration number C 90121, was set up on 7 January 2019 and acts as the holding company of the Group. As of the date of the Analysis, SHL has an authorised and issued share capital of €2,374,526 divided into 2,374,526 ordinary shares of €1 each, fully paid up. The ultimate beneficial owner of the Group is Mr. Andrew Debattista Segond, who has 100% ownership of SHL. The bond is guaranteed by Smartcare Holdings Ltd.

Smartcare Pinto Ltd, is a fully owned subsidiary of Smartcare Group Investments Ltd, which is in turn fully owned by Smartcare Finance p.l.c., and eventually fully owned by SHL. SPL, company registration number C 86395, is a private limited liability company registered in Malta on 21 May 2018. As at the date of the Analysis, SPL has an authorised and issued share capital of €1,200 divided into 1,200 ordinary shares of €1 each, all fully paid up. SPL is principally involved in the owning, managing, and operating of a private health care residence, including the provision of all equipment, facilities, and caregiving in connection with and ancillary to the running of the residence. It owns and operates a care home, "**Dar Pinto**", situated in Qormi. The bond is also guaranteed by Smartcare Pinto Ltd.

Smartcare Group Investments Ltd ("**SGIL**") with company registration number C 97019 is a private limited liability company registered in Malta on 23 October 2020. SGIL acts as a holding company of the five wholly owned operating subsidiaries being SPL, Smartcare Developments Ltd ("**Smartcare Developments**"), Segond Boutique Hotels Limited ("**Segond Boutique**"), Smartcare Properties Limited ("**Smartcare Properties**") and Smart Suites Ltd ("**Smart Suites**").

Smartcare Developments Ltd with company registration number C 94871 is a private limited liability company registered in Malta on 13 February 2020. Smartcare Developments was incorporated to own, develop and/or manage real estate properties owned by the Group.

Segond Boutique Hotels Limited, with company registration number C 92650, is a private limited liability company registered in Malta on 22 July 2019. Segond Boutique was set up to acquire land in Xagħra, Gozo, and develop it into a 51-room boutique hotel (the "**Boutique Hotel**").

Smartcare Properties Limited, with company registration number C 90122, is a private limited liability company registered in Malta on 7 January 2019. Smartcare Properties was incorporated to own, develop and/or manage other real estate properties owned by the Group.

Smart Suites Limited C 102278 is a private limited liability company registered in Malta on 12 May 2022. The Company acquired a 65-year temporary emphyteusis agreement on a house located in Tower Road, Sliema on 26th August 2022 with the intention to develop it into a hotel.

Further information in relation to the assets owned or to be developed by the Group is found in sub-section 1.3 and 1.4 below.

1.2 Directors and Key Employees

Board of Directors - Issuer
As of the date of the Analysis, the Issuer is constituted by the following persons:

Name	Office Designation
Mr Andrew Debattista Segond	Executive Director
Mr William Wait	Executive Director and Chairman
Mr Arthur Gauci	Independent, Non-Executive Director
Mr Sandro Grech	Independent, Non-Executive Director
Mr Ian Joseph Stafrace	Independent, Non-Executive Director

Dr Katia Cachia is the company secretary of the Issuer.

The Issuer is currently managed by a board of five directors who are responsible for the overall direction and management of the Issuer. The board currently consists of two executive directors, who are entrusted with the Issuer's day-to-day management, and three non-executive directors, all of whom are independent of the Issuer, whose main functions are to monitor the operations of the executive directors and their performance, as well as to review any proposals tabled by the executive directors. This practice goes in accordance with the generally accepted principles of sound corporate governance, where at least one of the directors shall be a person independent of a group of companies.

The Issuer does not have any employees of its own, and thus is dependent on the resources within the Group entities.

Board of Directors – Guarantors
As of the date of the Analysis, the board of both Smartcare Holdings Ltd and Smartcare Pinto Ltd is constituted by the following person:

Name	Office Designation
Mr Andrew Debattista Segond	Executive Director

The business address of the sole director is the registered office of the Issuer. Mr Andrew Debattista Segond is the company secretary of both of the Guarantors.

As of the date of this Analysis, the Group has a total of 100 employees.

1.3 Major Assets owned by the Group

The Issuer does not have any substantial assets other than the investments it holds in its subsidiaries since it is essentially a special purpose vehicle set up to act as a financing company. The material assets are owned by other companies of the Group, hence in the following section, we will focus on the assets owned by the Group rather than the assets owned by the Issuer.

Dar Pinto, Qormi
The Group, through its operating company SPL, owns and currently operates a 178-bed (following the Dar Pinto extension project completion – further increasing the number of beds by 47) long-term care old people's home, Dar Pinto, situated in Qormi through a private-public partnership agreement with the Government of Malta. Dar Pinto is housed within a six-storey property which is located

between two parallel streets in Qormi, spanning from Triq Guze' Duca on one end to Triq l-Imdina on the other end.

The Group has an agreement with the Active Ageing and Community Care Department whereby all beds are sold to the Government of Malta for a fixed period of five years (until 31 May 2024). This agreement, which was signed in 2019, stipulates fixed rates for low, medium, and high dependency residents, and is subject to renewal for a further period of one year beyond the initial five-year term. Therefore, the sole customer of Dar Pinto is the Government of Malta. As of the date of this report, a total of 144 beds are currently contracted, whilst SPL applied for the remaining 34 through a tender.

Another extension to the care home is being developed with an expected completion target date of June 2024. Further information with regards to the extension is found below in sub-section 1.4.

Boutique Hotel, Xagħra - Gozo

The Group owns land in Xagħra, Gozo, on which it has concluded the development of a 51-room boutique hotel which commenced operations in January 2022. The Boutique Hotel's facilities include 2 reception areas, a bar area, a restaurant and bar which doubles up as a breakfast room, seating area, luggage room, and a roof-top pool. The hotel has 14 large suites with private pools and 37 double rooms.

Residential Apartments

Smartcare Properties Limited owns and manages the residential properties of the Group. These consist of the following properties:

- A duplex penthouse situated within a block of apartments in Stella Maris Street, Sliema, has a gross floor area of *circa* 150sqm and a total terrace area of 54sqm. The penthouse has a book value of €0.7m.
- The Group also owns two apartments (within a block named Eddie's Flats) in Gzira with a net book value of €0.5m.

Smartcare Properties also has the following new projects:

- Birzebbugia development project with the intention to develop the current property into residential units.
- Pieta development project with the intention to construct and finish townhouses.
- Zejtun development project with the intention to develop the property into two townhouses and basement garages.
- Sliema development project with the intention to develop the property into residential units.

Smartcare Developments successfully completed the part exchange transaction involving an apartment in Eddie's Flats for another property in Msida. The property transfer contracts have been executed, and the transaction has materialized as planned.

Ħamrun Project

Following the bond issue in 2021, the Group has acquired a block of buildings in Ħamrun that it is redeveloping into a mixed-use complex consisting of residences, retail outlets, and offices. Further details regarding this project are found below in sub-section 1.4 below.

Xagħra Project

On 9 November 2020, the Group acquired through Smartcare Developments Ltd, a plot of land in Xagħra, Gozo which is being developed into residential blocks for resale. Further details regarding this project are found below in sub-section 1.4 below.

1.4 Operational Developments

Extensions to Dar Pinto

In 2020, the Group acquired two overlying apartments adjacent to Dar Pinto to develop a new extension to its Dar Pinto care home. The development caters for an additional 19 rooms and 47 beds. Works on the project have been finalised in FY22.

While the plot was acquired for a value of €0.6m, the construction and other costs were €1.8m, therefore all the expenses of the extension's development amounted to €2.4m.

As per an independent valuation carried out on 1st July 2022, the market value of the care home including the extension is €19.5m which will increase to €20.5m as the operations stabilise in three years.

€1.7m of the €13,000,000 4.65% Secured Bonds 2031 proceeds were used to finance this acquisition and development.

In 2022, the Group acquired another two overlying apartments adjacent to Dar Pinto first extension to develop another extension to Dar Pinto care home. The development caters for an additional 28 beds. Works on the project are planned to commence in July 2023. The cost of the extension to the care home is estimated to be €2.5m.

€2.25m of the €7,500,000 4.65% Secured Bonds 2032 proceeds were used to finance this acquisition and development.

Ħamrun Project

On 16 December 2021, Smartcare Developments Ltd acquired a block of buildings forming part of the Roxy Home Furnishings complex situated in Saint Joseph High Road, Ħamrun. The finalised project will entail the re-development of the Roxy Home Furnishings site in Ħamrun into a mixed-use development consisting of residences, retail outlets, offices, and garages.

The building will include 29 apartments on the upper floors, and 8 commercial units, both retail Class 4B and office Class 4A units on the ground floor level, and 16 garages as well as 2 parking spaces on the underground level. The residential part of the development will be offering a mix of one-bedroom, two-bedroom, and penthouse units.

On 7 September 2021, Smartcare Developments Ltd entered into two promise of sale agreements with Santa Katerina Construction Limited for the sale of a divided share of the Hamrun property and the development thereof. As of the date of this report, Smartcare Developments Ltd sold 18 airspaces for apartments and penthouses and airspaces for 9 garages, and has on Promise of Sale the airspaces of 10 apartments in Block B, airspace of 1 unit in Block C, airspaces of 7 garages as well as airspaces of 2 commercial outlets.

Smarthomes Developments Limited entered into a contract of works agreement with Santa Katerina Construction Limited to demolish parts of the existing properties and construct the site for a fixed price of €1.2 million. For clarity, Smarthomes Developments Limited is also owned by Mr Andrew Debattista Segond however is not considered as part of the bond group. As confirmed by the Group's management, Smarthomes Developments Ltd assigned the rights obtained from Santa Katerina Construction Limited to Smartcare Developments Ltd.

Works on the development commenced in 2021 and are estimated to be completed in 2025.

Prior to the date of this analysis, SPL owed Neriku Limited €0.7m for catering services. A barter agreement was in place, whereby once the balance reaches €0.9m, the Group would set off the balance due with the following properties:

- St. Helena flats held by SC Properties; and
- 4 apartments and 4 garages in finished form, on the Ħamrun property.

At the date of this analysis, the barter agreement between Smart Properties Limited (SPL) and Neriku Limited has been fulfilled. SPL has settled the outstanding debt for catering services by setting off the balance with the following properties:

It's worth noting that €3.6m of the proceeds from the bonds issued in 2021 were allocated for the financing, acquisition, and development of the Ħamrun project.

Xagħra Project

On 9 November 2020, the Group acquired through Smartcare Developments Ltd, a plot of land in Xagħra, Gozo with a total area of approximately 1,142sqm, which the Group intends to develop into a residential block for resale. The site is referred to as Ta' Germinda', also known as 'Ta' Karaviza', and is accessible from Triq ta' Karkar, in the limits of Xagħra, Gozo.

The development of the residential property will offer a mix of 1, 2, and 3 bedroom and penthouse units which will be available in three different blocks. The project altogether will have 24 residential units, 8 underlying garages, and 3 parking spaces.

The three blocks will include 10, 9, and 5 residential units. A promise of sale agreement has been signed for the block of 9 apartments with Mr Peter Paul Said for consideration of €550k.

During 2022, Smartcare Developments Ltd sold two (2) apartments and one (1) garage situated in one (1) of the blocks having a total value of €236k. The remaining units relating to this same block were finished and sold in 2023. The other block is at the construction phase at the date of this report, and works are estimated to be completed by December 2023.

Birzebbugia Development Project

During 2022, Smartcare Properties Ltd embarked on the Birzebbugia Development Project in Malta. The company acquired the *utile dominium temporanium* for the remaining period of 150 years, starting on 19th June 1918. This acquisition includes two penthouses, their respective roof, and overlying airspace situated on the fourth-floor level of the residential complex formerly known as 'Block A' and 'Block B,' now referred to as 'Bush' and 'Gorbachev,' respectively. The intention is to demolish the penthouses and construct nine residential units in their place. As of the date of this report, the Birzebbugia Development Project is in its initial construction stages, with an estimated completion date of December 2024.

Pieta Development Project

In 2022, Smartcare Properties Ltd initiated the Pieta Development Project in Malta. The company acquired a Farmhouse named 'Ir-Razzett ta' Gauci,' situated at the corner of Triq id-Duluri and Triq Santa Monica in Pieta. This property encompasses surrounding gardens, structures, overlying roofs, and underlying terrain, occupying a superficial area of approximately 770m2. The objective of the project is to demolish the existing farmhouse and construct five townhouses on the site. Currently, the Pieta Development Project is in the pre-excavation phase, and it is estimated to be completed by December 2025.

Zejtun Development Project

During 2022, Smartcare Properties Ltd initiated the Zejtun Development Project in Malta. The company acquired a former factory known as "Winner Mineral Water,". The project involves the demolition of the factory and the construction of two townhouses and a basement of garages up to shell form. The Zejtun Development Project is currently in the pre-excavation phase and is estimated to be completed by December 2024.

Tower Road Project

Smart Suites Ltd acquired a 65-year temporary emphyteusis agreement on a house located in Tower Road, Sliema on 26th August 2022. The Group intends to develop the newly acquired property owned by the Company into a hotel with 12 standard rooms, one suite, and one penthouse. In September 2021, the Group submitted the relative development permit which was approved in May 2022. The Group will be utilising €1.28m of the net proceeds of the €7.5m 4.65% Secured Bonds 2032 for financing the development and finishing of this hotel. At the date of this report, this project is at demolishing phase its estimated completion date is July 2024.

1.5 Subsequent events after the reporting period: Conflict in Ukraine

The directors of the Group assessed that the Group's operation was impacted by the increase in materials costs as a result of the conflict between Russia and Ukraine. This phenomenon is in line with what businesses are experiencing on a European scale in the construction industry. Nevertheless, they will continue to monitor the situation as events continue to evolve.

Part 2 - Historical Performance and Forecasts

The Issuer was incorporated on 7 January 2019. Furthermore, the Issuer itself is essentially a special purpose vehicle set up to act as a financing company solely for the needs of the Group, and, as such, its assets are intended to consist primarily of the investments it holds in its subsidiaries. The Issuer's audited historical financial performance for the year ended 31 December 2020 to 31 December 2022, together with the projections for the year 2023, are set out in sub-sections 2.1 to 2.3.

For the purpose of this document, the focus is a review of the consolidated performance of the Group as captured by Smartcare Holdings Ltd, captures the financial performance of Smartcare Pinto Ltd (being the second Guarantor) as well as the other subsidiaries of the Group, namely: Smartcare Developments Ltd, Segond Boutique Hotels Ltd, Smartcare Properties Ltd and Smart Suites Ltd. The years ended 31 December 2020, 2021, and 2022 as well as the Group's projections for the year ending 31 December 2023, as set out in sub-sections 2.4 to 2.6, capture the performance of the whole Group (as per current Group structure shown in sub-section 1.1). The Group's forecasts are based on management projections.

2.1 Issuer's Income Statement

Income Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	**€000s**	**€000s**	**€000s**
Preference dividend	-	359	1,170	1,246
Interest income	384	298	-	-
Total finance income	**384**	**657**	**1,170**	**1,246**
Finance costs	(265)	(528)	(842)	(1,056)
Net finance income	**119**	**129**	**328**	**190**
Administrative expenses	(59)	(70)	(146)	(154)
Credit impairment loss	(3)	(11)	-	-
Profit / (loss) before tax	**57**	**48**	**182**	**36**
Income tax	(26)	(45)	-	-
Profit / (loss) after tax	**31**	**3**	**182**	**36**

Ratio Analysis	2020A	2021A	2022A	2023F
Gross Margin (Net finance income / Finance income)	31.0%	19.6%	28.0%	15.2%
Net Margin (Profit for the year / Finance income)	8.1%	0.5%	15.6%	2.9%

The Issuer's revenue predominantly captures the dividend income received from SGIL. On the cost side, the majority of expenses incurred by the Issuer are related to finance costs associated with the Issuer's outstanding bonds.

During FY23, the Issuer generated *circa* €1.2m revenue that was dividend income from SGIL. The Issuer ceased to have interest income from other subsidiaries as its source of revenue.

The administrative expenses of the Issuer increased from €70k to €146k. This increase is primarily attributed to more than one factors. Firstly, an accrual was taken for one of the director's fees for the years 2019 till 2021, amounting to €41.3k. This accrual was necessary as it was previously not accounted for. Additionally, there were increases in other directors' fees following the issuance of the second bond. Furthermore, there were additional increases in advisory fees, contributing to the overall rise in administrative expenses.

The Issuer's finance costs amounted to €0.8m in the current fiscal year, (FY21: €0.5m). This rise can be attributed to the Group's issuance of an additional bond in FY22 (€7.5m 4.65% Secured Bonds 2032). As a result of this new bond issuance, the Group's overall finance costs have experienced an upward trend.

Consequently, the Issuer reported a profit before tax of €0.2m. Since no income tax expense was incurred, the before tax profit also is also equal to the profit for the year.

The reason why the profit was not taxable is due to the formation of a fiscal unit between Smartcare Finance plc and Smartcare Group Investments Ltd. As part of this arrangement, the dividends received by Smartcare Finance plc were already taxed at source by Smartcare Group Investments Ltd. Therefore, the profit generated by Smartcare Finance plc was not subject to additional taxation.

In FY23, the Issuer is forecasted to report figures similar to the previous year. The revenue is to be derived entirely from dividends from related parties, totaling €1.2m.

Meanwhile, finance costs are projected to increase to €1.1m. This increase is attributed to the fact that the 2032 bond was issued towards the end of August 2022, and FY23 will be the first full financial year when the bond will require servicing. In the previous document, lower finance costs were projected in line with the fact that the issuance of the 2032 bonds was not public information at the time and hence could not be incorporated in the forecast.

Administrative expenses in FY23 are projected to be similar to FY22 at €0.2m.

Overall, the profit after tax for FY23 is projected to be a positive figure, albeit relatively insignificant in magnitude.

2.2 Issuer's Statement of Financial Position

Statement of Financial Position as at 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Investment in subsidiary	1	13,001	20,101	20,101
Loans receivable	4,800	-	2,789	2,936
Deferred expenditure	157	-	-	-
Total non-current assets	**4,958**	**13,001**	**22,890**	**23,037**
Current assets				
Trade and other receivables	547	1,737	16	-
Current tax asset	-	73	256	256
Cash and cash equivalents	1	1	65	366
Total current assets	**548**	**1,811**	**337**	**622**
Total assets	**5,506**	**14,812**	**23,227**	**23,659**
Equity and liabilities				
Capital and reserves				
Share capital	250	250	250	250
Retained earnings	35	21	203	239
Total equity	**285**	**271**	**453**	**489**
Non-current liabilities				
Debt securities in issue	4,873	12,424	19,666	20,271
Loans payable	-	-	2,479	2,475
Total non-current liabilities	**4,873**	**12,424**	**22,145**	**22,746**
Current liabilities				
Trade and other payables	322	2,117	630	167
Tax payable	26	-	-	257
Total current liabilities	**348**	**2,117**	**630**	**424**
Total liabilities	**5,221**	**14,541**	**22,775**	**23,170**
Total equity & liabilities	**5,506**	**14,812**	**23,227**	**23,659**

The Issuer's assets in FY22 were €23.2m, up significantly from €14.8m in FY21. The increase mainly consisted of investments in the Group.

As per the Issuer's financial statements, as at 31 December 2021, the company owned 13,001,200 shares at €1 each in Smartcare Group Investments Ltd. These represented 100% of the total issued shares of the investee. In 2022, the Company increased its investment through an additional 7,100,000 preference shares, with a nominal value of €1. This additional €7m investment was financed from the issuance of the 2032 bonds that was not public information at the time of the therefore they are not reflected in the previous projections.

Since the last financial analysis summary, there have been changes regarding the reporting of receivables from and payables to related-party companies. These transactions were reclassified from current assets and current liabilities to non-current assets and non-current liabilities in FY22. Therefore, we are seeing that loans receivable increased from nil in FY21 to €2.8m in FY22. Conversely, as part of the reclassification, trade and other receivables experienced a decrease of €1.7m.

Current assets amounted to €0.3m in FY22 and consisted of current tax assets, cash, and prepayments.

The Issuer's equity remained fairly unchanged. There was no increase in share capital and the only change was related to the increase in retained earnings, corresponding to the Issuer's profit in FY22.

In FY22, the majority of the Group's liabilities consisted of €19.7m debt securities in issue relating to the bond less accumulated amortised costs and loans payable to related party companies. Understandably, a substantial increase can be observed in this balance sheet item, originating from the amounts relating to the 2032 bond issue that occurred last year.

Under current liabilities, trade and other payables mostly represent accruals. They mainly relate to the interest related to the debt securities in issue.

In FY23, the financial position of the Issuer is expected to remain relatively stable when compared to FY22. Total assets, shareholders' equity, as well as total liabilities, are projected to remain largely flat year-on-year, and none of the major balance sheet items are expected to experience substantial moves. The only changes to point out are loans receivable and trade and other payables. The issuer is projected to increase its loans advanced to its Group companies by €0.1m, while its payables are projected to decrease by €0.5m.

2.3 Issuer's Statement of Cash Flows

Cash Flows Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Cash flows from operations	(372)	481	78	(569)
Taxation paid	-	(26)	(45)	256
Interest paid	(250)	(205)	(765)	(1,000)
Net cash generated from/ (used in) operating activities	**(622)**	**250**	**(732)**	**(1,313)**
Cash flows from investing activities				
Repayment of the loan receivable from related parties	-	4,800	-	(70)
Investment in subsidiary	(1)	(13,000)	(7,100)	
Interest received	618	298	-	1,684
Issuance of loan receivable to related parties	-	-	(1,875)	
Net cash generated from/ (used in) investing activities	**617**	**(7,902)**	**(8,975)**	**1,614**
Cash flows from financing activities				
Advances from related parties	-	-	2,479	-
Proceeds from the issue of debt securities	-	13,000	7,500	-
Redemption of bonds	-	(5,000)	-	-
Bond issue costs	-	(348)	(209)	-
Net cash flows generated from / (used in) financing activities	**-**	**7,652**	**9,770**	**-**
Net movement in cash and cash equivalents	**(5)**	**-**	**63**	**301**
Cash and cash equivalents at the beginning of the year	6	1	1	64
Cash and cash equivalents at the end of the year	**1**	**1**	**64**	**365**

The Issuer generated a net cash outflow of €0.7m from operating activities after the payment of taxes and interest in FY22 (FY21: cash inflow of €0.3m).

Cash from investing activities captured a €7.1m cash outflow relating to the proceeds of the bonds issued in 2022, in addition to a further €1.9m relating to the issuance of loans receivable to other group companies. In total, the cash from investing activities had an outflow of €9m in FY22 (FY21: cash outflow of 7.9m).

Cash flow from financing activities showed a €7.5m cash inflow from the bond, in addition to a further €2.5m relating to loans payable to other group companies. Cash flow from financing activities had an inflow of €9.8m in FY22 (FY21: cash inflow of €7.7m).

The net movement in cash was €0.1m in FY22 as the Issuer used up all cash inflows from financing on investments in subsidiaries of the Group.

In FY23, the Issuer is expected to report lower cash inflows from operating activities, higher cash interest paid due to the higher outstanding debt as well as marginally higher cash tax payments. Consequently, the Issuer is projected to utilise cash outflow from operations of *circa* €1.3m. Cash from investing activities is projected to be positive due to the dividend income the Issuer will receive from other group subsidiaries. No cash flow from finance activities is projected in FY23. Thus overall, the Issuer is expected to report a positive cash movement of *circa* €0.4m this year.

2.4 Group's Income Statement

Income Statement for the year ended 31 December	2020A	2021A	2022A	2023F
	€000s	€000s	€000s	€000s
Revenue	2,590	2,819	5,477	8,923
Cost of sales	(1,459)	(1,434)	(3,067)	(4,943)
Gross profit	**1,131**	**1,385**	**2,410**	**3,980**
Other income	8	6	33	-
Administrative expenses	(631)	(707)	(1,374)	(1,320)
EBITDA	**508**	**684**	**1,069**	**2,659**
Depreciation and amortisation	(254)	(300)	(552)	(575)
EBIT	**254**	**384**	**517**	**2,084**
Finance costs	(277)	(554)	(952)	(1,087)
Impairment of financial assets	0	(16)	(10)	-
Profit / (loss) before tax	**(23)**	**(186)**	**(445)**	**998**
Taxation	(52)	(93)	(110)	(735)
Profit / (loss) after tax	**(75)**	**(279)**	**(556)**	**263**

Ratio Analysis	2020A	2021A	2022A	2023F
Profitability				
Growth in Revenue (YoY Revenue Growth)	355.2%	8.8%	94.3%	62.9%
Gross Profit Margin (Gross Profit / Revenue)	43.7%	49.1%	44.0%	44.6%
EBITDA Margin (EBITDA / Revenue)	19.6%	24.3%	19.5%	29.8%
Operating (EBIT) Margin (EBIT / Revenue)	9.8%	13.6%	9.4%	23.4%
Net Margin (Profit for the year / Revenue)	-2.9%	-9.9%	-10.2%	2.9%
Return on Common Equity (Net Income / Total Equity)	-1.1%	-2.4%	-4.9%	2.3%
Return on Assets (Net Income / Total Assets)	-0.5%	-1.0%	-1.5%	0.5%

In FY22, the Group generated €5.5m in revenue, a significant increase of €2.7m when compared to FY21. €2.8m or 51% of the Group's income was derived from its care home revenue business. €2.1m or 37% was generated from the sale of property while €0.6m or 12% stemmed from hotel revenue as the result of the Xagħra Boutique hotel commencing operations in FY22. Further breakdown of the hotel revenue includes €0.3m from F&B revenue and €0.2m from the sale of a garage for a sub-station by Segond Boutique Hotels Ltd. Additionally, Smartcare Pinto Ltd contributed €0.1m in other income. Overall, the total revenue of the Group in FY22 was 94% higher than the income generated in the previous year.

The cost of sales primarily consists of property development costs, the salaries of nurses and carers, food and beverage expenses, medical expenses, and consumables. It amounted to €3.1m in FY22 (FY21: €1.4m). This increase is primarily attributed to the higher revenues generated during that period. As the Group experienced higher levels of activity and revenue, it also incurred higher costs associated with providing its services, resulting in a rise in the cost of sales.

Administrative costs primarily consist of the remuneration of directors, accountants, administrators, managers, and housekeepers, training costs, license fees, utilities, repairs & maintenance costs, professional service fees, telecommunication costs, health & safety costs, and bank charges. These costs have increased YoY from €0.7m to €1.4m in line with the increase of the average number of employees from 67 in FY21 to 86 in FY22. The increase in administrative costs can be attributed to several factors. Firstly, the Segond Hotel commenced its operations on January 14th, 2022, contributing to the overall administrative expenses. Secondly, Smart Suites Ltd was incorporated during the fiscal year, resulting in additional administrative costs. Lastly, there was a change in the policy for recharging wages in 2022, leading to a greater portion of wages being absorbed by the Smartcare Group, further impacting the increase in administrative costs.

Depreciation amounted to €0.6m in FY22 (FY21: €0.3m), which mainly reflects the depreciation of medical equipment, buildings and furniture and fittings of the Group's assets.

Finance costs amounted to €1m in FY22, up from €0.6m in FY21, which mainly captures the increased amount of interest due to the value of debt securities in issue compared to FY21 as well as amortisation of bond issue costs and interest on bank borrowings.

Tax expenses slightly increased from FY21 to FY22 and remained around €0.1m.

Despite the significantly higher revenue when compared to FY21, the Group generated a **loss** of €0.6m for FY22, a deterioration from the €0.3m loss in FY21.

In FY23, the Group expects to see a further substantial increase in revenues to €8.9m as the operations of the Xagħra Boutique hotel stabilise, more property sales will be finalized. Specifically, the projected revenue breakdown for property development is as follows: €0.1m for Qormi, €1.0m for B'bugia, €2.6m for Xagħra, and €0.7m for Stella Maris, resulting in a total of €4.4m. These property sales are expected to contribute significantly to the overall revenue growth of the Group in FY23.

Along with the increase in revenues, the Group also expects a substantial rise in the cost of sales. The projected cost of sales for FY23 is estimated to reach €4.9m. This increase in costs is likely attributed to various factors, such as higher expenses related to the provision of services, increased raw material costs, and potentially higher labour costs associated with the increase in revenue. The slight decrease in Gross Profit Margin relates to potential increases in material cost.

The profitability ratios of Smartcare Group confirm the above picture, more specifically a slight deterioration in the Gross profit and EBITDA positions as well as in the Net Income margin. The Group showed a slightly lower Gross Profit Margin, from 49.1% in FY21 to 44% in FY22 as well as the EBITDA Margin which decreased from 24.3% to 19.5%. The operating margin also showed a decreasing trend with 13.6% in FY21 and 9.4% in FY22. The ratios involving Net Margin showed a slight deterioration as well. Thus, the Net Margin, Return on Equity, and Return on Assets all show a slightly deteriorating profitability position on a YoY basis.

Upon reviewing the projected ratios for the upcoming period, it becomes evident that the Group anticipates a positive turnaround and expects an increase in profitability for FY23. A positive net margin is also projected for the year, indicating that the Group anticipates generating a net profit relative to its revenue.

The Group anticipates that administrative expenses will remain stable year-on-year, with no significant changes expected. These expenses are projected to amount to €1.3 million, indicating a consistent level of expenditure in this area.

Finance costs are projected to increase to €1.1m as FY23 will be the first year when the 2032 bond will be serviced for a full financial year. Additionally, the interest expenses related to bank loans and the interest on minimum lease payments for the Tower Road project further contribute to the projected increase in finance costs.

Overall, the Group projects to report a profit before tax of €1.0m and, after a tax expense of €0.7m in FY23 than a year earlier, a profit after tax of *circa* €0.3m.

2.4.1 Group's Variance Analysis

Income Statement for the year ended 31 December	2022F	2022A	Variance
	€000s	€000s	€000s
Revenue	7,233	5,477	(1,756)
Cost of sales	(4,044)	(3,067)	977
Gross profit	**3,189**	**2,410**	**(779)**
Administrative expenses	(818)	(1,351)	(533)
EBIDTA	**2,371**	**1,059**	**(1,312)**
Depreciation and amortisation	(573)	(552)	21
EBIT	**1,798**	**507**	**(1,291)**
Finance costs	(687)	(952)	(265)
Profit/(loss) before tax	**1,111**	**(445)**	**(1,556)**
Tax expense	(149)	(110)	39
Profit/(loss) after tax	**962**	**(556)**	**(1,518)**

The Group reported revenue of €5.5m in FY22, which resulted in a negative variance of €1.8m or 24% when compared to previous forecasts.

More specifically, revenue from Dar Pinto, including the extension, amounted to €0.3m less than projected, from the Ħamrun project it amounted to €1m lower, and from the Xagħra project €0.5m lower.

In FY22, Dar Pinto faced revenue deficits in its operations. The original section of Dar Pinto experienced a revenue deficit of €0.1m, which can be attributed to lower occupancy levels than initially projected. Additionally, the extension of Dar Pinto incurred a revenue deficit of €0.2m. This was primarily due to the projection contracting 20 beds in June 2022, while the construction of the extension was actually completed in December 2022.

Segond Boutique Hotel only had an immaterial revenue deficit when compared to projections. The Ħamrun project experienced a revenue deficit of €1.0m compared to the original projections. This shortfall in revenue can be attributed to delays in the delivery of the project. Similarly, the Xagħra project also incurred a revenue deficit of €0.5m due to project delays. These delays affected the timing of sales and the recognition of corresponding revenue.

The reduction in revenue was mitigated by the lower cost of sales. The Group incurred €3.1m during FY22, which is 24% lower than the previously forecasted €4m. On the other hand, administrative expenses were €1.4m, that is €0.5m higher than the forecasted €0.8m.

Notably, there have been reclassifications of costs and expenses between cost of sales and administration expenses as per the auditors' recommendation. The variances in direct costs and admin expenses are as follows:

All in all, the Group sold less properties than projected, resulting in fewer costs being released to cost of sales from inventory, leading to a favourable variance of €1.2m.

Smartcare Pinto Ltd experienced higher direct costs (material and labour) when compared to projections. This variance was mainly due to the projected payroll costs not aligning with the actual costs, resulting in a €0.4m higher figure between projections and actuals. Similarly, Segond Boutique Hotels Ltd also had higher direct costs between the previous report's forecasts and the audited financial statements for the same reason, resulting in a difference of €0.2m.

On the admin expenses side, Smartcare Pinto Ltd had a favourable variance between the previous report and the actual figures, amounting to €0.1m. In contrast, Segond Boutique Hotels Ltd, being in its first year of operation, incurred unforeseen expenses, leading to higher admin expenses between the previous report and the actuals of €0.2m. Moreover, the property for development also experienced an adverse variance in admin expenses between the previous report and audited financial statements of €0.1m.

Gross profit was €2.4m and it was 24% lower than previously projected, largely in line with the lower revenue and cost of sales figures. Similarly, EBITDA figures were €1.3m lower than projections.

The variance in depreciation and amortisation was immaterial.

The Group's finance costs exceeded the projected value by €0.3m. This variance can be attributed to specific factors identified in the financial statements. The interest expense of the €7.5m bond amounted to €0.1m, contributing to the higher finance costs. Smartcare Developments Ltd incurred bank loan interest, which was expensed to the income statement in the previous report but capitalized in the audited financial statements, resulting in an amount of €0.1m. Additionally, Smartcare Finance plc included an amortization charge in the actual figures, amounting to €0.1m, contributing to the overall increase in finance costs.

Due to fewer than expected properties sold, the Group also reported less tax expense than previously projected albeit by an immaterial amount.

Based on the considerations discussed above, the Group reported a loss before tax of €0.4m, which deviated negatively by €1.6m from the forecast. Overall, the Group recognised a loss after tax of €0.6m for FY22, which represents a €1.5m negative variance when compared to the previously forecasted gain after tax of €1m.

2.5 Group's Statement of Financial Position

Statement of Financial Position as at 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Property, plant and equipment	19,023	20,986	25,749	27,838
Intangible assets	333	324	321	316
Deferred expenditure	157	-	-	-
Deferred tax asset	-	-	-	145
Investment tax credit	-	-	-	1,860
Loans receivable	-	-	2,219	4,414
Total non-current assets	**19,513**	**21,310**	**28,289**	**34,573**
Current assets				
Inventories	2,373	4,514	5,622	14,478
Trade and other receivables	2,480	6,505	6,710	4,396
Cash and cash equivalents	27	143	2,470	88
Other assets	470	133	232	1,195
Total current assets	**5,350**	**11,295**	**15,034**	**20,413**
Total assets	**24,863**	**32,605**	**43,323**	**54,985**
Equity and liabilities				
Capital and reserves				
Share capital	2,375	2,375	2,375	2,375
Retained earnings	(505)	(757)	(1,286)	(1,077)
Revaluation reserve	11,560	11,501	11,325	11,769
Total equity	**13,430**	**13,119**	**12,413**	**13,067**
Non-current liabilities				
Debt securities in issue	4,873	12,424	19,666	19,702
Long-term borrowings	2,694	1,178	2,550	3,499
Deferred tax liabilities	1,010	1,100	1,292	1,247
Payables	-	100	464	-
Loans payable	-	-	52	-
Finance lease liability	-	-	1,684	1,825
Total non-current liabilities	**8,577**	**14,802**	**25,708**	**26,273**
Current liabilities				
Trade and other payables	2,066	4,048	4,935	8,910
Tax payable	26	117	-	256
Short-term borrowings	764	519	200	6,479
Finance lease liability	-	-	67	-
Total current liabilities	**2,856**	**4,684**	**5,202**	**15,645**
Total liabilities	**11,433**	**19,486**	**30,910**	**41,918**
Total equity and liabilities	**24,863**	**32,605**	**43,323**	**54,985**

Ratio Analysis	2020A	2021A	2022A	2023F
Financial Strength	€000s	€000s	€000s	€000s
Gearing 1 (Net Debt / Net Debt and Total Equity)	41.0%	53.5%	63.1%	70.2%
Gearing 2 (Total Liabilities / Total Assets)	46.0%	59.8%	71.3%	76.2%
Gearing 3 (Net Debt / Total Equity)	69.4%	114.9%	171.1%	236.0%
Net Debt / EBITDA	18.3x	22.0x	19.9x	11.6x
Current Ratio (Current Assets / Current Liabilities)	1.9x	2.4x	2.9x	1.3x
Interest Coverage level 1 (EBITDA / Cash interest paid)	1.9x	1.2x	1.4x	5.9x
Interest Coverage level 2 (EBITDA / finance costs)	1.8x	1.2x	1.1x	2.4x

Total assets of the Group amounted to €43.3m in FY22 (FY21: €32.6m). The highest values in assets are property, plant and equipment, trade and other receivables and inventories, having values of €25.7m, €6.7m, and €5.6m respectively (FY21: €21m, €6.5m and €4.5m).

The majority of the property, plant, and equipment values are in turn comprised of land and buildings, with carrying amounts of €16.9m and €3m respectively as of FY22 (FY21: €16m and €3m). Buildings substantially increased in value as first Dar Pinto extension has been finalised and its assets have been restated from assets under construction to buildings. Additionally, land and buildings increased relating to the 2nd extension of Dar Pinto, also contributing to the increase.

Goodwill values remained unchanged as it has been assigned an indefinite life, however it is tested by the Group annually for impairment. Deferred expenditure referred to the costs incurred on the bond that was still not issued in FY20. When the bond was successfully issued, the related issue costs were offset against the debt securities in issue. They will continue to be amortised over the period of the bond.

Loans receivable amounted to €2.2m in FY22 and they were related to loans advanced to companies under common control. These loans were unsecured, interest-free, and repayable after more than one year.

Current assets mainly represent the Group's trade and other receivables as well as its inventories. In FY22, current assets amounted to €15m (FY21: €11.3m), of which trade and other receivables amounted to €6.7m while inventories to €5.6m. The financial statements have been reviewed for indicators of impairment. Inventories increased substantially mainly as a result of the further development of the Xagħra site as well as due to the development in the new projects. Inventory is shown at cost and is wound down once a final deed of sale is signed for the respective units.

Cash and cash equivalents increased substantially and were reported at €2.5m while the Group also had other assets amounting to slightly more than € 0.2m in FY22 relating to deposits to secure the purchase of various properties.

The Group's equity mainly captures the share capital, the revaluation reserve, and the accumulated losses. Total equity decreased to €12.4m in FY21 from €13.1m in FY21, which reflects the loss for the year under review. The Group's share capital remained unchanged at €2.4m while the revaluation reserves at €11.5m were shown to be €0.2m lower than a year prior.

Total liabilities stood at €19.5m and €30.9m in FY21 and FY22, respectively. They predominantly consisted of the debt securities in issue, in addition to long-term borrowings, finance lease liability and trade other payables.

The largest portion of non-current liabilities in FY22 was represented by the issued debt securities, amounting to €19.7m. Additionally, the long-term borrowings stood at €2.6m, while the finance lease liability reached €1.7m. Another notable component was the deferred tax liabilities, which amounted to €1.3m.

One notable change from the previous fiscal year was the substantial increase in the debt security balance. In FY21, this balance stood at €12.4m, but it grew significantly in FY22 due to the issuance of the new 2032 bonds. This increase in debt securities was partially offset by bond issue costs of €1m.

Long-term borrowings refer to bank loans that are secured by general and special hypothec over the assets of Segond Boutique Hotels Limited, Smartcare Pinto Ltd and Smartcare Developments Ltd. The current interest rates vary between 4.65% and 5.5% *per annum*.

The Group had finance lease liabilities totaling €1.7m in FY22. These liabilities are associated with a lease agreement relating to Tower Road project. The corresponding accounting entry is recorded as right-of-use assets, which form part of property, plant, and equipment.

The Group also has deferred tax liabilities that have increased to €1.3m (FY21: €1.1m) as the result of the revaluation of property, plant, and equipment in FY22. The other side of the accounting entry was recognised in Shareholder's equity.

Current liabilities primarily comprise trade and other payables and borrowings. Payables have increased from €4m in FY21 to €4.9m in FY22, mainly reflecting an increase in amounts due from other companies under common control and other payables. The increase is in line with higher projected revenues and cost of sales figures.

The presented Gearing ratios show a slight deteriorating trend. All these ratios have increased because of the higher amount of net debt increase compared to the increase in total equity values year-on-year. Net debt over EBITDA has slightly decreased, primarily attributed to a relatively greater increase in EBITDA compared to the increase in debt. The current ratio moved higher from 2.4x to 2.9x reflecting the more favourable proportion of current assets to current liabilities.

In FY23, the Group is projected to increase the value of its total assets to €55.0m from €43.3m in FY22. Non-current assets, namely property, plant, and equipment are projected to increase by €2.1m while the Group is expected to report €1.9m of investment tax credit during this year. It is worth noting that the previous projections for investment tax credits were also made for FY22, but due to the trading companies not generating taxable profits, the credits had to be carried forward to FY23.

Loans receivables are projected to increase by €2.2m in FY22, with trade and other receivables decreasing by the same amount.

As for current assets, inventories are expected to grow substantially by €8.9m to €14.5m mostly due to the development of the new projects.

Shareholders' equity and retained earnings are projected to increase by the change in retained earnings and an increase in the revaluation reserve due to projected revaluation of the Group's properties.

On the liabilities side, overall, they are expected to increase substantially, by €11.0m. More specifically, the Group is expected to increase both its long and short-term borrowings as well as its trade and other payables in FY23.

The long-term borrowings are expected to increase by €0.9m while the short-term borrowings are projected to jump to €6.5m due to new development projects being financed through bank loans.

Trade and other payables are expected to double in in FY23 in line with the increase in projected revenues and cost of sales.

The ratios reflecting the Group's financial strength are also expected to show an improving trend, in line with the projected increase in revenue and EBITDA.

2.6 Group's Statement of Cash Flows

Statement of Cash Flows for the year ended 31 December	2020A	2021A	2022A	2023F
	€'000s	€'000s	€'000s	€'000s
Cash flows from operating activities				
Cash flows from operations	(116)	(3,006)	607	(2,078)
Income tax paid	(10)	(37)	(164)	(1,073)
Interest paid	(262)	(554)	(765)	(1,071)
Net cash flows generated from / (used in) operating activities	**(388)**	**(3,597)**	**(322)**	**(4,222)**
Cash flows from investing activities				
Goodwill at acquisition	(11)	(10)	(3)	-
Acquisition of property, plant, and equipment	(2,591)	(2,169)	(3,454)	(377)
Proceeds from disposal of property, plant and equipment	-	-	3	-
Net cash flows generated from / (used in) investing activities	**(2,602)**	**(2,179)**	**(3,454)**	**(377)**
Cash flows from financing activities				
Issue of share capital	200	-	-	-
Movement in bank loans	2,554	(2,043)	1,285	5,140
Debt securities issue	-	7,652	7,165	(66)
Loans granted to related parties	-	-	(2,102)	(993)
Loan proceeds from related parties	-	-	52	-
Finance lease interest charges	-	-	22	(1,663)
Net cash flows generated from / (used in) financing activities	**2,754**	**5,609**	**6,421**	**2,418**
Movement in cash and cash equivalents	**(236)**	**(167)**	**2,645**	**(2,181)**
Cash and cash equivalents at the start of the year	27	(209)	(376)	2,269
Cash and cash equivalents at end of the year	**(209)**	**(376)**	**2,269**	**88**

Ratio Analysis	2020A	2021A	2022A	2023F
Cash Flow	€'000s	€'000s	€'000s	€'000s
Free Cash Flow (Net cash from operations + Interest - Capex)	2,476	(864)	3,900	(2,774)

The Group reported a €0.3m cash outflow from operating activities in FY22. The loss before tax of €0.4m was adjusted upwards with non-cash items amounting to €1.4m partially offset by the €0.4m reduction in working capital. Non-cash items mainly comprised of depreciation of €0.5m and interest expense of €0.9m. Following the €0.2m tax payments and the €0.8m cash interest payments, the cash flow from operations amounted to a €0.3m cash outflow in FY22 (FY21: €3.6m cash outflow).

Cash flows from investing activities showed an outflow of €3.5m in FY22 (FY21: €2.2m). The main reason was the cash outflow relating to the acquisition of property, plant, and equipment, more specifically the acquisition of land for *circa* €0.9m, the acquisition of buildings for *circa* €0.7m and the acquisition of assets under construction for *circa* €1.6m. These costs are related to the ongoing construction projects of the Group.

Cash from financing activities increased by €6.4m in FY22. A major contributing factor to this increase was the issuance of the 2032 bond, which resulted in a cash inflow of €7.2m. Additionally, there was a net increase of €1.3m in bank loans, further adding to the cash from financing activities. These cash inflows were partially offset by the €2.1m cash outflow of loans granted to related parties.

All in all, the cash balance of the Group increased by €2.6m in FY22, as it amounted to €2.3m at year end.

In FY23, the Group expects a cash outflow from operations of €2.1m as cash outflows from operations are forecast at *circa* €4.3m, which is forecast to include a €1.1m cash outflow relating to income taxes and a €1.1 cash interest payment outflow.

Within investing activities, the Group expects to see a cash outflow related to property plant and equipment of *circa* €0.4m.

In FY23, the Group foresees a cash inflow of €2.4m from financing activities. This projection is based on the anticipated issuance of €4.7m of new borrowings during the fiscal year.

Overall, €2.2m negative cash movement is projected for FY23 driven mostly by the big projected negative cash flow from operations. Give the positive cash outflow achieved during FY22, the Group is forecast to end the year with a positive cash flow of €88k.

Part 3 - Key Market and Competitor Data

At the time of publication of this Analysis, the Group considers that overall business should be normal with the industries in which the Group companies are involved and operate and, bar unforeseen circumstances, management does not anticipate any divergence in trends outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of Group companies and their respective businesses. Nonetheless, inevitably risks surrounding the business model are still possible and to this end, investors are strongly advised to carefully read the risk factors disclosed in the Prospectus.

3.1 Economic Update[1]

The Bank's Business Conditions Index (BCI) indicates that in April, annual growth in business activity increased, rising further above its long-term average, estimated since January 2000. The European Commission confidence surveys show that sentiment in Malta increased compared to March, and stood above its long-term average, estimated since November 2002. In month-on-month terms, sentiment increased across all sectors, bar the services sector, with the strongest increase recorded in the construction sector.

Additional survey information shows that price expectations stood firmly above their year-ago level in the construction sector, and to a lesser extent, among services firms. By contrast, price expectations in industry, the retail sector and among consumers, stood considerably lower. The European Commission's Economic Uncertainty Indicator (EUI) for Malta increased when compared with March, though it was still lower than last year's April level. Uncertainty increased mostly in industry. In March, industrial production and retail trade grew at a slower rate compared to February. The unemployment rate stood at 2.9% in March, marginally lower than the rate of 3.0% registered in the previous month, and that registered in March 2022.

Commercial building and residential permits decreased in March relative to their year-ago level. In month-on-month terms, commercial permits increased while residential permits declined. In April, the number of promise-of-sale agreements rose on a year-on-year basis, while the number of final deeds of sales fell. Meanwhile, both the number of promise-of-sale agreements and the number of final deeds of sale fell on a month-on-month terms. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 6.4% in April, down from 7.1% in the previous month.

Inflation based on the Retail Price Index (RPI) decreased to 5.8% from 7.0% in March. Maltese residents' deposits expanded at an annual rate of 1.6% in March, following an increase of 3.6% in the previous month, while annual growth in credit to Maltese residents moderated to 5.4%, from 6.4% a month earlier. In March, the Consolidated Fund recorded a lower deficit compared to a year earlier, as higher government revenue outweighed a smaller rise in government expenditure.

3.2 Economic Outlook[2]

According to the Bank's latest forecasts, Malta's gross domestic product (GDP) growth is projected to slow down from around 7.0% in 2022, to 4.0% in 2023, and to ease slightly further to 3.8%, and 3.7%, in 2024 and 2025, respectively. When compared to the previous projections, the Bank's latest forecast for headline GDP is revised upwards throughout the projection horizon. Indeed, GDP growth was revised up by 0.3 percentage points in 2023, and by 0.2 percentage points in 2024 and 2025.

In 2023, net exports are expected to be the main contributor to GDP growth. This reflects the expected sharp slowdown in imports (goods imports specifically are set to contract after being boosted by strong investment in the aviation sector in 2022), as well as robust growth in exports. Meanwhile, domestic demand is expected to lower growth, as the base effect from the extraordinary investment in 2022 should offset positive contributions from government and private consumption. From 2024, domestic demand is expected to be the main driver of growth, as private consumption growth is expected to remain relatively robust despite relatively high inflation. Net exports are also projected to contribute positively in 2024 and 2025, due to robust services exports.

Employment growth is set to moderate to 3.6% in 2023 from 6.0% in 2022, which partly reflects the envisaged normalisation in economic activity towards potential growth. In the following two years, employment is set to expand by 2.7% and 2.4%, respectively. In view of relatively

[1] Central Bank of Malta – Economic Update 05/2023

[2] Central Bank of Malta – Outlook for the Maltese Economy 2023 - 2025

high inflation, as well as tight labour market conditions, nominal wage growth is projected to be relatively strong from a historical perspective. Compensation per employee is thus set to grow by 5.5% in 2023, 4.9% in 2024 and 3.9% in 2025, outpacing consumer price inflation during the later period of the projection horizon.

Annual inflation based on the Harmonised Index of Consumer Prices (HICP) is projected to moderate to 5.3% in 2023, as international supply bottlenecks are expected to ease further. However, lingering indirect effects from recent increases in input costs are set to keep inflation high from a historical perspective. The fall in inflation in 2023 reflects a broad-based decrease across all sub-components of HICP, except for energy inflation, as energy prices are expected to remain unchanged in view of government support measures. Services is envisaged to be the main contributor to HICP inflation, but food and non-energy industrial goods (NEIG) are also projected to contribute to annual HICP inflation in 2023.

The general government deficit is set to decline to 4.9% of GDP in 2023, from 5.8% in 2022. It is then set to continue declining over the rest of the forecast horizon, reaching 3.4% of GDP by 2025. This improvement is driven by a declining share of expenditure in GDP, mainly due to the profile of inflation-mitigation measures. The general government debt ratio is set to increase throughout the forecast horizon, and to reach 55.3% by 2025. This is driven by the expected level of primary deficits, which partly offset the debt-decreasing impact of the interest-growth differential.

On balance, risks to economic activity are tilted to the downside for 2023 and 2024 and are more balanced thereafter. The main downside risks relate to the possibility of stronger than envisaged weakness in the international economic environment, which could lead to lower exports. Foreign demand may also be weaker than expected if monetary policy in advanced economies tightens more forcibly than assumed in this projection round. GDP data for the first quarter of the year also implies some downside risks to domestic demand. On the other hand, private consumption could surprise on the upside if wage growth is higher than expected, particularly in the outer years of the projection horizon.

Risks to inflation are to the upside for the entire projection horizon. Indeed, inflation could be more persistent than assumed in the baseline projections and could continue to be affected by indirect effects from past increases in commodity prices. Moreover, second round effects from higher wages and profit margins could also prolong high inflation. Conversely, further monetary tightening and lower foreign demand could ease inflationary pressures in the medium-term.

On the fiscal side, risks are on the downside (deficit-increasing) particularly in 2023. These mainly reflect the likelihood of additional support measures towards Air Malta. Deficit-decreasing risks in the outer years of the forecast horizon mainly relate to fiscal consolidation pressures as the general escape clause in the Stability and Growth Pact is deactivated at the end of 2023.

3.3 Care home industry[3]

In recent years, the population in Malta grew significantly, mainly due to both immigration and an increase in life expectancy for both genders. As per the latest National Statistics Office records, the estimated population of Malta and Gozo at the end of 2020 stood at 519,562, up by only 0.7% when compared to 2020. Even though the growth of the population has slowed down recently mainly due to COVID-related restrictions and their repercussions on the movement of people. However, if we look at a broader picture, Malta's population grew by 17.4% in the last six years (2014-2020), a very significant growth, even when compared to the previous 6-year period between 2008 and 2014 when the population only increased by 7%.

This is summarised in the following chart:

Life expectancy has also increased throughout the years, with the average life expectancy for those born in 2020 standing at 83 years, an increase of 2.6 years when compared to 10 years ago.

Demographic statistics show that the population in Malta is aging considerably. As of 31 December 2020, the population aged 65 years and above comprised 18.9% (97,418) of the total population of 516,100, an increase of 3.2% from the 15.7% recorded in 2010.

Similarly, according to the '2021 Ageing Report' prepared by the European Commission and the Economic Policy Committee, the EU-27's median age is projected to increase

[3] National Statistics Office: World Population Day statistics

by 5 years to reach 47.3 years for men and 50.3 years for women by 2070. This phenomenon is projected to be universal across all EU Member States, including Malta.

Elderly care in Malta

Informal care plays an important role in Maltese society, due to the strong traditional role of the family. Caring for the dependent relatives is traditionally an important societal aspect. Living at home in the community domestically seems to be the preferred option amongst elderly people.

However, the demand for long-term care services has been growing due to the aging of the population and the intensification of labour-market participation of women. Since the mid-1980s, issues related to long-term care have been given more attention. Long-term care capacities have already been expanded in recent years. However, although the public capacity for institutional care (i.e. residential homes) is around the EU average, and provided by the government at both central and local levels, it remains insufficient to meet the growing demand. The private sector has been developing a complementary offer of long-term care services. Home-based services have also expanded in recent years.4

3.4 Hospitality and property development industries[5]

The tourism sector in Malta

The tourism industry in Malta has been progressively growing over the years, benefiting from a surge in tourism with records broken year on year. This trend which is summarised in the below table illustrates the number of tourist arrivals over the last four years:

	2020	2021	2022	Change '22/'21
Inbound tourists, '000s	660	969	2,287	136%
Tourist guest nights, '000s	5,227	8,390	16,608	98%
Average length of stay, nights	7.9	8.7	7.3	-16%
Tourist expenditure, €mn	455	871	2,013	131%
Tourist expenditure per capita (€)	691	899	880	-2%

Unfortunately, the tourism sector, both internationally and locally, has been severely impacted by the outbreak of the COVID-19 pandemic in 2020 and 2021. As countries introduced several confinement measures, the number of inbound tourists in Malta experienced a significant decline. In 2020, there were only 660,000 inbound tourists, representing a substantial decrease from 2,753,000 in 2019. However, in 2021, there was a partial recovery with the number of inbound tourists increasing to 969,000. The positive trend continued in 2022, with the number of inbound tourists reaching 2,287,000, showing a significant growth of 136% compared to the previous year.

Similarly, the number of tourist guest nights also suffered a decline in 2020 due to the pandemic. The total number of guest nights decreased to 5,227,000 from 19,339,000 in 2019. However, there was a recovery in 2021, with the number of guest nights increasing to 8,390,000. In 2022, there was a further significant improvement, with the number of guest nights reaching 16,608,000, demonstrating a substantial growth of 98% compared to the previous year.

Despite the recovery in tourist numbers, the average length of stay in Malta experienced a slight decline in 2022. In 2021, the average length of stay was 8.7 nights, which decreased to 7.3 nights in 2022, representing a 16% decrease compared to the previous year.

In terms of tourist expenditure, there was a significant drop in 2020. Tourist expenditure decreased to €455 million from €2,221 million in 2019. However, as the world was leaving COVID behind, there was a strong rebound in 2021, with expenditure increasing to €871 million. In 2022, the upward trend continued, with tourist expenditure reaching €2,013 million, showing a remarkable growth of 131% compared to the previous year.

The expenditure per capita also witnessed fluctuations over the years. In 2020, the expenditure per capita was €691, which increased to €899 in 2021, representing a 30% growth. However, in 2022, there was a slight decrease, with expenditure per capita amounting to €880, showing a negligible 2% decline compared to the previous year.

The construction sector in Malta

In its April monthly economic update6, the Central Bank of Malta reported that the sentiment in the construction sector r turned slightly negative in March, standing at -0.2, down

[4] https://eurocarers.org/country-profiles/malta/

[5] Inbound Tourism December 2019 and March 2020 (NSO), and European Tourism – Trends & Prospects Q3/2020

[6] Central Bank of Malta – Economic Update 4/2023

from 17.5 in February. Notwithstanding this decline, sentiment remained above its long-term average of -8.5. In contrast to the previous month, respondents assessed order book levels to be below normal. At the same time, employment expectations deteriorated strongly, but remained positive.

On the other hand, the Malta Developers' Association (MDA)7 issued a statement that property sales in February have exceeded all expectations and have shown the resilience of the Maltese Property Market. February saw a staggering 29% increase in the value of Promise of Sales which constitutes an increase of over 85 Million Euros over the previous year in February.

[7] Malta Developers' Association – News: https://mda.com.mt/category/news/

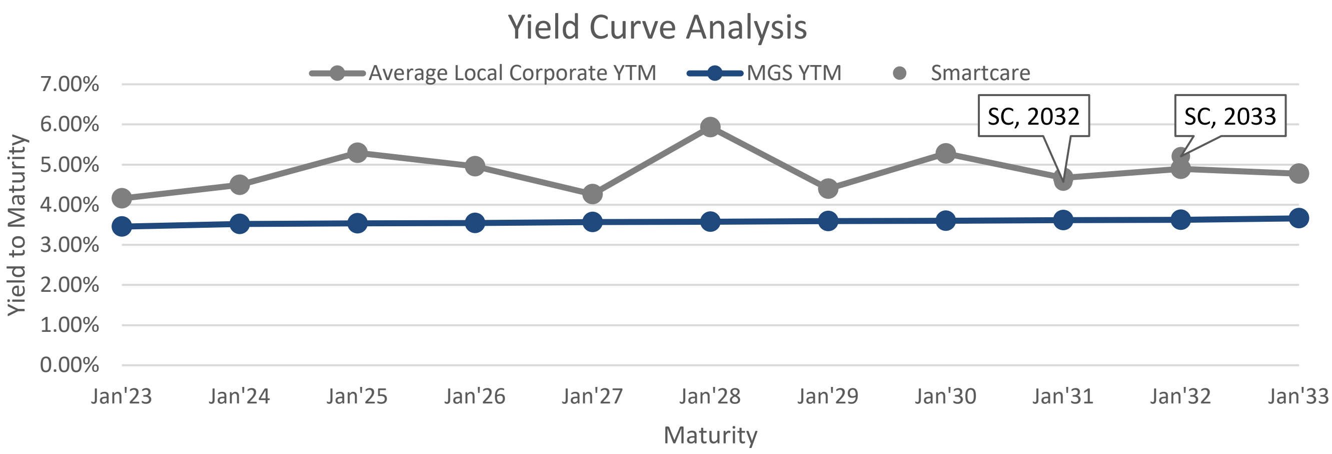
3.5 Comparative Analysis

Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA) (times)	Total Assets (€'millions)	Total Equity (€'millions)	Total Liabilities / Total Assets (%)	Net Debt / Net Debt and Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)
4% Cablenet Communication Systems plc Unsecured € 2030	40,000	4.77%	6.8x	110.4	3.1	66.0%	95.1%	3.5x	2.5x	-90.8%	-8.2%	19.4%
6.25% GPH Malta Finance plc Unsecured € 2030	18,144	5.78%	0.2x	811.9	50.4	93.8%	90.8%	71.2x	1.2x	-88.4%	-110.5%	N/A
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.58%	2.6x	179.4	37.2	79.3%	37.5%	3.5x	3.0x	24.1%	22.9%	666.2%
4.65% Smartcare Finance plc Secured € 2031	13,000	4.57%	1.1x	43.3	12.4	71.3%	63.1%	19.9x	2.9x	-4.9%	-10.2%	94.3%
3.9% Browns Pharma Holdings plc Unsec Call € 2027-2031 (xd)	13,000	4.50%	5.2x	73.0	26.9	62.0%	43.0%	3.6x	1.1x	109.3%	6.4%	126.7%
3.65% Mizzi Organisation Finance plc Unsecured € 2028-2031	45,000	4.68%	3.6x	288.7	90.2	68.8%	54.3%	8.6x	0.8x	5.8%	4.4%	0.0%
3.65% IHI plc Unsecured € 2031	80,000	5.28%	0.7x	1,662.0	817.9	50.8%	36.2%	10.7x	0.8x	-0.3%	-1.0%	84.3%
3.5% AX Real Estate plc Unsecured € 2032	40,000	4.20%	2.6x	422.8	248.2	41.3%	30.0%	12.0x	1.1x	-0.1%	-0.7%	8.1%
4.55% St Anthony Co plc Secured € 2032	15,500	4.33%	0.4x	66.2	21.1	68.2%	62.4%	67.5x	0.7x	-6.4%	-19.2%	N/A
4.65% Smartcare Finance plc Secured € 2032	7,500	5.21%	1.1x	43.3	12.4	71.3%	63.1%	19.9x	2.9x	-4.9%	-10.2%	94.3%
4.85% JD Capital plc Secured € 2032 S1 T1	14,000	5.27%	1.7x	57.5	16.8	70.8%	57.5%	18.5x	1.7x	1.3%	1.8%	N/A
5% Mariner Finance plc Unsecured € 2032	36,930	4.73%	4.8x	128.3	62.3	51.4%	49.9%	5.9x	2.6x	9.9%	29.3%	32.3%
5% Von der Heyden Group Finance plc Unsecured € 2032	35,000	5.13%	0.6x	142.0	41.1	71.1%	65.4%	38.4x	2.1x	-2.7%	-7.2%	32.3%
4% Central Business Centres plc Unsecured € 2027-2033	21,000	4.52%	1.3x	58.2	23.8	59.1%	55.3%	18.6x	0.7x	0.8%	10.0%	19.9%
4.75% Dino Fino Finance plc Secured € 2033	7,800	4.62%	(2.0)x	16.5	3.4	79.3%	68.6%	(8.1)x	0.9x	-34.4%	-21.8%	N/A
	*Average	4.80%										

Source: Latest available audited financial statements

Last price as at 23/06/2023

**Average figures do not capture the financial analysis of the Issuer*



The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the Issuer's existing yields of its outstanding bonds.

As of 23 June 2023, the average spread over the Malta Government Stocks (MGS) for corporates with a maturity range of 7-9 (2030-2032) years was 123 basis points. The 4.65% Smartcare Finance PLC Bonds 2031 are currently trading at a YTM of 457 basis points, meaning a spread of 96 basis points over the equivalent MGS. This means that this bond is trading at a discount of 27 basis points in comparison to the market.

As of 23 June 2023, the average spread over the Malta Government Stocks (MGS) for corporates with a maturity range of 8-10 (2031-2033) years was 109 basis points. The 4.65% Smartcare Finance PLC Bonds 2032 are currently trading at a YTM of 521 basis points, meaning a spread of 158 basis points over the equivalent MGS. This means that this bond is trading at a premium of 49 basis points in comparison to the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
EBIT (Operating Profit)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Profit After Taxation	The profit made by the Group/Company during the financial year net of any income taxes incurred.

Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).

Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.

Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Current Liabilities	Obligations which are due within one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.

Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

Calamatta Cuschieri

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