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 23 June 2022, 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

27 June 2022

Calamatta Cuschieri

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

27 June 2022

Dear Sirs,

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 2019, 31 December 2020 and 31 December 2021 have been extracted from the audited financial statements of the Issuer and the Guarantors.

b) The forecast data for the financial years 2022 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,

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Nick Calamatta
Director

FINANCIAL ANALYSIS SUMMARY 2022

smartcare
FINANCE PLC

Smartcare Finance p.l.c.

27 June 2022

Prepared by Calamatta Cuschieri Investment Services Ltd

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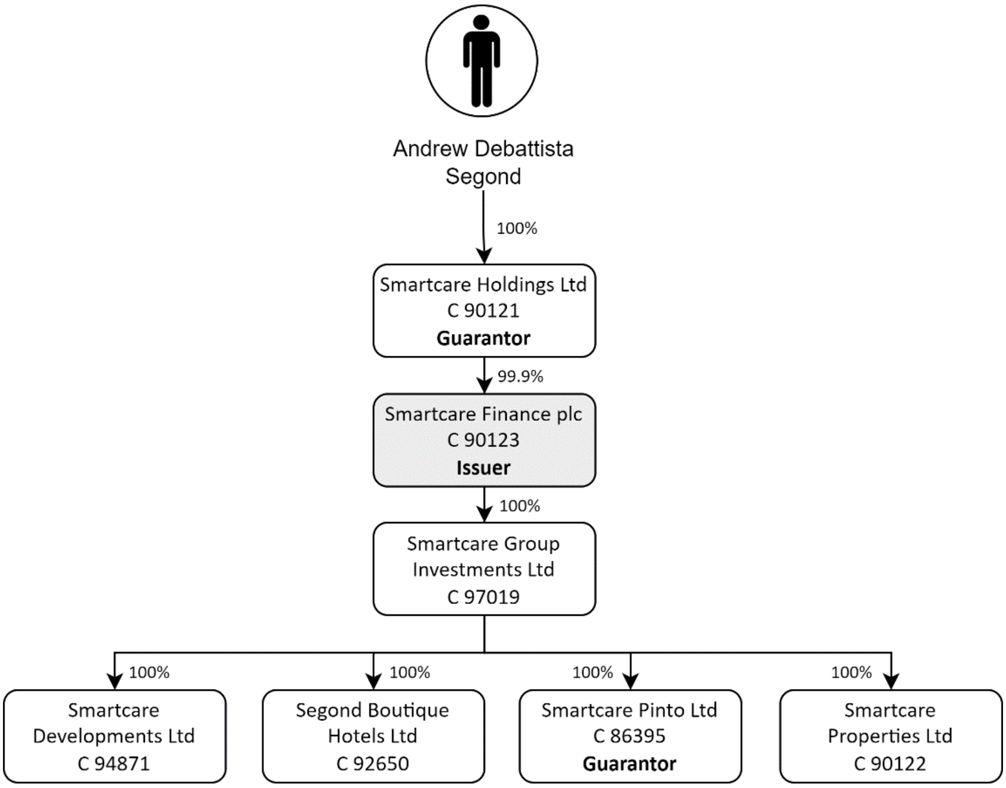
Part 1 - Information about the Group

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, and Smartcare Properties Limited also being companies within the Group.

The principal activity of the Group is the management and operation of a private health care residence, in addition to the development and operation of hotels and residential 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 also guaranteed by Smartcare Pinto Ltd, which 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.

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 four wholly-owned operating subsidiaries being SPL, Smartcare Developments Ltd ("**Smartcare Developments**"), Segond Boutique Hotels Limited ("**Segond Boutique**"), and Smartcare Properties Limited ("**Smartcare Properties**").

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 in order to acquire connected parcels of land in Ħamrun and develop them into residential and commercial units for resale (the "**Ħamrun Project**"). Additionally, Smartcare Developments has acquired a plot of land in the limits of Xagħra, Gozo. This land was assigned to Smartcare Developments by a related company owned by the same ultimate beneficial owner, Mr Andrew Debattista Segond. This land will be developed into residential units for resale (the "**Xagħra Project**").

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 subsequently 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.

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

The business address of all of the directors is the registered office of the Issuer. Dr Katia Cachia is the company secretary of the Issuer.

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 the Guarantors.

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.

As of the date of this Analysis, the Group has a total of 62 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 131-bed 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 property has a street front of approximately 29 metres on Triq Guze' Duca and approximately 13 metres on Triq l-Imdina.

The Group has entered into 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.

Dar Pinto is currently undergoing extension scheduled to be completed in H2 2022. According to valuation dated 29 January 2021, upon completion of said extension, the market value of Dar Pinto will be €16m.

An extension to the care home is being developed with an expected completion target date of mid-September 2022. Further information in regard to this 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 has 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.

Development works have been contracted on a turnkey basis at a value of €3.48m. The development project in its current state was valued at €4.95m by an independent appraiser. As a note to the above, a review of the previous valuation is ongoing and appraised value may change as a result. The Boutique Hotel is situated on two sites along two adjoining streets in Xagħra, Gozo. The sites together have a total footprint of *circa* 892 sqm.

One site is situated on Triq il-Kommitiva while the other site is situated on Triq ta' Gajdoru.

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 was valued at €0.65m by an independent appraiser.
- An apartment in Helena Flats in Ta' Xbiex numbered 4. The apartment has a book value of €96k.
- The Group also owns three apartments (within a block named Eddie's Flats) in Gzira with a net book value of €730k.

The Group also entered into a promise of sale agreement to part exchange an apartment in Eddie's Flats for another property in Msida however the property transfer contracts have not been executed.

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

Extension to Dar Pinto

In 2020, the Group entered into a promise of sale agreement for the acquisition of land adjacent to Dar Pinto in order to develop a new extension to its Dar Pinto care home. The development will cater for an additional 24 rooms and 54 beds. Works on the project are expected to be finalised by mid-September 2022. The cost of the extension to the care home is estimated to be €1.7m.

Disruptions to the day-to-day running of Dar Pinto due to the extension works are considered negligible and the existing care home has been functioning as usual throughout the extension works. While the plot was acquired for a value of €0.6m, the construction costs are estimated to be €1.4m, therefore all the expenses of the extension's development will amount to *circa* €2m.

As per an independent valuation carried out on 27 August 2020, the extension is estimated to increase the value of Dar Pinto by €1.6m, thus increasing the market value of the home to €16.4m upon completion of the extension. At the date of the Analysis, an update to the previous valuation is being prepared.

€1.7m of the bond's proceeds were used to finance this acquisition and development of Dar Pinto.

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.

On 22 January 2021, a development permit was granted to demolish part of the existing showroom building retaining the facade and the large internal arches, dismantle and incorporate the existing smaller arches into the proposed building, to excavate one level over a portion of the site for the construction of basement parking and to construct a building on the site. 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. Smartcare Developments Ltd has on Promise of Sale the airspaces of 5 apartments in Block A, airspaces of 9 units in Block C, airspaces of 5 garages as well as airspaces of two commercial outlets.

On the same day, Smarthomes Developments Limited entered into a contract of works agreement with Santa Katerina Construction Limited to demolish those 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 will assign 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 2022.

As of 31 December 2021, SPL owed Neriku Limited €0.7m for catering services. A barter agreement is 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.

Moreover, SC Developments another subsidiary of the group entered into 6 promise of sale agreements with a total sales value of €0.9m relating to the following properties:

- a commercial outlet on the ground floor; and
- 5 apartments in finished form.

€3.6m of the proceeds from the bonds issued in 2021 were earmarked 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.

Works on the development principally commenced in 2022 and are estimated to be completed by end of the year. As of 30 April 2022, Smartcare Developments Ltd entered into promise of sale agreements for 14 apartments, 9 garages, 3 garage spaces, and 2 plots, having a total sales value of €2.5m. The units and plots are expected to be sold between 2022 and 2024.

An amount of €2.45m of the proceeds of the bond issued in 2021 was utilised to refinance outstanding bank facilities, which were originally raised for the acquisition and development of the Boutique Hotel. The Issuer injected the said net proceeds of the bonds in its fellow subsidiaries through the novation of preference shares and loans.

1.5 COVID-19 impact on the Group's operational and financial performance

In light of the events relating to COVID-19, which has had a material effect globally, the Group's priority was to safeguard the health and well-being of Dar Pinto's residents and its employees.

Throughout FY21 the care home was running at high capacity, except for a limited period of time at the beginning of the year. It was also the Group's main priority to make sure to adhere to the ongoing changes in policies and measures imposed by health authorities and implement all necessary preventive measures to protect its residents and employees.

The Group continues to closely monitor the situation albeit being cautiously optimistic about the future developments of the pandemic. No adjustments arising from uncertainties brought about by the pandemic were necessary to be made in these consolidated financial statements.

1.6 Subsequent events after the reporting period: Conflict in Ukraine

The directors of the Group assessed that there were no significant effects to the Group's operation as a result of the conflict between Russia and Ukraine. 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, thus the first year captures the period from inception to 31 December 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 2019 to 31 December 2021, together with the projections for the year 2022, is 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, which apart from the other subsidiaries, captures the financial performance of Smartcare Pinto Ltd (being the second Guarantor). In view of the recent restructuring, the audited historical financial information of SHL for the year ended 31 December 2019 captures the performance of the Issuer, SPL, Smartcare Properties Limited, and Segond Boutique Hotels Limited. Whereas, the years ended 31 December 2020 and 2021 as well as the Group's projections for the year ending 31 December 2022, 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	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Preference dividend	-	-	359	806
Interest income	234	384	298	-
Total finance income	**234**	**384**	**657**	**806**
Finance costs	(161)	(265)	(528)	(543)
Net finance income	**73**	**119**	**129**	**263**
Administrative expenses	(46)	(59)	(70)	(75)
Credit impairment loss	(3)	(3)	(11)	(5)
Profit/(loss) before tax	**24**	**57**	**48**	**183**
Income tax	-	(26)	(45)	(64)
Profit/(loss) after tax	**24**	**31**	**3**	**119**

Ratio Analysis[1]	2019A	2020A	2021A	2022F
Gross Margin (Net finance income / Finance income)	31.2%	31.0%	19.6%	32.7%
Net Margin (Profit for the year / Finance income)	10.3%	8.1%	0.5%	14.8%

The bonds of the Issuer were issued on 5 June 2019, therefore the activity of the Issuer prior to this date was minimal. The Issuer's performance predominantly captures the interest income earned on the net proceeds granted as loans to SPL, SHL, and Smartcare Properties Limited and the finance costs incurred on the aforementioned bonds. Net finance income represents the interest margin of 3% that the Issuer charges to its fellow subsidiaries to cover its operating expenditure.

During FY21, the generated €657k revenue that was split into €359k of dividend income from other subsidiaries of the Group and €298k of interest income on loans granted to other subsidiaries of the Group as explained above.

In turn, the Issuer incurred €528k of finance costs, higher than a year earlier, as understandably there were more interest-bearing securities in issue during FY21 than a year earlier, on which more interest payments had to be serviced. The €70k of administrative expenses incurred in FY21 were largely in line with the prior year. Credit impairment losses of €11k were slightly higher than a year earlier (FY20: €3k). Tax expenses were higher in FY21 mainly due to disallowed expenses of €36k, slightly increasing the final tax expense

[1] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

figure for the year. Thus, overall, the Issuer reported a small profit of €3k, down from €31k a year earlier.

As a consequence of lower reported profit, the profitability ratios reflected a lower profitability position of the Issuer.

The Issuer is projected to increase its overall income from €657k to *circa* €806k in FY22. Moreover, the Issuer is projected to continue to shift its income towards dividends received from other group subsidiaries in FY22, instead of interest income as was the case in FY20 and partially until FY21. The above-mentioned shift is being undertaken for tax benefit purposes.

The finance costs of the Issuer are projected to remain largely stable in FY22, consequently, the Group is expected to service a similar amount of debt securities and bank loans in FY22 as it did in FY21. Both administrative expenses and credit impairment losses are expected to remain at stable levels in FY22 compared to a year earlier. Consequently, profit before tax is projected to be substantially higher at €183k in FY22.

Income tax is projected to be higher in line with the higher projected income. Overall, the Issuer is expected to report a larger after-tax profit of €119k in FY22.

Understandably, the higher projected income and profit are expected to result in higher gross and net margins in FY22 when compared to previous years.

2.2 Issuer's Statement of Financial Position

Statement of Financial Position as at 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Investment in subsidiary	-	1	13,001	13,001
Amounts due from related parties	4,800	4,800	-	-
Deferred expenditure	-	157	-	-
Total non-current assets	**4,800**	**4,958**	**13,001**	**13,001**
Current assets				
Trade and other receivables	310	547	1,737	1,500
Current tax asset	-	-	73	-
Cash and cash equivalents	6	1	1	377
Total current assets	**316**	**548**	**1,811**	**1,877**
Total assets	**5,116**	**5,506**	**14,812**	**14,878**
Equity and liabilities				
Capital and reserves				
Share capital	48	250	250	250
Retained earnings	24	35	21	140
Total equity	**72**	**285**	**271**	**390**
Non-current liabilities				
Debt securities in issue	4,858	4,874	12,424	12,486
Total non-current liabilities	**4,858**	**4,874**	**12,424**	**12,486**
Current liabilities				
Trade and other payables	185	322	2,117	2,000
Tax payable	-	26	-	-
Total current liabilities	**185**	**348**	**2,117**	**2,000**
Total liabilities	**5,043**	**5,222**	**14,541**	**14,486**
Total equity & liabilities	**5,115**	**5,507**	**14,812**	**14,876**

The Issuer's assets in FY21 mainly consisted of investments in the Group (€14.8m) up significantly from €5.5m in FY20. These reflect the bond's proceeds granted as loans to the Group's fellow subsidiaries. Other than that, the Issuer held €1.7m of trade receivables on its balance sheet in FY21 which are predominantly loans that are unsecured, interest-free, and are repayable upon demand.

From an equity perspective, figures remained relatively stable when compared to 2020.

In FY21, the majority of the Group's liabilities consist of €12.4m debt securities in issue relating to the bond less accumulated amortised costs that include capitalised bond issue costs. Understandably, a substantial increase can be observed in this balance sheet item, originating from the amounts relating to the bond issue.

Under current liabilities, trade and other payables represent mostly amounts due to the parent company as well as accruals. Trade payables increased substantially YoY to €2.1m in FY21, while only €0.3m a year earlier, mostly due to the increase in amounts due to other group companies, and to a lesser extent accrual, relating to the increased debt securities in issue and related interest. While the increase in non-current liabilities purely reflects the newly issued bond.

In FY22, the financial position of the Issuer is expected to remain relatively stable when compared to FY21. 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 cash and retained earnings. The issuer is projected to hold a larger amount of cash at around €0.4m by the FY22 end and the retained earnings are also expected to increase as the result of an increase in the projected net income figure.

2.3 Issuer's Statement of Cash Flows

Cash Flows Statement for the year ended 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Cash flows from operations	60	(372)	481	239
Taxation paid	-	-	(26)	(64)
Interest paid	(152)	(250)	(205)	(605)
Net cash generated from/(used in) operating activities	**(92)**	**(622)**	**250**	**(430)**
Cash flows from investing activities				
Repayment of the loan receivable from related parties	-	-	4,800	-
Payment to acquire subsidiary	-	(1)	(13,000)	-
Interest received	-	618	298	806
Net cash generated from/(used in) investing activities	**-**	**617**	**(7,902)**	**806**
Cash flows from financing activities				
Proceeds from equity	48	-	-	-
Proceeds from the issue of debt securities	4,850	-	13,000	-
Redemption of bonds	-	-	(5,000)	-
Bond issue costs	-	-	(348)	-
Movements in related party balances	(4,800)	-	-	-
Net cash generated from financing activities	**98**	**-**	**7,652**	**-**
Net movement in cash and cash equivalents	**6**	**(5)**	**-**	**376**
Cash and cash equivalents at the beginning of the year	-	6	1	1
Cash and cash equivalents at the end of the year	**6**	**1**	**1**	**377**

The Issuer generated a net cash flow of €0.3m from operating activities after the payment of taxes and interest in FY21 (FY20: cash outflow of €0.6m).

Cash from investing activities captured a €13m cash outflow relating to the proceeds of the bonds issued in 2021, partially offset by €4.8m relating to the repayment of loans receivable on previous loans to other group companies. In total, the cash from investing activities had an outflow of €7.9m in FY21 (FY20: inflow of 0.6m).

Cash flow from financing activities showed a €13m cash inflow from the bond, offset by the €5m cash outflow relating to the refinancing of previous bonds. Cash flow from financing activities had an inflow of €7.7m in FY21.

The net movement in cash was close to zero in FY21 as the Issuer used up all cash inflows from operations and financing on investing activities by making payments to other subsidiaries of the Group.

In FY22, 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* €0.4m. 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 FY22. Thus overall, the Issuer is expected to report a positive cash movement of €0.4m this year.

2.4 Group's Income Statement

Smartcare Holdings Ltd was incorporated on 7 January 2019 and, accordingly, the first year captures the period from inception to 31 December 2019.

Income Statement for the year ended 31 December	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Revenue	569	2,590	2,819	7,233
Cost of sales	(444)	(1,459)	(1,434)	(4,044)
Gross profit	**125**	**1,131**	**1,385**	**3,189**
Other income	-	8	6	-
Administrative expenses	(332)	(631)	(707)	(818)
EBITDA	**(207)**	**508**	**684**	**2,371**
Depreciation and Amortisation	(242)	(254)	(300)	(573)
EBIT	**(449)**	**254**	**384**	**1,798**
Finance costs	(192)	(277)	(554)	(687)
Impairment of financial assets	(2)	-	(16)	-
Profit/(loss) before tax	**(643)**	**(23)**	**(186)**	**1,111**
Taxation	163	(52)	(93)	(149)
Profit/(loss) after tax	**(480)**	**(75)**	**(279)**	**962**

Ratio Analysis[2]	2019A	2020A	2021A	2022F
Profitability				
Growth in Revenue (YoY Revenue Growth)	n/a	355.2%	8.8%	156.6%
Gross Profit Margin (Gross Profit / Revenue)	22.0%	43.7%	49.1%	44.1%
EBITDA Margin (EBITDA / Revenue)	-36.4%	19.6%	24.3%	32.8%
Operating (EBIT) Margin (EBIT / Revenue)	-78.9%	9.8%	13.6%	24.9%
Net Margin (Profit for the year / Revenue)	-84.4%	-2.9%	-9.9%	13.3%
Return on Common Equity (Net Income / Total Equity)	-19.1%	-1.1%	-2.4%	8.4%
Return on Assets (Net Income / Total Assets)	-5.7%	-0.5%	-1.0%	2.9%

In FY21, the Group generated €2.8m in revenue, an increase of €0.2m when compared to FY20. The majority of the Group's income originates from its care home revenue business which in turn is based on the Group's agreement with the Government of Malta to provide care home services for a defined, five-year period, expiring in May 2024. In 2021, 91.8% of the Group's revenue was generated by this revenue stream. The minority of the income stemmed from the sale of properties, more specifically €0.2m in FY21. This figure was largely similar to the income generated a year earlier.

From Q1 to Q4 2021 occupancy rates of the Dar Pinto care home were 51%, 85%, 95%, and 97% respectively. In compliance with the protocols of the Government of Malta, residents found positive for the virus were transferred to a government hospital. This resulted in the non-utilisation of the beds allocated, hence non-payment to the care home for the hospitalized bed nights. This caused a drop in occupancy rates during the first quarter of FY2021, but occupancy levels increased as residents recovered and the Government eased its restrictions.

The cost of sales primarily consists of the salaries of nurses and carers, food and beverage expenses, medical expenses, and consumables. Administrative costs primarily consist of the remuneration of directors, accountants, administrators, managers, and housekeepers, training costs, license fees, utilities, repairs & maintenance costs, professional service

[2] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

fees, telecommunication costs, health & safety costs, and bank charges. The cost of sales amounted to €1.4m in FY21 which is in line with the amount of the previous year. While administrative expenses slightly increased YoY from €0.6m to €0.7m.

Depreciation amounted to €0.3m in FY21, which mainly reflects the depreciation related to Dar Pinto. Finance costs amounted to €0.5m in FY21, up from €0.3m in FY20, which mainly captures the increased amount of interest due to the value of debt securities in issue compared to FY20. Tax expenses slightly increased from FY20 to FY21 however still remained under €0.1m.

Despite the higher revenue of Dar Pinto, the Group has generated a **loss** of €0.3m for FY21, a slight deterioration from the €0.1m loss in FY20.

The profitability ratios of Smartcare confirm the above picture, more specifically improved Gross profit and EBITDA positions compared with a slightly deteriorated Net Income margin. The Group showed an improvement in the Gross Profit Margin, which improved from 43.7% to 49.1% in FY21 as well as the EBITDA Margin which picked up from 19.6% to 24.3%. The operating margin also showed an increasing trend with 13.6% in FY21 following 9.8% in FY20. The ratios involving Net Margin showed a deterioration as Net Income was conditioned mainly by higher finance costs. Thus, the Net Margin, Return on Equity, and Return on Assets all show a slightly deteriorating profitability position on a YoY basis.

In FY22, revenue is expected to increase substantially to €7.2m as the sale of properties from the Hamrun and the Xagħra projects will begin to generate revenue. In parallel, the cost of sales is projected to increase to €4m.

Administrative expenses are also expected to increase slightly to €0.8m while depreciation is projected to rise to €0.6m, including the amortisation of bond issue costs. Finance costs are expected to increase to €0.7m as the result of the Group planning on increasing its bank borrowings in FY22.

Overall, the Group projects to report a profit before tax of €1.1m and, after a slightly higher tax expense in FY22 than a year earlier, a profit after tax of *circa* €1m.

2.4.1 Group's Variance Analysis

Income statement	2021F	2021A	Variance
	€000s	€000s	€000s
Revenue	6,138	2,819	(3,319)
Cost of sales	(3,046)	(1,434)	1,612
Gross profit	**3,092**	**1,385**	**(1,707)**
Other income	-	6	6
Administrative expenses	(875)	(707)	168
EBITDA	**2,217**	**684**	**(1,533)**
Depreciation	(504)	(300)	204
EBIT	**1,713**	**384**	**(1,329)**
Finance costs	(878)	(554)	324
Impairment of financial assets	-	(16)	-
Profit/(loss) before tax	**835**	**(170)**	**(1,005)**
Tax expense	(288)	(93)	195
Profit/(loss) before tax	**547**	**(279)**	**(826)**

The Group reported revenue of €2.8m in FY21, which resulted in a negative variance of €3.3m or 54% when compared to previous forecasts. More specifically, revenue from Dar Pinto amounted to €0.3m less than projected, Smartcare Boutique Hotels €0.4m less, from the Ħamrun project €0.5m lower, and from the Xagħra project €2.1m lower. The Xagħra apartments are all under promise of sale agreements with actual sale and revenue to be recognised throughout 2022 and 2023 when actual sales contracts are signed. This differs from original forecasts which had assumed that sales would actually be recognised in 2021.

Dar Pinto generated less revenue due to the COVID-related impact on residents. As mentioned earlier, residents found positive for the virus were transferred to a government hospital. This resulted in lower occupancy levels, which resulted in lower revenues to the care home for the hospitalized bed nights.

Smartcare Boutique hotels had a lower than expected revenue as the hotel opening was delayed. As indicated by the Group's management, this was mostly a result of the later-than-expected receipt of the proceeds from the bond issue m as it was issued later than intended.

The Ħamrun project did not generate any revenue in FY21 although it had been projected to generate close to €0.5m. The project was delayed, given that the site was acquired in December and therefore sales were postponed to FY22.

The reduction in revenue was mitigated by the lower cost of sales. The Group incurred €1.4m during FY21 which is significantly lower than previously forecasted. The reason is mainly due to the postponement of sales on certain projects to 2022.

Gross profit was 55% lower than previously projected, largely in line with the lower revenue and cost of sales figures.

Administrative expenses incurred during FY21 amounted to €0.7m vs. €0.9m as forecasted which equates to an 18% lower than forecasted expense. The lower reduction of administrative expenses compared to the gross profit line is due to the fact that these expenses are of fixed nature.

In terms of depreciation and amortisation, the Group also reported lower figures by €0.2m or by 40% given the delay in the commencement of operations of the Boutique Hotel and as such the consequent postponement of its depreciation.

Finance costs were €0.3m less than the projected value of €0.9m. The reason for this was that the bond issue costs relating to the older €5m bond issue were expensed upon redemption and the issuance of the €13m bonds. However, the directors and auditors resolved that it would be more adequate to continue to amortise the said bond issue costs over the period of the €13m bond.

Due to the lower than projected EBITDA, the Group also reported less tax expense than previously projected: Smartcare incurred a €0.1m expense compared with the €0.3m that was originally projected.

Based on the considerations discussed above, the Group reported a loss before tax of €0.2m, which deviated negatively by €1m from the forecast. Overall, the Issuer recognised a loss after tax of €0.3m for FY21, which represents a €0.8m negative variance to the previously forecasted gain after tax of €0.5m.

2.5 Group's Statement of Financial Position

Statement of Financial Position as at 31 December	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
Assets				
Non-current assets				
Property, plant and equipment	6,443	19,023	20,986	21,506
Intangible assets	332	333	324	321
Deferred expenditure	-	157	-	-
Deferred tax asset	163	-	-	-
Investment tax credit	-	-	-	1,405
Total non-current assets	**6,938**	**19,513**	**21,310**	**23,232**
Current assets				
Inventories	823	2,373	4,514	5,279
Trade and other receivables	562	2,480	6,505	3,230
Cash and cash equivalents	27	27	143	2,521
Other assets	-	470	133	60
Total current assets	**1,412**	**5,350**	**11,295**	**11,090**
Total assets	**8,350**	**24,863**	**32,605**	**34,322**
Equity and liabilities				
Capital and reserves				
Share capital	1	2,375	2,375	2,375
Retained earnings	(456)	(505)	(757)	205
Revaluation reserve	2,512	11,560	11,501	11,527
Total equity	**2,057**	**13,430**	**13,119**	**14,107**
Non-current liabilities				
Debt securities in issue	4,858	4,873	12,424	12,486
Long-term borrowings	667	2,694	1,178	2,435
Deferred tax liabilities	-	1,010	1,100	1,100
Payables	-	-	100	-
Total non-current liabilities	**5,525**	**8,577**	**14,802**	**16,021**
Current liabilities				
Trade and other payables	768	2,066	4,048	3,091
Tax payable	-	26	117	149
Short-term borrowings	-	764	519	954
Total current liabilities	**768**	**2,856**	**4,684**	**4,194**
Total liabilities	**6,293**	**11,433**	**19,486**	**20,215**
Total equity and liabilities	**8,350**	**24,863**	**32,605**	**34,322**

Ratio Analysis[3]	2019A	2020A	2021A	2022F
Financial Strength	€000s	€000s	€000s	€000s
Gearing 1 (Net Debt / Net Debt and Total Equity)	72.8%	41.0%	53.5%	50.6%
Gearing 2 (Total Liabilities / Total Assets)	75.4%	46.0%	59.8%	58.9%
Gearing 3 (Net Debt / Total Equity)	267.3%	69.4%	114.9%	102.5%
Net Debt / EBITDA	(26.6)x	18.3x	22.0x	6.1x
Current Ratio (Current Assets / Current Liabilities)	1.8x	1.9x	2.4x	2.6x
Interest Coverage level 1 (EBITDA / Cash interest paid)	(1.1)x	1.9x	1.2x	3.5x
Interest Coverage level 2 (EBITDA / finance costs)	(1.1)x	1.8x	1.2x	3.5x

Total assets of the Group amounted to €32.6m in FY21 (FY20: €24.9m) The notable assets are property, plant and equipment, trade and other receivables, and inventories, having values of €21m, €6.5m, and €4.5m respectively (FY20: €19m, €2.5m and €2.4m).

The majority of the property, plant, and equipment values are in turn comprise of land and buildings, with €16m and €3m carrying amounts as of FY21 (FY20: €14.1m and €0.2m). Buildings substantially increased in value as the Boutique Hotel construction has been finalised and its assets have been restated from assets under construction to buildings. 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.

Current assets mainly represent the Group's trade and other receivables as well as its inventories. In FY21, current assets amounted to €11.3m, of which trade and other receivables amounted to €6.5m while inventories to €4.5m. Trade receivables predominantly relate to the Dar Pinto operations and they are projected based on a 60-day credit term. The financial statements have been reviewed for indicators of impairment. Inventories increased substantially mainly as a result of the acquisition of the Hamrun site, and further development of the Xagħra site. 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 slightly and were reported at €0.14m while the Group also had immaterial amounts of current tax assets as well as other assets, together amounting to slightly more than € 0.1m as of FY21.

The Group's equity mainly captures the share capital, the revaluation reserve, and the accumulated losses. Total equity decreased to €13.1m in FY21 from €13.4m in FY20, 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 €0.1m lower than a year prior.

Total liabilities stood at €11.4m and €19.5m in FY21 and FY20, respectively. They predominantly consisted of the debt securities in issue, in addition to trade and other payables and long-term borrowings.

The most sizeable non-current liabilities in FY21 were the €12.4m issued debt securities, the €1.2m long-term borrowings, as well as the €1.1m, deferred tax liabilities. The debt security balance increased substantially from FY20 held at €4.9m, understandably due to the issuance of the bonds in question, partially offset by the refinancing of €5m of previous bonds. Long-term borrowings refer to bank loans that are secured by general and special hypothec over the assets of Segond Boutique Hotels Limited and Smartcare Developments Ltd. The current interest rates vary between 4.65% and 5% *per annum*. The Group also has deferred tax liabilities that have increased to €1.1m as the result of the revaluation of property, plant, and equipment in FY21.

Current liabilities primarily comprise trade and other payables and borrowings. Payables have increased from €2.1m in FY20 to €4.1m in FY21, mainly reflecting an increase in accrual values comprised of bond interest accruals, tax arrears, and construction works done by a contractor that have not yet been invoiced.

The presented ratios show a slight deteriorating trend. Gearing Ratios 1 and 3 have both increased because of the higher amount of net debt increase compared to the increase in total equity values year-on-year. Net debt over

[3] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

EBITDA has also increased due to an increase in debt. The current ratio also moved higher from 1.9x to 2.4x reflecting the more favourable proportion of current assets to current liabilities.

In FY22, the Group is projected to increase the value of its total assets to €34.3m from €32.6m in FY21. Non-current assets, namely property, plant, and equipment are projected to increase by €0.5m while the Group is expected to report €1.4m of investment tax credit during this year. As for current assets, cash is expected to grow by 2.4m mostly due to a projected positive EBITDA of €2.4m. Inventories are projected to grow by €0.8m, offset by a substantial reduction in receivables.

Shareholders' equity and retained earnings are projected to increase by the total amount of profit the Group will generate. Therefore, no dividend payments to shareholders are expected in FY22.

On the liabilities side, overall, they are expected to increase by €0.7m. More specifically, the Group is expected to increase both its long and short-term borrowings in FY22. The long-term borrowings are expected to increase by €1.3m while the short-term borrowings are projected to grow by €0.4m as the Group is planning to increase its exposure to bank loans in FY22. The increase in borrowing is expected to be partially offset by the lower payables figures in FY22. 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	2019A	2020A	2021A	2022F
	€'000s	€'000s	€'000s	€'000s
Cash flows from operations	(3,609)	(116)	(3,006)	2,490
Income tax paid	-	(10)	(37)	(117)
Interest paid	(192)	(262)	(554)	(687)
Net cash flows generated from/(used in) operating activities	**(3,801)**	**(388)**	**(3,597)**	**1,686**
Cash flows from investing activities				
Goodwill at acquisition	(11)	(11)	(10)	-
Acquisition of property, plant, and equipment	(1,678)	(2,591)	(2,169)	(1,000)
Net cash flows used in investing activities	**(1,689)**	**(2,602)**	**(2,179)**	**(1,000)**
Cash flows from financing activities				
Issue of share capital	1	200	-	-
Movement in bank loans	667	2,554	(2,042)	2,211
Debt securities issue	4,849	-	7,652	-
Redemption of Prospects bond		-	-	-
Bond issue costs		-	-	
Net cash flows generated from financing activities	**5,517**	**2,754**	**5,610**	**2,211**
Movement in cash and cash equivalents	**27**	**(236)**	**(166)**	**2,897**
Cash and cash equivalents at the start of the year	-	27	(209)	(376)
Cash and cash equivalents at end of the year	**27**	**(209)**	**(375)**	**2,521**

Ratio Analysis[4]	2019A	2020A	2021A	2022F
Cash Flow	€'000s	€'000s	€'000s	€'000s
Free Cash Flow (Net cash from operations + Interest - Capex)	(2,112)	2,214	(1,418)	2,686

The Group reported a negative €3m cash from operating activities in FY21, a significantly higher cash outflow than a year earlier when cash outflows amounted to €0.1m. The reason for the substantial difference stems from the much higher cash outflows from operating activities which in turn is mostly due to the higher working capital figures in FY21 than a year earlier. Higher interest payments in FY21 also increased the cash outflow figure compared to a year earlier. Thus, overall, cash outflow from operating activities after taxes and interest payments was negative €3.6m in FY21 (FY20: €-0.4m).

Cash flows from investing activities showed an outflow of €2.2m in FY21 (FY20: €2.6m). The main reason was the cash outflow relating to the acquisition of property, plant, and equipment, more specifically the acquisition of land for *circa* €2m and the acquisition of furniture and fittings for *circa* €0.5m. These costs are related to the ongoing construction projects of the Group.

Cash from financing activities understandably increased following the bond issuance, with €7.7m reflecting the refinancing of the previous Smartcare bond. Moreover, the Group reported bank loan movements of €2m. Overall, the Smartcare Group saw a €5.6m cash inflow from financing activities in FY21.

[4] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

In FY22, the Group expects a cash inflow from operations of €1.7m as positive revenue is projected for this year. Within investing activities, Smartcare expects to see a cash outflow related to property plant and equipment of circa €1m. From financing activities, the Group projects to see a €2.2m cash inflow as new borrowings are expected to be taken on in FY22. Overall, €2.9m positive cash movement is projected for FY22

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[5]

The Central Bank's Business Conditions Index indicates that annual growth in business activity remains above its long-term average, though normalising to lower levels from previous months.

Similarly, the European Commission survey shows that in April economic sentiment in Malta remained above its long-term average, though it stood below its year-ago level and its level a month earlier. The recent decrease was driven by weaker sentiment in the services sector, and to a lesser extent, among industrial firms and retailers. By contrast, it improved among consumers and in construction.

Additional survey information shows that a smaller share of respondents in the services and retail sectors, as well as consumers, expected prices to increase in the coming months. Prices were expected to increase in construction in contrast to expectations of lower prices a month earlier. At the same time, price expectations reached a record high in the industry.

In April, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased when compared with March. This decrease in uncertainty was largely driven by developments in the industry and to a smaller degree, in the construction and retail sectors.

In March, industrial production contracted again in annual terms, though at a slower rate when compared with February. The volume of retail trade rose at a faster pace. The unemployment rate was marginally lower than that recorded in February and well below last year's rate.

Commercial and residential permits increased in March relative to their year-ago levels. However, in April, the number of final deeds of sale and promise-of-sale agreements fell on a year-on-year basis.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 5.4% in April, up from 4.5% in the previous month. Inflation based on the Retail Price Index (RPI) rose to 5.7% in April, from 4.4% a month earlier.

Maltese residents' deposits expanded at an annual rate of 10.1% in March following an increase of 8.4% in the previous month, while annual growth in credit to Maltese residents stood at 7.7%, below the rate of 8.2% recorded a month earlier.

The Consolidated Fund deficit in March 2022 widened compared with a year earlier as expenditure increased at a faster pace than revenue.

3.2 Economic Outlook[6]

In the light of the pandemic situation, which has continued to develop during recent months, the Central Bank of Malta (the "CBM") expects Malta's Gross Domestic Product (GDP) to grow by 6.0% this year, by 5.3% in 2023 while by 3.8% in 2024. The level of GDP has been revised upwards when compared to the previous projections published in December 2021). In 2022, the level of GDP is now expected to exceed that prevailing before the pandemic by around 5.1%, up from 4.1% projected in December. [7]

In 2022, domestic demand is expected to be the main driver of growth, reflecting strong growth in private and government consumption. In addition, net exports are projected to also contribute strongly this year, as exports accelerate, while imports are projected to grow at a slower pace. The slowdown in imports in turn mirrors the expected drop in investment in 2022, following exceptional outlays in certain sectors in 2021. In the following years, domestic demand is envisaged to continue leading the expansion in economic activity, reflecting especially a foreseen strong contribution from private consumption. At the same time, the contribution of net exports is projected to remain positive, reflecting the gradual normalisation of tourism activity and continued growth in foreign demand generally.

[5] Central Bank of Malta – Economic Update 04/2022

[6] Central Bank of Malta – Outlook for the Maltese Economy 2022 – 2024 (2022:1)

[7] Previous projections expected Malta's GDP to contract by 6.6% in 2020, and subsequently to grow by 6.1% and 4.2% in 2021 and 2022, respectively.

Employment growth is set to accelerate to 2.6% in 2022 in view of the continued growth in economic activity. It is then set to slow down in the following two years. The unemployment rate is set to stand at 3.5% by 2022 before returning to 3.6% in 2023 and 2024. At the same time, labour market tightness is expected to gradually moderate as net migration flows pick up over the projection horizon. This is expected to alleviate wage pressures.

Annual inflation based on the Harmonised Index of Consumer Prices is set to rise to 2.7% in 2022, up from 0.7% in 2021, largely reflecting the impact of import price pressures on all subcomponents of inflation except energy. Import price pressures are then envisaged to ease somewhat and hence, inflation is set to decelerate to 1.8% by 2024.

The general government deficit is expected to narrow substantially over the remainder of the forecast horizon as COVID-19 measures unwind and macroeconomic conditions improve further. By 2024, it is forecast to narrow to 3.3% of GDP. On its part, the general government debt-to-GDP ratio is projected to stand at 60.9% of GDP in 2024.

On balance, risks to economic activity over the medium term are judged to be balanced, with some downside risks in the short-term, when the pandemic could further weaken tourism exports more than anticipated in the baseline. Moreover, a prolongation of supply bottlenecks could adversely affect manufacturing activity and domestic demand, with higher than projected inflation. On the other hand, a faster decline in the saving ratio could lead to faster than expected growth in economic activity over the medium term.

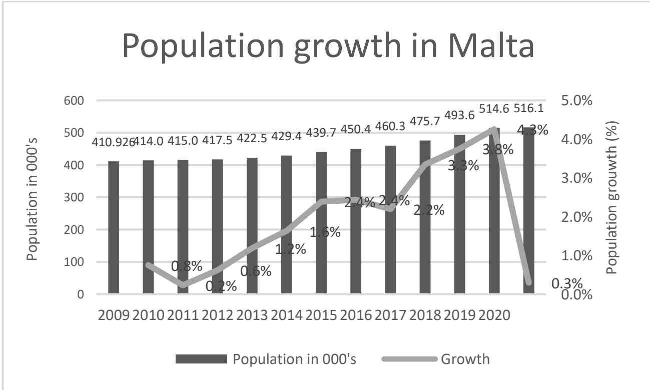
With regards to inflation, risks are on the upside during the entire projection horizon. In particular, if supply bottlenecks and disequilibria between demand and supply persist, more firms might be constrained to raise selling prices, which in turn could trigger higher wage demands.

Risks to public finances mainly affect 2022 and are deemed to be deficit-increasing. In particular, these risks relate to the likelihood of additional COVID-related support and the impact of Air Malta's restructuring on the likelihood of State aid to the airline.[8]

3.3 Care home industry[9]

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 516,100, up by only 0.3% when compared to 2019. However, 2020 was a unique year due to COVID-related restrictions and their repercussions on the movement of people. Compared to the same figures from last year, the growth was 4.3% YoY, a very rapid rate of growth in the population. 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 2019 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 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.

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[8] Outlook for the Maltese Economy 2021-2024: https://www.centralbankmalta.org/en/news/89/2022/11009

[9] National Statistics Office: World Population Day statistics

However, the demand for long-term care services has been growing due to the aging of the population and the intensification of labor-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.[10]

3.4 Hospitality and property development industries[11]

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 three years:

	2018	2019	2020	2021	Change '21/'19	Change '21/'20
Inbound tourists, '000s	2,599	2,753	660	969	-65%	47%
Tourist guest nights, '000s	18,570	19,339	5,227	8,390	-57%	60%
Average length of stay, nights	7.1	7	7.9	8.7	46%	-42%
Tourist expenditure, €mns	2,102	2,221	455	871	-61%	91%
Tourist expenditure per capita (€)	809	807	691	899	11%	30%

Unfortunately, the tourism sector, both internationally and locally, has been severely impacted by the outbreak of the COVID-19 pandemic. As countries introduced several confinement measures, and those people who could travel, opted to stay at home, the number of tourists dropped by 76% from 2019 to 2020 on a comparative basis.

2021 was still conditioned by the pandemic. Countries intermittently tightened and loosened restrictive measures as infection numbers fluctuated throughout the year. Consequently, tourism still had to face a lot of hurdles that could be witnessed in different statistics. Locally, almost 1 million people visited Malta in 2021 which is 47% more than in the first year of the pandemic however still lags far behind (by 65%) pre-pandemic levels.

Tourists also seemed to stay in Malta longer than in previous years and spend more. The average length of stay in 2021 was of 8.7 nights, compared to 7.9 nights in 2020 and 7 nights in 2019. The average tourist expenditure in 2021 was €899 which is 30% more than a year before but also 11% more than prior to the pandemic.

As globally it seems that the is now being sidelined, tourism figures are bouncing back. The latest available NSO data from March shows that there were more inbound tourists in 2022 than in 2020. It has also been projected that overall travel volumes are going to return to pre-pandemic levels by 2024. Nonetheless, given that the Group's Boutique Hotel has just recently opened, the pandemic will have a dampened effect on its operations in ad interim.

The construction sector in Malta

In its March monthly economic update[12], the Central Bank of Malta reported that the sentiment in the construction sector dropped during February. Confidence within the construction sector fell to 4.2 from 7.8 a month earlier but remained above its long-term average of -9.7. The weaker sentiment was driven by developments in participants' employment expectations, which turned negative in the month under review and offset an amelioration in order books.

On the other hand, the Malta Developers' Association (MDA)[13] issued a statement saying that property sales boomed during March 2022, making it a record month since statistics started being reported. Undoubtedly this is also a reflection of the prolonged easing measures taken by the local Government to keep a very important sector of the economy afloat.

[10] https://eurocarers.org/country-profiles/malta/
[11] Inbound Tourism December 2019 and March 2020 (NSO), and European Tourism – Trends & Prospects Q3/2020
[12] Central Bank of Malta – Economic Update 4/2022
[13] Malta Developers' Association – News: https://mda.com.mt/category/news/

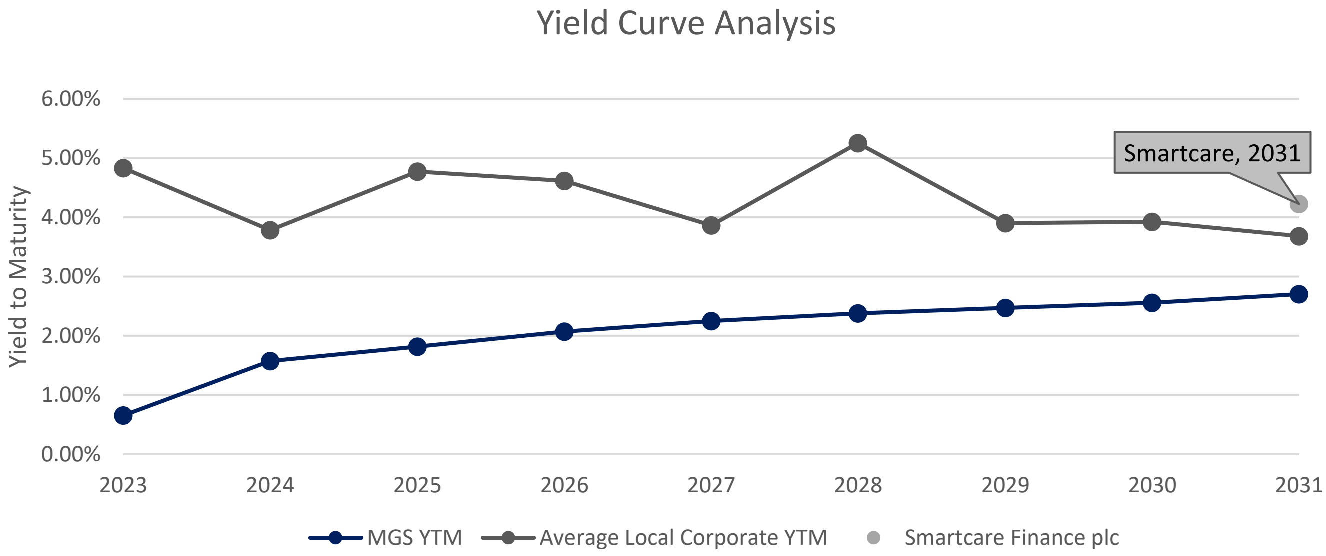
3.5 Comparative Analysis

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt & Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)	Last Closing Price *
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)	
5% Mediterranean Investments Holding plc Unsecured € 2022	40,000	32.75%	3.8x	310.9	188.7	39.3%	27.1%	3.7x	0.3x	7.1%	55.0%	-6.3%	98.50
6% Pendergardens Developments plc Secured € 2022 Series II	19,673	5.70%	(2.3)x	59.5	30.7	48.4%	35.5%	4.6x	0.7x	3.91%	10.19%	-9.54%	100.00
4.25% GAP Group plc Secured € 2023	8,350	4.24%	7.8x	112.2	21.6	80.8%	66.3%	3.5x	6.2x	48.3%	17.7%	110.7%	100.00
5.3% United Finance Plc Unsecured € 2023	8,500	5.28%	5.5x	18,484.8	7,801.6	57.8%	54.0%	3.5x	3.4x	30.1%	271.0%	5.0%	100.00
5.8% International Hotel Investments plc 2023	10,000	4.65%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%	101.50
6% AX Investments Plc € 2024	40,000	4.45%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%	102.49
4.4% Von der Heyden Group Finance plc Unsecured € 2024	25,000	3.54%	0.7x	133.5	40.9	69.4%	61.3%	59.9x	2.0x	-5.4%	-19.3%	-51.0%	101.40
6% International Hotel Investments plc € 2024	35,000	4.87%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%	102.00
5% Tumas Investments plc Unsecured € 2024	25,000	4.01%	4.9x	232.1	139.2	40.0%	19.7%	2.6x	4.4x	2.8%	11.6%	-1.4%	102.00
5% Hal Mann Vella Group plc Secured € 2024	30,000	3.70%	3.1x	123.8	48.5	60.8%	53.1%	9.0x	1.4x	2.5%	4.7%	7.7%	102.90
4.25% Best Deal Properties Holding plc Secured € 2024	9,183	4.03%	25.4x	24.6	6.9	71.9%	68.4%	3.9x	6.6x	50.2%	13.8%	83.2%	100.50
5.75% International Hotel Investments plc Unsecured € 2025	45,000	5.14%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%	101.60
4.5% Hili Properties plc Unsecured € 2025	37,000	4.00%	1.5x	208.7	110.9	46.9%	32.3%	10.6x	4.7x	3.7%	38.5%	6.5%	101.50
5.25% Central Business Centres plc Unsecured € 2025 S2T1 (xd)	3,000	4.94%	2.0x	58.2	23.6	59.4%	54.7%	21.3x	1.2x	15.5%	227.7%	19.1%	101.00
4% MIDI plc Secured € 2026	50,000	3.94%	0.9x	225.7	102.4	54.6%	38.6%	30.5x	2.8x	0.5%	5.9%	234.4%	100.23
4% International Hotel Investments plc Secured € 2026	55,000	3.98%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%	100.05
3.9% Plaza Centres plc Unsecured € 2026	5,680	3.90%	3.3x	38.6	26.8	30.5%	14.8%	2.8x	2.7x	1.9%	20.4%	-7.4%	100.00
4% International Hotel Investments plc Unsecured € 2026	60,000	4.12%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%	99.50
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.27%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%	99.90
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.75%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%	100.00
4.35% SD Finance plc Unsecured € 2027	65,000	4.23%	0.3x	328.5	131.5	60.0%	30.3%	43.7x	1.2x	-1.6%	-12.2%	-70.9%	100.50
4% Eden Finance plc Unsecured € 2027	40,000	3.88%	3.7x	193.5	109.3	43.5%	28.6%	5.9x	1.1x	0.9%	4.3%	86.6%	100.50
4.4% Central Business Centres plc Unsecured € 2027 S1/17 T1 (xd)	6,000	4.40%	2.0x	58.2	23.6	59.4%	54.7%	21.3x	1.2x	15.5%	227.7%	19.1%	100.01
3.75% Tumas Investments plc Unsecured € 2027	25,000	3.75%	4.9x	232.1	139.2	40.0%	19.7%	2.6x	4.4x	2.8%	11.6%	-1.4%	100.00
4% Stivala Group Finance plc Secured € 2027	45,000	3.58%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%	28.2%	102.00
3.85% Hili Finance Company plc Unsecured € 2028	40,000	3.85%	4.6x	727.7	154.6	78.7%	71.8%	4.7x	1.1x	25.9%	5.7%	22.0%	100.00
4% Exalco Finance plc Secured € 2028	15,000	3.99%	4.8x	70.0	44.3	36.7%	23.8%	3.6x	1.1x	5.7%	49.3%	3.9%	100.05
4% SP Finance plc € Secured 2029	12,000	3.66%	0.5x	40.0	16.0	60.0%	55.6%	48.8x	0.4x	-8.0%	-62.8%	71.5%	102.00
3.75% TUM Finance plc Secured € 2029 (xd)	20,000	3.75%	3.6x	67.9	37.4	44.9%	34.4%	7.3x	0.6x	4.0%	41.0%	10.1%	100.00
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.49%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%	28.2%	101.00
3.8% Hili Finance Company plc Unsecured € 2029	80,000	4.16%	4.6x	727.7	154.6	78.7%	71.8%	4.7x	1.1x	25.9%	5.7%	22.0%	97.81
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.52%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%	101.49
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.25%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%	100.01
4.65% Smartcare Finance plc Secured € 2031	13,000	4.23%	1.2x	32.6	13.1	59.8%	51.6%	20.9x	2.4x	-2.1%	-9.9%	8.8%	103.00
4.25% Central Business Centres plc Unsecured € 2033	21,000	2.89%	1.9x	34.8	20.2	41.8%	36.3%	10.1x	0.2x	19.9%	292.6%	15.3%	100.00
****Average**		**4.91%**											

Source: Latest available audited financial statements

** Last price as at 14/06/2022*

***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 15 June 2022, the average spread over the Malta Government Stocks (MGS) for corporates with a maturity range of 9-10 (2031-2032) years was 98 basis points. The 4.65% Smartcare Finance PLC Bonds 2031 are currently trading at a YTM of 423 basis points, meaning a spread of 152 basis points over the equivalent MGS. This means that this bond is trading at a premium of 54 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.

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