

Pharmacare Premium Limited  
Report & Financial Statements  
31 December 2023

Company registration number: C 45245

**Contents**

|  |           |
|--|-----------|
| <b>Directors' report</b>                 | <b>2</b>  |
| <b>Statement of comprehensive income</b> | <b>5</b>  |
| <b>Statement of financial position</b>   | <b>6</b>  |
| <b>Statement of changes in equity</b>    | <b>8</b>  |
| <b>Statement of cash flows</b>           | <b>9</b>  |
| <b>Notes to the financial statements</b> | <b>11</b> |
| <b>Independent auditor's report</b>      | <b>37</b> |

## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 December 2023.

### **Principal activities**

The principal activities of the Company, which have remained unchanged from the previous year, are that of manufacturing and commercialisation of pharmaceutical products, the carrying out of contract manufacturing services, as well as that of development of generic oncological pharmaceutical products and the licensing of same.

### **Review of business**

The company launched two internally developed products in several markets in Europe and the Middle East and North Africa region (MENA). It continued to increase its customer base through licensing agreements adding 12 new agreements during 2023 to a total of 93.

The company also continued to grow its contract manufacturing and development business and added five new contracts with existing as well as new partners, further consolidating strategic partnerships with key customers as a trusted supplier for oncology products. Products were exported to the European and international markets, including Germany, Italy, Poland, Czech Republic, Bulgaria, Slovakia, France, Netherlands, Spain, Turkey, Iraq, Libya, Ivory Coast, Portugal, Egypt, Algeria, Canada and Vietnam.

An additional product was successfully developed by the company during 2023 and submitted for registration, further growing the company's portfolio to nine products, of which five are internally developed. With the successful financing obtained through the issue of new bonds on the Malta Stock Exchange by the subsidiary, the company expanded its product development program significantly in 2023 initiating five new projects expected to be completed in 2025 and to be launched to markets from 2027 onwards.

The company has its own products registered in Europe (Malta, Portugal, Germany, Sweden, Latvia, Hungary, Greece, Cypress, Bulgaria), MENA (Egypt, Iraq, Libya, Palestine), Turkey, Canada and Vietnam with additional registration procedures in more than 15 other countries.

The Company has successfully obtained and maintained GMP (Goods Manufacturing Practices) approvals by the Maltese/EU authorities, Brazilian Authorities (ANVISA), Turkish, Iraqi and Egyptian Ministries of Health and is licensed to register and sell products in these markets and many others.

### **Results and dividends**

Although activity during the year under review increased, revenue remained stable at € 8,360,525 (2022: € 8,839,322). This was mainly due to the delay of two significant confirmed contracts amounting to € 2 million which the customer delayed to 2024. An additional € 1 million in revenue was lost due to cancelled orders as a direct result of the current geopolitical situation.

The company suffered a loss of € 3,883,703 (2022: profit of € 178,048). The loss was a result of price pressures on two of the company's main products, low utilisation due to lost orders which the company had expended capacity to meet and the effects of inflation over the past two years. Both pricing and cost adjustments have been initiated but are only expected to come into effect during 2024 and 2025 due to mandatory regulatory approvals and contract negotiations.

The growth trajectory of the company remains strongly positive with a total of 118 ongoing product registrations currently underway and spanning from Australia to Canada in addition to Europe and a strong presence in MENA. This will more than double the existing 93 product registration currently granted.

Being that the company has accumulated losses, no dividends were recommended or paid during the year.

### **International conflicts**

On 24 February 2022, Russia invaded Ukraine in a major escalation of the Russia-Ukrainian conflict that began years earlier. The invasion received widespread international condemnation, with reactions including new sanctions imposed on Russia, which triggered widespread economic effects on the Russian and World economies. The sanctions imposed, food crisis, and fuel and gas supply limitations resulted in high inflation across the European Union and brought a number of uncertainties towards the largest economies. Responding to this, the company has strengthened internal procedures on client's acceptance and continuance, as well as made proper arrangements with suppliers, service providers and other counterparties. The economic effect to the company of the continuing war operations is limited as supplies were not directly impacted. The situation continues to be monitored for further escalation and additional steps will be taken should this occur.

The repercussions of such conflicts may result in negative effects on the company's investments. As at the date of this report, the company is not negatively impacted by the ongoing conflict in Ukraine.

On 7 October 2023, the situation between Palestine and Israel escalated into a conflict which has resulted in a significant disruption of business in Palestinian territories. Being partially owned by Palestinian shareholders, and with material business interests in the Middle East, further escalation of the conflict could have a significant direct and indirect impact on the business of the company. As at the date of this report, the impact of the ongoing conflict is restricted and described in the Directors' report.

The Directors continue to actively monitor developments taking place internationally and to take any action that might be necessary both to mitigate the current impact and in the eventuality that developments in the conflict increase the impact on the company's performance and operations

### **Directors**

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

Mr. Bassim S.F. Khoury Nasr  
Mr. Amin Farah  
Ms. Sandra Issa Tawfiq Habesch  
Mr. Hani H. Sarraf  
Mr. (Mohammad Tahseen) Salim Said Sabbagh  
Mr. Paul Michael Wirtz  
Mr. Youssef Issa Tawfiq Habesch

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

### **Disclosure of information to the auditor**

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

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and

- Each director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

**Statement of directors' responsibilities**

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

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

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

**Auditor**

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



**Amin Farah**  
Director



**Hani H. Sarraf**  
Director

Registered address:  
HHF003, Hal Far Industrial Estate, Hal Far  
Birzebbuga  
BBG 3000  
Malta

29 April 2024

## Statement of comprehensive income

|  | Notes | 2023<br>€          | 2022<br>€        |
|--|-------|--------------------|------------------|
| <b>Revenues</b>  | 5     | 8,360,525          | 8,839,322        |
| Cost of sales  |       | (5,887,147)        | (4,438,585)      |
| <b>Gross profit</b>                                      |       | <b>2,473,378</b>   | <b>4,400,737</b> |
| Administrative expenses                                  |       | (4,114,035)        | (3,145,173)      |
| Selling and distribution costs                           |       | (789,249)          | (222,583)        |
| <b>Operating (loss) profit</b>                           |       | <b>(2,429,906)</b> | <b>1,032,981</b> |
| Share of profit (loss) from equity accounted investments |       | 9,759              | (46,643)         |
| Loss on write off of property, plant and equipment       |       | -                  | (46,102)         |
| Finance income   | 6     | 11,807             | 35,811           |
| Finance cost   | 6     | (1,423,347)        | (755,597)        |
| <b>(Loss) profit before tax</b>                          | 7     | <b>(3,831,687)</b> | <b>220,450</b>   |
| Tax expense  | 9     | (52,016)           | (42,402)         |
| <b>(Loss) profit for the year</b>                        |       | <b>(3,883,703)</b> | <b>178,048</b>   |
| <b>Total comprehensive (loss) income</b>                 |       | <b>(3,883,703)</b> | <b>178,048</b>   |

## Statement of financial position

|  | Notes | 2023<br>€         | 2022<br>€         |
|--|-------|-------------------|-------------------|
| <b>Assets</b>                                    |       |                   |                   |
| <b>Non-current</b>                               |       |                   |                   |
| Property, plant and equipment                    | 10    | 4,835,779         | 4,827,478         |
| Intangible assets                                | 11    | 7,488,259         | 7,487,168         |
| Right-of-use assets                              | 12    | 15,233,717        | 15,482,045        |
| Investment accounted for using the equity method | 13    | 174,704           | 164,945           |
|  |       | <b>27,732,459</b> | <b>27,961,636</b> |
| <b>Current</b>                                   |       |                   |                   |
| Inventories                                      | 14    | 2,859,018         | 2,079,642         |
| Loans receivable                                 | 15    | -                 | -                 |
| Trade and other receivables                      | 16    | 8,060,668         | 7,497,229         |
| Cash and cash equivalents                        | 17    | 4,481,488         | 317,585           |
|  |       | <b>15,401,174</b> | <b>9,894,456</b>  |
| <b>Total assets</b>                              |       | <b>43,133,633</b> | <b>37,856,092</b> |

## Statement of financial position - continued

|                                     | Notes | 2023<br>€         | 2022<br>€         |
|-------------------------------------|-------|-------------------|-------------------|
| <b>Equity</b>                       |       |                   |                   |
| Share capital                       | 18    | 17,628,715        | 17,628,715        |
| Share premium                       |       | 10,325,905        | 10,325,905        |
| Capital contribution                |       | -                 | -                 |
| Revaluation reserve                 |       | 9,622,081         | 9,766,212         |
| Accumulated losses                  |       | (24,488,447)      | (20,748,875)      |
| <b>Total equity</b>                 |       | <b>13,088,254</b> | <b>16,971,957</b> |
| <b>Liabilities</b>                  |       |                   |                   |
| <b>Non-current</b>                  |       |                   |                   |
| Borrowings                          | 19    | 20,157,649        | 10,452,018        |
| Lease liabilities                   | 12    | 1,228,631         | 1,218,445         |
| Trade and other payables            | 20    | 457,322           | 857,667           |
| Deferred tax liabilities            | 21    | 1,252,000         | 1,252,000         |
|                                     |       | <b>23,095,602</b> | <b>13,780,130</b> |
| <b>Current</b>                      |       |                   |                   |
| Borrowings                          | 19    | 2,566,328         | 2,682,186         |
| Lease liabilities                   | 12    | 93,441            | 93,441            |
| Trade and other payables            | 20    | 4,290,008         | 4,328,378         |
|                                     |       | <b>6,949,777</b>  | <b>7,104,005</b>  |
| <b>Total liabilities</b>            |       | <b>30,045,379</b> | <b>20,884,135</b> |
| <b>Total equity and liabilities</b> |       | <b>43,133,633</b> | <b>37,856,092</b> |

The financial statements on pages 5 to 36 were approved, authorised for issue and signed by the directors on 29 April 2024.

  
**Amin Farah**  
Director

  
**Hani H. Sarraf**  
Director



## Statement of changes in equity

|                            | Share<br>capital<br>€ | Share<br>premium<br>€ | Capital<br>contribution<br>€ | Accumulated<br>losses<br>€ | Revaluation<br>reserve<br>€ | Total<br>equity<br>€ |
|----------------------------|-----------------------|-----------------------|------------------------------|----------------------------|-----------------------------|----------------------|
| At 1 January 2022          | 16,628,340            | 8,945,380             | 2,380,900                    | (21,112,103)               | 9,951,392                   | 16,793,909           |
| Transactions with owners:  |                       |                       |                              |                            |                             |                      |
| Issuance of shares         | 1,000,375             | 1,380,525             | (2,380,900)                  | -                          | -                           | -                    |
|                            | <b>1,000,375</b>      | <b>1,380,525</b>      | <b>(2,380,900)</b>           | -                          | -                           | -                    |
| Profit for the year        | -                     | -                     | -                            | 178,048                    | -                           | 178,048              |
| Total comprehensive income | -                     | -                     | -                            | 178,048                    | -                           | 178,048              |
| Transfers between reserves | -                     | -                     | -                            | 185,180                    | (185,180)                   | -                    |
|                            | -                     | -                     | -                            | 185,180                    | (185,180)                   | -                    |
| <b>At 31 December 2022</b> | <b>17,628,715</b>     | <b>10,325,905</b>     | <b>-</b>                     | <b>(20,748,875)</b>        | <b>9,766,212</b>            | <b>16,971,957</b>    |
| At 1 January 2023          | 17,628,715            | 10,325,905            | -                            | (20,748,875)               | 9,766,212                   | 16,971,957           |
| Loss for the year          | -                     | -                     | -                            | (3,883,703)                | -                           | (3,883,703)          |
| Total comprehensive loss   | -                     | -                     | -                            | (3,883,703)                | -                           | (3,883,703)          |
| Transfers between reserves | -                     | -                     | -                            | 144,131                    | (144,131)                   | -                    |
|                            | -                     | -                     | -                            | 144,131                    | (144,131)                   | -                    |
| <b>At 31 December 2023</b> | <b>17,628,715</b>     | <b>10,325,905</b>     | <b>-</b>                     | <b>(24,488,447)</b>        | <b>9,622,081</b>            | <b>13,088,254</b>    |

## Statement of cash flows

|  | Notes  | 2023<br>€          | 2022<br>€          |
|--|--------|--------------------|--------------------|
| <b>Operating activities</b>                              |        |                    |                    |
| (Loss) profit before tax                                 |        | (3,831,687)        | 220,450            |
| Adjustments for:   |        |                    |                    |
| Depreciation   | 10     | 510,212            | 484,974            |
| Amortisation   | 11, 12 | 1,212,829          | 779,561            |
| Loss on write off of property, plant and equipment       |        | -                  | 46,102             |
| Loss on write off of intangible assets                   |        | 346,688            | -                  |
| Provision for impaired inventories                       |        | -                  | (39,281)           |
| Expected credit losses                                   |        | -                  | 55,561             |
| Share of profit (loss) from equity accounted investments |        | (9,759)            | 46,643             |
| Unrealised (gain) loss on foreign exchange               | 6      | (11,807)           | 42,246             |
| Finance costs  | 6      | 1,339,279          | 713,351            |
|  |        | <b>(444,245)</b>   | <b>2,349,607</b>   |
| Changes in working capital:                              |        |                    |                    |
| Inventories  |        | (779,376)          | 55,310             |
| Trade and other receivables                              |        | (551,632)          | (2,919,506)        |
| Trade and other payables                                 |        | (1,615,963)        | (301,915)          |
|  |        | <b>(2,946,971)</b> | <b>(3,166,111)</b> |
| Tax paid   |        | (52,016)           | (42,402)           |
| <b>Net cash used in operating activities</b>             |        | <b>(3,443,232)</b> | <b>(858,906)</b>   |

## Statement of cash flows - continued

|   | Notes | 2023<br>€          | 2022<br>€          |
|---|-------|--------------------|--------------------|
| Acquisition of property, plant and equipment        |       | (518,513)          | (447,405)          |
| Acquisition of intangible assets                    |       | (1,312,280)        | (1,676,980)        |
| Investments in subsidiary                           |       | -                  | (203,412)          |
| <b>Net cash used from investing activities</b>      |       | <b>(1,830,793)</b> | <b>(2,327,797)</b> |
| <b>Financing activities</b>                         |       |                    |                    |
| Movement in third party borrowings                  |       | (157,906)          | (1,660,975)        |
| Lease payments                                      |       | (93,208)           | (113,232)          |
| Movement in related parties balances                |       | 10,559,327         | 4,729,738          |
| Interest paid                                       |       | (58,637)           | (652,983)          |
| <b>Net cash generated from financing activities</b> |       | <b>10,249,576</b>  | <b>2,302,548</b>   |
| Net movement in cash and cash equivalents           |       | 4,975,551          | (884,155)          |
| Cash and cash equivalents, beginning of year        |       | (728,527)          | 155,628            |
| <b>Cash and cash equivalents, end of year</b>       | 17    | <b>4,247,024</b>   | <b>(728,527)</b>   |

## Notes to the financial statements

### 1 Nature of operations

The principal activity of the company is to manufacture all kinds of pharmaceutical, medicinal, surgical, and sanitary products, including medicinal and surgical instruments, laboratory equipment, related items and ancillary accessories.

### 2 Basis for preparation

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

Pharmacare Premium Limited (the 'company'), a private limited liability company, is incorporated and domiciled in Malta. The address of the company's registered office, which is also its principal place of business, is HHHF003, Hal Far Industrial Estate, Hal Far, Birzebbuga, BBG 3000, Malta.

The company qualifies to prepare consolidated financial statements in terms of Article 173 of the Act. However, consolidated financial statements will be prepared at the level of the ultimate parent company, namely Dar Al-Shifa' for Manufacturing of Pharmaceuticals Ltd., a company incorporated in Palestine.

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

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

#### 2.2 Basis of measurement

**Assets and liabilities are measured at historical cost, except for right-of-use assets which are stated at their fair values.**

### 3 New or revised standards or interpretations

#### 3.1 New standards adopted as at 1 January 2023

The accounting pronouncements listed below have become effective from 1 January 2023. Hence, they have been adopted but they do not have a significant impact on the company's financial results or position.

Accordingly, the company has made no changes to its accounting policies in 2023:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

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

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB and IFRIC. None of these standards or amendments to existing standards have been adopted early by the Company and no interpretations have been issued that are applicable and need to be taken into consideration by the Company.

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

## **4 Material accounting policies**

An entity should disclose its material accounting policies. Accounting policies are material and must be disclosed if they can be reasonably expected to influence the decisions of users of the financial statements.

Management has concluded that the disclosure of the entity's material accounting policies below and in the succeeding pages are appropriate.

### **4.1 Overall considerations**

The material accounting policies and measurement bases that have been used in the preparation of these financial statements are summarised below and in the succeeding pages.

The accounting policies have been consistently applied by the company and are consistent with those used in previous years.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described below and in the succeeding pages

The financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007).

### **4.2 Revenue**

Revenue is measured by reference to the fair value of consideration received or receivable by the company for services provided and goods sold, excluding value-added taxes (VAT) and trade discounts.

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

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

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

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

Revenue is derived from selling of its own products, manufacturing services to its customers, product development profit share, contract development, contract testing services, licensing fees and royalties received.

#### **4.3 Operating and administrative expenses**

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

#### **4.4 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported within 'finance cost'.

#### **4.5 Foreign currency translation**

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

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

#### **4.6 Leases**

The company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the company has the right to direct the use of the identified asset throughout the period of use. The company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

#### **Measurement and recognition of leases as a lessee**

At lease commencement date, the company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

At lease commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

The lease liability is reassessed when there is a change in the lease payments. The revised lease payments are discounted using the company's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero. Then, any excess is recognised in profit or loss.

The company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

The company has contracted a 65-year emphytheusis on the land, including any buildings thereon, during 2017. The right-of-use asset was recognized at cost, and subsequently at revalued amount. The lease liability was initially measured at the present value of future ground rent payments over the 65-year term of the lease, and subsequently measured at amortized cost, under lease obligations in the statement of financial position.

#### **4.7 Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use and capitalised borrowing costs. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of items of property, plant and equipment is recognised as an expense when incurred.

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in statement of comprehensive income in the period of derecognition.

No depreciation is provided on assets not yet brought into use.

Depreciation is charged so as to write off the cost of the fixed assets to their residual values over their expected useful lives on the following bases:

|                                |   |              |
|--------------------------------|---|--------------|
| Building improvements          | - | 65 years     |
| Equipment and Machinery        | - | 5 – 15 years |
| Laboratory Equipment           | - | 5 – 15 years |
| Furniture and Fixtures         | - | 10 years     |
| Computer Software and Hardware | - | 4 years      |

#### **4.8 Intangible assets**

##### *Externally Acquired Intangible Assets*

Externally acquired intangible rights, such as product and marketing rights, are recognized in the statement of financial position. Amortisations of market authorisations will commence when an authority has issued authorisation for marketing of the product and selling of it commences. The license agreements are measured at their historical cost less accumulated amortisation and impairment. Intangible assets are amortised on a straight-line basis over the expected economic lives of the licenses. The license agreements are being amortised over 10 years.

##### *Internally Generated Intangible Assets*

An internally generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial or other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition in the statement of financial position in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets are being amortised over 5-10 years. No amortisation is being provided for intangible assets which have still not been brought to use.

#### **4.9 Investment in subsidiary**

A subsidiary is an entity which is controlled by the company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in subsidiary is initially measured at cost. After initial recognition, an investment in subsidiary may be carried either under the cost method, that is at cost less any impairment losses or under the equity method. The company is measuring the investment in subsidiary company using the equity method.

Loans advanced by the company to its subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the company's net investment in that subsidiary and



included as part of the carrying amount of the investment in subsidiary.

#### **4.10 Impairment of non-financial assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, the company's management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the company's management.

Impairment losses are recognised immediately in the statement of comprehensive income. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

#### **4.11 Financial instruments**

##### **Recognition and derecognition**

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

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

##### **Classification and initial measurement of financial assets**

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

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within 'finance costs' or 'finance income'.

### **Subsequent measurement of financial assets**

#### *Financial assets at amortised cost*

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, loans and receivables fall into this category of financial instruments.

### **Impairment of financial assets**

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

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

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

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

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

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

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

### **Classification and measurement of financial liabilities**

The company's financial liabilities include borrowings, finance lease obligations and trade and other payables.

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

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

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

#### **4.12 Income taxes**

Tax expense recognised in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognised directly in equity.

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

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

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

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. This is assessed based on the company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax assets and liabilities are offset only when the company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

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

#### **4.13 Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is ascertained on the first in first out basis. In the case of work in progress and finished goods, cost comprises direct materials and direct labour together with an addition for factory overheads appropriate to the stages of production reached.

#### **4.14 Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents comprise cash and bank balances and bank overdraft and bank balance overdrawn. In the statement of financial position, bank overdraft and bank balance overdrawn are included within current liabilities.

#### **4.15 Equity**

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

Share premium includes any premium received on the issue of share capital.

Accumulated losses include all current and prior period results. Dividends to ordinary shareholders are debited in equity and are recognised as liabilities in the period in which they are declared.

Revaluation reserve includes the increase in fair value of the right-of-use assets.

#### **4.16 Provisions and contingent liabilities**

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

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

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

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

#### **4.17 Significant management judgement in applying accounting policies and estimation uncertainty**

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

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

##### **Significant management judgement**

There are no significant management judgements in applying the accounting policies of the company that could have a significant effect on the financial statements.

##### **Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

##### *Impairment of non-financial assets*

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 4.10).

*Useful lives and residual values of depreciable assets*

Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets.

*Fair value of right-of-use assets*

The fair value of the company's right-of-use assets are estimated based on appraisal performed by an independent architect. The significant inputs and assumptions are developed in close consultation with management and in line with similar properties in similar location. The valuation process and fair value changes are reviewed by the directors at each reporting date. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

*Leases - Estimating the incremental borrowing rate*

The company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating).

## 5 Revenue

|                                  | 2023             | 2022             |
|----------------------------------|------------------|------------------|
|                                  | €                | €                |
| Manufacturing services           | 5,981,890        | 6,313,932        |
| Product development profit share | 194,278          | 214,850          |
| Contract development             | 264,470          | 311,875          |
| Contract testing services        | 350,785          | 305,041          |
| Licensing fees                   | 552,383          | 1,433,060        |
| Royalties                        | 850,000          | -                |
| Other services                   | 166,719          | 260,564          |
|                                  | <b>8,360,525</b> | <b>8,839,322</b> |

## 6 Finance income and finance costs

The following amounts have been included in the statement of comprehensive income for the reporting periods presented:

|                                | 2023               | 2022             |
|--------------------------------|--------------------|------------------|
|                                | €                  | €                |
| Unrealised gain on exchange    | 11,807             | -                |
| Realised gain on exchange      | -                  | 35,811           |
| <b>Total finance income</b>    | <b>11,807</b>      | <b>35,811</b>    |
| Interest expense on borrowings | (1,235,885)        | (549,771)        |
| Interest expense on leases     | (103,394)          | (102,614)        |
| Unrealised loss on exchange    | -                  | (42,246)         |
| Realised loss on exchange      | (84,068)           | -                |
| Other interest expense         | -                  | (60,966)         |
| <b>Total finance costs</b>     | <b>(1,423,347)</b> | <b>(755,597)</b> |

**7 (Loss) profit before tax**

(Loss) profit before tax is stated after charging (crediting):

|   | <b>2023</b>      | <b>2022</b>      |
|---|------------------|------------------|
|   | €                | €                |
| Auditor's remuneration                        | 12,000           | 14,900           |
| Directors' remuneration                       | 205,721          | 205,863          |
| Directors' consultancy services               | 240,000          | 240,000          |
| Depreciation on property, plant and equipment | 510,212          | 484,974          |
| Amortisation on intangible assets             | 964,501          | 500,353          |
| Amortisation on right-of-use assets           | 248,328          | 279,208          |
| Expected credit losses                        | -                | 55,561           |
| Provision for impaired inventories            | -                | (39,281)         |
|   | <b>3,331,202</b> | <b>2,921,109</b> |

**8 Staff costs**

|                    | <b>2023</b>      | <b>2022</b>      |
|--------------------|------------------|------------------|
|                    | €                | €                |
| Wages and salaries | 3,096,000        | 2,719,756        |
| Social securities  | 235,202          | 201,353          |
|                    | <b>3,331,202</b> | <b>2,921,109</b> |

The average number of persons employed by the company during the year is 103 (2022:91).

The salaries by segment were as follows:

|   | <b>2023</b>      | <b>2022</b>      |
|---|------------------|------------------|
|   | €                | €                |
| Directors' remuneration (excluding capitalised costs) | 139,653          | 139,824          |
| Administrative and managerial                         | 459,931          | 297,117          |
| Operational   | 145,396          | 123,731          |
| Production  | 1,664,362        | 1,225,964        |
| Salaries capitalised                                  | 921,860          | 1,134,473        |
|   | <b>3,331,202</b> | <b>2,921,109</b> |

The average no. of employees by segment was as follows:

|   | <b>2023</b> | <b>2022</b> |
|---|-------------|-------------|
|   | €           | €           |
| Administrative and managerial                 | 14          | 14          |
| Operational                                   | 2           | 2           |
| Production                                    | 28          | 28          |
| Product development and intellectual property | 59          | 47          |
|   | <b>103</b>  | <b>91</b>   |

**9 Tax expense**

|  | <b>2023</b>      | <b>2022</b>     |
|--|------------------|-----------------|
|  | €                | €               |
| (Loss) profit before tax                         | (3,831,687)      | 220,450         |
| Tax rate   | 35%              | 35%             |
| <b>Expected tax income (expense)</b>             | <b>1,341,090</b> | <b>(77,158)</b> |
| Adjustment for depreciation on ineligible assets | -                | 31,522          |
| Adjustment for non-deductible expense            | (1,389)          | (75,051)        |
| Tax losses and capital allowances                | (1,339,701)      | 120,687         |
| Foreign withholding tax paid                     | (52,016)         | (42,402)        |
| <b>Actual tax expense</b>                        | <b>(52,016)</b>  | <b>(42,402)</b> |
| <b>Comprising:</b>                               |                  |                 |
| Current tax                                      | (52,016)         | (42,402)        |
|  | <b>(52,016)</b>  | <b>(42,402)</b> |

**10 Property, plant and equipment**

|                            | Equipment<br>and<br>machinery<br>€ | Furniture and<br>fixtures<br>€ | Office and<br>computer<br>equipment<br>€ | Total<br>€        |
|----------------------------|------------------------------------|--------------------------------|--|-------------------|
| <b>Cost</b>                |                                    |                                |  |                   |
| At January 2022            | 9,929,540                          | 199,011                        | 359,832                                  | 10,488,383        |
| Additions                  | 332,831                            | 40,332                         | 27,018                                   | 400,181           |
| Disposals                  | (64,030)                           | -                              | -  | (64,030)          |
| <b>At 31 December 2022</b> | <b>10,198,341</b>                  | <b>239,343</b>                 | <b>386,850</b>                           | <b>10,824,534</b> |
| At January 2023            | 10,198,341                         | 239,343                        | 386,850                                  | 10,824,534        |
| Additions                  | 427,681                            | 9,337                          | 81,495                                   | 518,513           |
| <b>At 31 December 2023</b> | <b>10,626,022</b>                  | <b>248,680</b>                 | <b>468,345</b>                           | <b>11,343,047</b> |
| <b>Depreciation</b>        |                                    |                                |  |                   |
| At 1 January 2022          | 5,033,856                          | 153,886                        | 342,269                                  | 5,530,011         |
| Charge for the year        | 453,109                            | 16,920                         | 14,945                                   | 484,974           |
| Disposals                  | (17,929)                           | -                              | -  | (17,929)          |
| <b>At 31 December 2022</b> | <b>5,469,036</b>                   | <b>170,806</b>                 | <b>357,214</b>                           | <b>5,997,056</b>  |
| At 1 January 2023          | 5,469,036                          | 170,806                        | 357,214                                  | 5,997,056         |
| Charge for the year        | 473,427                            | 12,314                         | 24,471                                   | 510,212           |
| <b>At 31 December 2023</b> | <b>5,942,463</b>                   | <b>183,120</b>                 | <b>381,685</b>                           | <b>6,507,268</b>  |
| <b>Carrying amount</b>     |                                    |                                |  |                   |
| <b>At 31 December 2022</b> | <b>4,729,305</b>                   | <b>68,537</b>                  | <b>29,636</b>                            | <b>4,827,478</b>  |
| <b>At 31 December 2023</b> | <b>4,683,559</b>                   | <b>65,560</b>                  | <b>86,660</b>                            | <b>4,835,779</b>  |

Fully depreciated assets on which depreciation was not provided amounted to € 4,966,266 for 2023 and 2022.



## 11 Intangible assets

|                            | Developed products | Intellectual property | Licenses         | Products under development | Total             |
|----------------------------|--------------------|-----------------------|------------------|----------------------------|-------------------|
|                            | €                  | €                     | €                | €                          | €                 |
| <b>Cost</b>                |                    |                       |                  |                            |                   |
| At January 2022            | -                  | 2,688,335             | 807,147          | 4,385,467                  | 7,880,949         |
| Additions                  | -                  | 631,332               | 168,962          | 876,686                    | 1,676,980         |
| Reclassifications          | 703,462            | -                     | -                | (703,462)                  | -                 |
| <b>At 31 December 2022</b> | <b>703,462</b>     | <b>3,319,667</b>      | <b>976,109</b>   | <b>4,558,691</b>           | <b>9,557,929</b>  |
| At January 2023            | 703,462            | 3,319,667             | 976,109          | 4,558,691                  | 9,557,929         |
| Additions                  | -                  | 835,614               | 103,636          | 373,030                    | 1,312,280         |
| Write off                  | -                  | -                     | -                | (346,688)                  | (346,688)         |
| Reclassifications          | 3,108,913          | -                     | -                | (3,108,913)                | -                 |
| <b>At 31 December 2023</b> | <b>3,812,375</b>   | <b>4,155,281</b>      | <b>1,079,745</b> | <b>1,476,120</b>           | <b>10,523,521</b> |
| At 1 January 2022          | -                  | 1,159,462             | 410,946          | -                          | 1,570,408         |
| Charge for the year        | 70,344             | 331,959               | 98,050           | -                          | 500,353           |
| <b>At 31 December 2022</b> | <b>70,344</b>      | <b>1,491,421</b>      | <b>508,996</b>   | <b>-</b>                   | <b>2,070,761</b>  |
| At 1 January 2023          | 70,344             | 1,491,421             | 508,996          | -                          | 2,070,761         |
| Charge for the year        | 483,708            | 382,083               | 98,710           | -                          | 964,501           |
| <b>At 31 December 2023</b> | <b>554,052</b>     | <b>1,873,504</b>      | <b>607,706</b>   | <b>-</b>                   | <b>3,035,262</b>  |
| <b>Carrying amount</b>     |                    |                       |                  |                            |                   |
| <b>At 31 December 2022</b> | <b>633,118</b>     | <b>1,828,246</b>      | <b>467,113</b>   | <b>4,558,691</b>           | <b>7,487,168</b>  |
| <b>At 31 December 2023</b> | <b>3,258,323</b>   | <b>2,281,777</b>      | <b>472,039</b>   | <b>1,476,120</b>           | <b>7,488,259</b>  |

## 12 Leases

Lease liabilities for the company are presented in the statement of financial position as follows:

|                     | 2023             | 2022             |
|---------------------|------------------|------------------|
|                     | €                | €                |
| <b>Current:</b>     |                  |                  |
| Lease liabilities   | 93,441           | 93,441           |
| <b>Non-current:</b> |                  |                  |
| Lease liabilities   | 1,228,631        | 1,218,445        |
|                     | <b>1,322,072</b> | <b>1,311,886</b> |

During 2017, the company renegotiated its tenure for the premises occupied by it from a rental agreement to a 65-year emphyteutical lease for the land and building at Hal Far, Malta. The finance lease liabilities are payable as follows:

|                           | Not later<br>than one<br>year | Later than<br>one year but<br>not later than<br>five years | Later than<br>five years | Total            |
|---------------------------|-------------------------------|--|--------------------------|------------------|
|                           | €                             | €  | €                        | €                |
| <b>31 December 2023</b>   |                               |  |                          |                  |
| Lease payments            | 93,441                        | 380,770  | 6,822,154                | 7,296,365        |
| Finance charges           | (104,004)                     | (425,109)  | (5,445,180)              | (5,974,293)      |
| <b>Net present values</b> | <b>(10,563)</b>               | <b>(44,339)</b>  | <b>1,376,974</b>         | <b>1,322,072</b> |
| <b>31 December 2022</b>   |                               |  |                          |                  |
| Lease payments            | 93,440                        | 376,098  | 6,920,035                | 7,389,573        |
| Finance charges           | (103,394)                     | (422,416)  | (5,551,877)              | (6,077,687)      |
| <b>Net present values</b> | <b>(9,954)</b>                | <b>(46,318)</b>  | <b>1,368,158</b>         | <b>1,311,886</b> |

Additional information on the right-of-use assets by class of assets is as follows:

|                            | Leasehold<br>land and<br>buildings | Improvements<br>to leasehold<br>land and<br>buildings | Total             |
|----------------------------|------------------------------------|---|-------------------|
|                            | €                                  | €   | €                 |
| <b>Cost</b>                |                                    |   |                   |
| At January 2022            | 13,179,207                         | 4,312,392   | 17,491,599        |
| Additions                  | -                                  | 111,254   | 111,254           |
| <b>At 31 December 2022</b> | <b>13,179,207</b>                  | <b>4,423,646</b>                                      | <b>17,602,853</b> |
| At January 2023            | 13,179,207                         | 4,423,646   | 17,602,853        |
| <b>At 31 December 2023</b> | <b>13,179,207</b>                  | <b>4,423,646</b>                                      | <b>17,602,853</b> |
| <b>Amortisation</b>        |                                    |   |                   |
| At 1 January 2022          | 812,076                            | 1,029,524   | 1,841,600         |
| Charge for the year        | 204,943                            | 74,265  | 279,208           |
| <b>At 31 December 2022</b> | <b>1,017,019</b>                   | <b>1,103,789</b>                                      | <b>2,120,808</b>  |
| At 1 January 2023          | 1,017,019                          | 1,103,789   | 2,120,808         |
| Charge for the year        | 192,362                            | 55,966  | 248,328           |
| <b>At 31 December 2023</b> | <b>1,209,381</b>                   | <b>1,159,755</b>                                      | <b>2,369,136</b>  |
| <b>Carrying amount</b>     |                                    |   |                   |
| <b>At 31 December 2022</b> | <b>12,162,188</b>                  | <b>3,319,857</b>                                      | <b>15,482,045</b> |
| <b>At 31 December 2023</b> | <b>11,969,826</b>                  | <b>3,263,891</b>                                      | <b>15,233,717</b> |

The company's right-of-use assets comprising of land and buildings are stated at their revalued amount, this being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Had land and buildings been stated using the historical cost basis, the amounts would be as follows:

|                            | <b>Leasehold<br/>land and<br/>buildings at<br/>cost<br/>€</b> |
|----------------------------|---|
| <b>Cost</b>                |   |
| At January 2022            | 1,250,920   |
| <b>At 31 December 2022</b> | <b>1,250,920</b>  |
| At January 2023            | 1,250,920   |
| <b>At 31 December 2023</b> | <b>1,250,920</b>  |
| At 1 January 2022          | 86,602  |
| Charge for the year        | 19,245  |
| <b>At 31 December 2022</b> | <b>105,847</b>  |
| At 1 January 2023          | 105,847   |
| Charge for the year        | 19,245  |
| <b>At 31 December 2023</b> | <b>125,092</b>  |
| <b>Carrying amount</b>     |   |
| <b>At 31 December 2022</b> | <b>1,145,073</b>  |
| <b>At 31 December 2023</b> | <b>1,125,828</b>  |

In relation to Bank Loan III as disclosed in note 19, the bank has security held on this factory amounting to € 227,206 in 2023 (2022: € 348,433).

### 13 Investment in subsidiary

|   | 2023<br>€      | 2022<br>€      |
|---|----------------|----------------|
| <b>Equity method investments:</b>                       |                |                |
| Investment in subsidiary at cost                        | 250,000        | 250,000        |
| Net equity movement of investment in subsidiary company | (75,296)       | (85,055)       |
|   | <b>174,704</b> | <b>164,945</b> |

| Name of subsidiary     | Place of incorporation | Proportion ownership interest |           | Holding | Portion voting power held |           | Principal activities    |
|------------------------|------------------------|-------------------------------|-----------|---------|---------------------------|-----------|-------------------------|
|                        |                        | 2023<br>%                     | 2022<br>% |         | 2023<br>%                 | 2022<br>% |                         |
| Pharmacare Finance plc | Malta                  | 100                           | 100       | Direct  | 100                       | 100       | Group financing company |

**14 Inventories**

|                                      | <b>2023</b>             | <b>2022</b>             |
|--------------------------------------|-------------------------|-------------------------|
|                                      | €                       | €                       |
| Raw materials and consumable stock   | 2,113,146               | 1,886,048               |
| Work in progress                     | 722,989                 | 195,399                 |
| Finished goods                       | 22,883                  | 26                      |
|                                      | <u>2,859,018</u>        | <u>2,081,473</u>        |
| Provision for inventory obsolescence | -                       | (1,831)                 |
|                                      | <u><b>2,859,018</b></u> | <u><b>2,079,642</b></u> |

**15 Loans receivable**

|                                      | <b>2023</b> | <b>2022</b> |
|--------------------------------------|-------------|-------------|
|                                      | €           | €           |
| Loans receivables                    | -           | 85,955      |
| Allowance for expected credit losses | -           | (85,955)    |
|                                      | <u>-</u>    | <u>-</u>    |

**16 Trade and other receivables**

|   | <b>2023</b>             | <b>2022</b>             |
|---|-------------------------|-------------------------|
|   | €                       | €                       |
| Trade receivables                         | 2,881,119               | 1,923,441               |
| Allowance for expected credit losses      | (55,561)                | (55,561)                |
|   | <u>2,825,558</u>        | <u>1,867,880</u>        |
| Amounts due from related parties          | 757,867                 | 614,308                 |
| Accrued income                            | 3,373,046               | 4,119,435               |
| Amounts due from subsidiary               | -                       | 4,137                   |
| Amounts due from shareholders             | 19,073                  | 12,557                  |
| Other receivables                         | 63,733                  | 43,920                  |
| <b>Financial assets at amortised cost</b> | <u><b>7,039,277</b></u> | <u><b>6,662,237</b></u> |
| Advance payments to suppliers             | 129,753                 | 198,250                 |
| Deferred expenses                         | 143,020                 | 114,408                 |
| Prepayments                               | 140,188                 | 53,137                  |
| VAT receivable                            | 608,430                 | 469,197                 |
| <b>Total trade and other receivables</b>  | <u><b>8,060,668</b></u> | <u><b>7,497,229</b></u> |

The carrying value of trade and other receivables is considered a reasonable approximation of fair value. The amounts due from the subsidiary company, shareholders and other related parties are unsecured, interest free and repayable on demand.

An assessment of the company's receivables for expected credit losses at the end of the current and previous reporting periods has been made in note 24.1.

**17 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position and statement of cash flows include the following components:

|   | 2023             | 2022             |
|---|------------------|------------------|
|   | €                | €                |
| Cash in bank  | 4,481,215        | 316,911          |
| Cash on hand  | 273              | 674              |
| <b>Cash and cash equivalents in the statement of financial position</b> | <b>4,481,488</b> | <b>317,585</b>   |
| Bank overdraft  | (228,981)        | (1,039,652)      |
| Bank balance overdrawn  | (5,483)          | (6,460)          |
| <b>Cash and cash equivalents in the statement of cash flows</b>         | <b>4,247,024</b> | <b>(728,527)</b> |

As at the current year-end, the company's cash at bank was restricted due to the borrowings that were undertaken. The amount of restriction is € 1,125,543 (2022: € 8,000). Furthermore, the company has been served with a garnishee order amounting to € 308,019 for 2023 and 2022 as disclosed in note 23.

**18 Share capital**

|  | 2023              | 2022              |
|--|-------------------|-------------------|
|  | €                 | €                 |
| <b>Shares authorised at 31 December</b>  |                   |                   |
| 11,300,000 A Ordinary Shares of € 1 each | 11,300,000        | 11,300,000        |
| 1,630,000 B Ordinary Shares of € 1 each  | 1,630,000         | 1,630,000         |
| 2,107,613 C Ordinary Shares of € 1 each  | 2,107,613         | 2,107,613         |
| 1,045,140 D Ordinary Shares of € 1 each  | 1,045,140         | 1,045,140         |
| 3,330,000 E Ordinary Shares of € 1 each  | 3,330,000         | 3,330,000         |
| 4,087,247 F Ordinary Shares of € 1 each  | 4,087,247         | 4,087,247         |
| 500,000 G Ordinary Shares of € 1 each    | 500,000           | 500,000           |
|  | <b>24,000,000</b> | <b>24,000,000</b> |
|  |                   |                   |
|  | 2023              | 2022              |
|  | €                 | €                 |
| <b>Issued and 100% paid up</b>           |                   |                   |
| 10,750,000 A Ordinary Shares of € 1 each | 10,750,000        | 10,750,000        |
| 1,203,352 B Ordinary Shares of € 1 each  | 1,203,352         | 1,203,352         |
| 2,058,860 C Ordinary Shares of € 1 each  | 2,058,860         | 2,058,860         |
| 1,045,140 D Ordinary Shares of € 1 each  | 1,045,140         | 1,045,140         |
| 1,571,363 E Ordinary Shares of € 1 each  | 1,571,363         | 1,571,363         |
| 4,087,247 F Ordinary Shares of € 1 each  | 500,000           | 500,000           |
| 500,000 G Ordinary Shares of € 1 each    | 500,000           | 500,000           |
|  | <b>17,628,715</b> | <b>17,628,715</b> |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

**19 Borrowings**

|                            | <b>2023</b>       | <b>2022</b>       |
|----------------------------|-------------------|-------------------|
|                            | €                 | €                 |
| Bank overdraft             | 228,981           | 1,039,652         |
| Bank credit card           | 5,483             | 6,460             |
| Shareholders' loan         | 414,946           | 409,375           |
| Loans from ultimate parent | 2,471,563         | 3,647,887         |
| Loans from third party     | 1,885,666         | 1,915,665         |
| Bank borrowings            | 908,248           | 1,036,155         |
| Loans from subsidiary      | 16,809,090        | 5,079,010         |
|                            | <b>22,723,977</b> | <b>13,134,204</b> |

The company's borrowings are payable as follows:

|                         | Not later<br>than one<br>year | Later than<br>one year but<br>not later than<br>five years | Later than<br>five years | Total             |
|-------------------------|-------------------------------|--|--------------------------|-------------------|
|                         | €                             | €  | €                        | €                 |
| <b>31 December 2023</b> |                               |  |                          |                   |
| Bank overdraft          | 228,981                       | -  | -                        | 228,981           |
| Bank credit card        | 5,483                         | -  | -                        | 5,483             |
| Shareholders' loan      | 48,902                        | -  | 2,837,607                | 2,886,509         |
| Loans from third party  | 1,628,998                     | 256,668  | -                        | 1,885,666         |
| Bank borrowings         | 653,964                       | 254,284  | -                        | 908,248           |
| Loans from subsidiary   | -                             | -  | 16,809,090               | 16,809,090        |
|                         | <b>2,566,328</b>              | <b>510,952</b>   | <b>19,646,697</b>        | <b>22,723,977</b> |
| <b>31 December 2022</b> |                               |  |                          |                   |
| Bank overdraft          | 1,039,652                     | -  | -                        | 1,039,652         |
| Bank credit card        | 6,460                         | -  | -                        | 6,460             |
| Shareholders' loan      | 49,902                        | -  | 4,007,360                | 4,057,262         |
| Loans from third party  | 1,116,000                     | 799,665  | -                        | 1,915,665         |
| Bank borrowings         | 470,172                       | 565,983  | -                        | 1,036,155         |
| Loans from subsidiary   | -                             | -  | 5,079,010                | 5,079,010         |
|                         | <b>2,682,186</b>              | <b>1,365,648</b>   | <b>9,086,370</b>         | <b>13,134,204</b> |

There are two facilities from the shareholder. The first facility is unsecured, interest-free and repayable on demand. The second facility is subject to interest rate of 1.8%, unsecured and with no fixed repayment date.

The loans from ultimate parent company are unsecured, interest-free and have no fixed date of repayment.

The third-party loan is secured by various hypothecs, guarantees and pledges. The loan bears interest at 1.5% per annum above the prevailing ECB base rate. During 2020, the loan was repayable in 6-monthly instalments of € 256,667 following a 24-month moratorium period from 26 May 2017. In 2020, in view of the COVID-19 pandemic, the Company was granted a further moratorium, and thus only interest was paid on this loan during 2020. During 2021, the repayments were changed to € 93,000 per month, however this change is not substantiated by a formal amendment.

The subsidiary company loan is unsecured, bears interest at 6.8% p.a. and is repayable on 3 February 2033 in one single payment.

The bank loans and overdraft are secured by various hypothecs, guarantees and pledges.

The company has four bank loans which are all repayable within 7 years from the drawdown date during 2018. These loans are subject to the following interest and repayment programmes:

- General banking facility – subject to interest at 5.65% per annum and repayable on demand
- Bank Loan I – subject to interest at 4.95% per annum and repayable in monthly instalments of € 10,672.
- Bank Loan II – subject to interest at 4.95% per annum and repayable in monthly instalments of € 11,328.
- Bank Loan III – subject to interest at 5.40% per annum and repayable in monthly instalments of € 17,181.

## **20 Trade and other payables**

|  | <b>2023</b>      | <b>2022</b>      |
|--|------------------|------------------|
|  | €                | €                |
| Trade creditors                                | 1,223,429        | 1,326,694        |
| Amounts due to related parties                 | 2,207,295        | 1,056,969        |
| Accruals                                       | 317,798          | 491,915          |
| <b>Financial liabilities at amortised cost</b> | <b>3,748,522</b> | <b>2,875,578</b> |
| Deposits                                       | 4,205            | 65,693           |
| Deferred income                                | -                | 356,600          |
| Social taxes                                   | 994,603          | 1,888,174        |
| <b>Total trade and other payables</b>          | <b>4,747,330</b> | <b>5,186,045</b> |
| <b>Comprising:</b>                             |                  |                  |
| <b>Long-term payables</b>                      |                  |                  |
| Social taxes                                   | <b>457,322</b>   | <b>857,667</b>   |
| <b>Trade and other payables - current</b>      | <b>4,290,008</b> | <b>4,328,378</b> |

The carrying values of short-term financial liabilities measured at amortised cost are considered a reasonable approximation of fair value. The fair value of long-term financial liabilities measured at amortised cost is not materially different from their carrying amounts.

The social taxes payable is subject to repayment agreements as follows:

- Agreement I – repayable in 48 monthly instalments of € 6,732 from 20 June 2017;
- Agreement II – repayable in 60 monthly instalments of € 6,526 from 21 January 2019;
- Agreement III – repayable in 60 monthly instalments of € 7,913 from 21 May 2019;
- Agreement IV – repayable in 48 monthly instalments of € 10,908 from 21 May 2022;
- Agreement V – repayable in 60 monthly instalments of € 9,600 from 21 May 2022;
- Agreement VI – repayable in 60 monthly instalments of € 8,390 from 20 August 2022

The agreements in place cover all the overdue amounts. Any amounts not covered by agreements are not due for payment at the end of the year.

## 21 Deferred tax liabilities

Deferred taxes arising from temporary difference can be summarised as follows:

|                     | 1 January<br>2023 | Recognised in<br>other<br>comprehensive<br>income | 31 December<br>2023 |
|---------------------|-------------------|---|---------------------|
|                     | €                 | €   | €                   |
| Right-of-use assets | 1,252,000         | -   | 1,252,000           |
|                     | <b>1,252,000</b>  | <b>-</b>  | <b>1,252,000</b>    |

|                     | 1 January<br>2022 | Recognised in<br>other<br>comprehensive<br>income | 31 December<br>2022 |
|---------------------|-------------------|---|---------------------|
|                     | €                 | €   | €                   |
| Right-of-use assets | 1,252,000         | -   | 1,252,000           |
|                     | <b>1,252,000</b>  | <b>-</b>  | <b>1,252,000</b>    |

The company has unabsorbed trading losses and capital allowances carried forward which are available for set-off against future taxable profits. The deferred tax benefits arising from these unabsorbed trading losses and capital allowances have not been recognized in these financial statements because the probability that future taxable profits will be available for set-off in the near future against the deferred tax asset is not assured.

## 22 Related party transactions

The company is a subsidiary of Pharmacare Europe Limited (the “Immediate Parent Company”), whose registered offices are at HHF 003, Hal Far Industrial Estate, Hal Far, Birzebbuga BBG3000, Malta.

Pharmacare Europe Limited is a subsidiary of Dar Al-Shifa’ for Manufacturing of Pharmaceuticals Ltd (the “Ultimate Parent Company”), a company incorporated in Palestine.

The ultimate parent company prepares consolidated financial statements for the Group.

The directors consider the parent company, key management personnel, shareholders, and entities under common control to be related parties.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Transactions with related companies are generally effected on a cost plus basis. Outstanding balances are usually settled in cash. Amounts owed by/to related parties are shown separately in notes 16, 19 and 20. Directors’ remuneration is disclosed in note 7.



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

|                                 | 2023<br>€   | 2022<br>€   |
|---------------------------------|-------------|-------------|
| <b>Ultimate Parent Company</b>  |             |             |
| Expenses incurred               | 443,873     | (1,127,671) |
| Net Funds Advanced by/(to)      | (732,452)   | 3,619,039   |
| <hr/>                           |             |             |
| <b>Immediate Parent Company</b> |             |             |
| Net Funds Advanced by/(to)      | -           | 19,345      |
| <hr/>                           |             |             |
| <b>Related companies</b>        |             |             |
| Expenses incurred               | (2,383,226) | (597,113)   |
| Net Funds Advanced by/(to)      | 1,764,634   | 894,350     |
| <hr/>                           |             |             |
| <b>Subsidiary company</b>       |             |             |
| Interest Payable to             | (1,076,413) | (397,954)   |
| Net Funds Advanced by/(to)      | 11,734,217  | 195,863     |
| <hr/>                           |             |             |
| <b>Shareholders</b>             |             |             |
| Interest Payable to             | (6,588)     | (6,454)     |
| Net Funds Advanced by/(to)      | -           | 1,141       |
| <hr/>                           |             |             |

## 23 Contingent Liabilities

### *Court Actions*

As at year end, the company had the following court actions being taken against it:

- (i) The company was served with a garnishee order for € 149,980 following a dispute with a supplier for work on the company's premises which was considered substandard. The amount in dispute is actually € 152,000. During 2020, the Court rejected the counter-claim of the company and ordered the company to pay the supplier an amount of € 165,980. The Company has appealed the judgement and the outcome of the appeal is still unknown. In 2021, the company was served with another garnishee order relating to this case for € 79,305.
- (ii) The company was served with another garnishee order for € 8,371 following a dispute with another supplier for trenching works carried out but which remain unpaid. The company is claiming that such amounts are not due as these works were not quoted in the initial quotation of costs provided by the plaintiff. The proceedings are still ongoing and the outcome is still unknown.

Management is contesting these cases and is convinced of a positive outcome. No provision for any liability that might arise from the above actions has been made in these financial statements.

### *Guarantees*

#### *Guarantor for Subsidiary Company*

As at year end, the company was acting as a guarantor for a bond issue to the value of € 17 million issued by its subsidiary company, Pharmacare Finance plc, and which funds have been advanced to the company.

#### *Bank guarantees*

As at year end, the company has bank guarantees amounting to € 46,618 (2022: € 46,618).

## **24 Risk management objectives and policies**

The company is exposed to credit risk, liquidity risk and market risk through its use of financial instruments, which result from both its operating and investing activities. The company's risk management is coordinated by the directors and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial risks.

The financial risks to which the company may be exposed are described below. See also note 24.5 for a summary of the company's financial assets and liabilities by category.

### **24.1 Credit risk**

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

|  | <b>Notes</b> | <b>2023</b>       | <b>2022</b>      |
|--|--------------|-------------------|------------------|
|  |              | €                 | €                |
| Classes of financial assets - carrying amounts |              |                   |                  |
| Financial assets at amortised cost:            |              |                   |                  |
| Trade receivables - net                        | 16           | 2,825,558         | 1,867,880        |
| Amounts due from related parties               | 16           | 757,867           | 614,308          |
| Accrued income                                 | 16           | 3,373,046         | 4,119,435        |
| Amounts due from subsidiary                    | 16           | -                 | 4,137            |
| Amounts due from shareholders                  | 16           | 19,073            | 12,557           |
| Other receivables                              | 16           | 63,733            | 43,920           |
| Cash and cash equivalents                      | 17           | 4,481,488         | 317,585          |
|  |              | <b>11,520,765</b> | <b>6,979,822</b> |

The company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls.

The company assesses the credit quality of its customers taking into account financial position, past experience and other factors. The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The company's policy is to deal only with creditworthy counterparties. The company has policies in place to ensure that it transacts with customers with appropriate and acceptable credit history. The average credit period allowed to customers is 90 days. The credit terms as negotiated with customers are subject to an internal review process. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer. The management monitors the performance of its trade receivables on a regular basis to identify credit losses, which are inherent in company's debtors, taking into account historical experience in collection of receivables. Management does not expect any losses from non-performance by these customers.

#### **Trade receivables**

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

In measuring the expected credit losses (ECL), the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for sales over the past 12 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The company adjusts the historical loss rates based on expected changes in these factors. The resulting expected credit loss as at the end of the reporting periods is € 55,561 (2022: € 55,561).

**Other financial assets at amortised cost**

With respect to balances with related parties (as disclosed in note 22), the company assesses the credit quality of these related parties by taking into account financial position, performance and other factors. In measuring the expected credit losses in these balances, management determined the impairment provision independently from third party receivables and, as at 31 December 2023, there was no impairment in relation to third party balances. Management take cognisance of the related party relationship with these entities and settlement arrangements in place and does not expect any losses from non-performance or default.

The company is not exposed to credit risk on cash and cash equivalents since the amounts reported at the end of the financial periods are not material.

None of the company's financial assets is secured by collateral or other credit enhancements.

**24.2 Liquidity risk**

The company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise bank borrowings, finance lease obligations and trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the company's obligations when they become due.

The company manages its liquidity needs through yearly cash flow forecasts by carefully monitoring expected cash inflows and outflows on a daily basis. The company's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, as well as the company's committed borrowing facilities that it can access to meet liquidity needs.

The company's financial liabilities have contractual maturities which are summarised below:

|                                | Not later<br>than one<br>year | Later than<br>one year<br>but not later<br>than five<br>years | Later than<br>five years | Carrying<br>amount |
|--------------------------------|-------------------------------|---|--------------------------|--------------------|
|                                | €                             | €   | €                        | €                  |
| <b>31 December 2023</b>        |                               |   |                          |                    |
| Bank overdraft                 | 228,981                       | -   | -                        | 228,981            |
| Bank credit card               | 5,483                         | -   | -                        | 5,483              |
| Shareholders' loan             | 48,902                        | -   | 2,837,607                | 2,886,509          |
| Loans from third party         | 1,628,998                     | 256,668   | -                        | 1,885,666          |
| Bank borrowings                | 653,964                       | 254,284   | -                        | 908,248            |
| Loans from subsidiary          | -                             | -   | 16,809,090               | 16,809,090         |
| Trade creditors                | 1,223,429                     | -   | -                        | 1,223,429          |
| Amounts due to related parties | 2,207,295                     | -   | -                        | 2,207,295          |
| Accruals                       | 317,798                       | -   | -                        | 317,798            |
|                                | <b>6,314,850</b>              | <b>510,952</b>  | <b>19,646,697</b>        | <b>26,472,499</b>  |

|                                | Not later<br>than one<br>year | Later than<br>one year<br>but not later<br>than five<br>years | Later than<br>five years | Carrying<br>amount |
|--------------------------------|-------------------------------|---|--------------------------|--------------------|
|                                | €                             | €   | €                        | €                  |
| <b>31 December 2022</b>        |                               |   |                          |                    |
| Bank overdraft                 | 1,039,652                     | -   | -                        | 1,039,652          |
| Bank credit card               | 6,460                         | -   | -                        | 6,460              |
| Shareholders' loan             | 49,902                        | -   | 4,007,360                | 4,057,262          |
| Loans from third party         | 1,116,000                     | 799,665   | -                        | 1,915,665          |
| Bank borrowings                | 470,172                       | 565,983   | -                        | 1,036,155          |
| Loans from subsidiary          | -                             | -   | 5,079,010                | 5,079,010          |
| Trade creditors                | 1,326,694                     | -   | -                        | 1,326,694          |
| Amounts due to related parties | 1,056,969                     | -   | -                        | 1,056,969          |
| Accruals                       | 491,915                       | -   | -                        | 491,915            |
|                                | <b>5,557,764</b>              | <b>1,365,648</b>  | <b>9,086,370</b>         | <b>16,009,782</b>  |

The above amounts reflect the contractual undiscounted cash flows which may differ from the carrying amounts of financial liabilities at the reporting date.

### 24.3 Foreign currency risk

The company is exposed to currency risk on monetary amounts denominated in a currency other than the functional currency of the Company (€), mainly the US Dollar. This exposure is not significant.

### 24.4 Interest rate risk

The company is exposed to cash flow interest rate risk from short term and long term borrowings at variable rates. The bank borrowings are dominated in Euro. Based on simulations performed, the impact on profit and loss and net assets of a 100 basis-point shift (being the maximum reasonable expectation of changes in interest rates) would be an increase or decrease of € 50,770 (2022: € 103,615).

### 24.5 Summary of financial assets and liabilities by category

The carrying amounts of the company's financial assets and liabilities as recognised at the end of the reporting period under review may also be categorised as follows. See note 4.11 for explanations about how the category of financial instruments affects their subsequent measurement.

|                                     | 2023              | 2022             |
|-------------------------------------|-------------------|------------------|
|                                     | €                 | €                |
| <b>Current assets</b>               |                   |                  |
| Financial assets at amortised cost: |                   |                  |
| - Trade receivables - net           | 2,825,558         | 1,867,880        |
| - Amounts due from related parties  | 757,867           | 614,308          |
| - Accrued income                    | 3,373,046         | 4,119,435        |
| - Amounts due from subsidiary       | -                 | 4,137            |
| - Amounts due from shareholders     | 19,073            | 12,557           |
| - Other receivables                 | 63,733            | 43,920           |
| - Loans receivables - net           | -                 | -                |
| - Cash and cash equivalents         | 4,481,488         | 317,585          |
|                                     | <b>11,520,765</b> | <b>6,979,822</b> |

|  | 2023<br>€         | 2022<br>€         |
|--|-------------------|-------------------|
| <b>Current liabilities</b>               |                   |                   |
| Financial liabilities at amortised cost: |                   |                   |
| - Bank overdraft                         | 228,981           | 1,039,652         |
| - Bank credit card                       | 5,483             | 6,460             |
| - Shareholders' loan                     | 48,902            | 49,902            |
| - Loans from third party                 | 1,628,998         | 1,116,000         |
| - Bank borrowings                        | 653,964           | 470,172           |
| - Trade creditors                        | 1,223,429         | 1,326,694         |
| - Amounts due to related parties         | 2,207,295         | 1,056,969         |
| - Accruals                               | 317,798           | 491,915           |
|  | <b>6,314,850</b>  | <b>5,557,764</b>  |
| <b>Non-current liabilities</b>           |                   |                   |
| Financial liabilities at amortised cost: |                   |                   |
| - Shareholders' loan                     | 2,837,607         | 4,007,360         |
| - Loans from third party                 | 256,668           | 799,665           |
| - Bank borrowings                        | 254,284           | 565,983           |
| - Loans from subsidiary                  | 16,809,090        | 5,079,010         |
|  | <b>20,157,649</b> | <b>10,452,018</b> |

## **25 Capital management policies and procedures**

The company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders and benefits to other stakeholders by pricing products and services commensurately with the level of risk, and maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid, issue new shares or sell assets to reduce debt.

The company monitors the level of debt, which includes borrowings and trade and other payables less cash and bank balances against total capital on an ongoing basis. The directors consider the company's gearing level at year end to be appropriate for its business.

## **26 Reclassification**

Comparative figures have been reclassified to confirm with the current year's presentation of financial statements.

## **27 Post reporting date events**

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

## Independent auditor's report

To the shareholders of Pharmacare Premium Limited

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Pharmacare Premium Limited set out on pages 5 to 36 which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including the material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

#### Basis for opinion

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

#### Other information

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

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

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

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

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

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

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

#### Responsibilities of those charged with governance for the financial statements

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

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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



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

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

**Report on other legal and regulatory requirements**

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

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

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

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

A handwritten signature in blue ink that reads "Causon".

Sharon Causon (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

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

29 April 2024