

# PHARMACARE FINANCE P.L.C.

## ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2023

Company Reg. No. C 86057

### ANNUAL REPORT AND FINANCIAL STATEMENTS 31

### DECEMBER 2023

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### COMPANY INFORMATION

**Board of Directors:**

Mr. Bassim S.F. Khoury Nasr – Chairman  
Mr. Amin Farah – Chief Executive Officer  
Mr. Hani H. Sarraf  
Ms. Marisa Tanti  
Mr. Louis Borg Manche'  
Mr. Mark Vassallo

**Company Secretary:**

Dr. Emma Blake (appointed on 20 November 2023)  
Dr. Katia Cachia (resigned on 20 November 2023)

**Company Registration Number**

C 86057

**Registered Office:**

HHF 003, Hal Far Industrial Estate  
Hal Far,  
Birzebbugia BBG 3000  
Malta

**Bankers:**

Bank of Valletta PLC  
58, Zachary Street  
Valletta  
Malta

**Auditors:**

Grant Thornton  
Level 2  
Fort Business Centre  
Triq L-Intornjatur  
Zone 1, Central Business District  
Birkirkara  
CBD1050  
Malta

**DIRECTORS' REPORT**

The directors present herewith their annual report together with the audited financial statements of Pharmacare Finance P.L.C. (the "Company") for the year ended 31 December 2023.

**Principal Activities**

The principal activity of the Company, which has remained unchanged from that of the previous year, is that of acting as a finance company to Pharmacare Premium Limited, the parent company.

On 17 October 2018, the Company issued € 5,000,000 5.75% unsecured bonds maturing 2025-2028 at a nominal value of € 100 per bond, issued at par. These bonds were admitted to the Prospects MTF List of the Malta Stock Exchange with effect from 31 October 2018 and trading in the bonds commenced on 1 November 2018.

In accordance with the provisions of the Company Admission Document dated 17 October 2018, the proceeds from the bond issue were advanced by way of a loan facility to the Guarantor and Parent Company, namely Pharmacare Premium Limited, for the purposes of financing product research and development.

By virtue of a Prospectus issued by the Company on 5 December 2022, in February 2023 the Company issued € 17,000,000 6% unsecured bonds maturing in 2033 and utilised part of the funds to redeem the original € 5,000,000 unsecured bonds which had a maturity date of 2025-2028 on the Prospects MTF List of the Malta Stock Exchange. The Company then advanced the remaining proceeds from such bond issue to its parent company, Pharmacare Premium Limited, by way of a loan bearing interest at the rate of 6.6% per annum and which loan is repayable by February 2033. The funds from the loan are to be utilized for the part-financing of the capacity expansion of existing facilities, part-financing of further product development projects and for general corporate funding purposes.

**Review of Business**

During the year, following an increase in the interest rate charged on the loan advanced to the parent company, interest income on the loan receivable from the parent company amounted to € 1,076,413 (2022: € 397,955). After accounting for interest payable on the Company's borrowings, administrative costs and taxation, the Company registered a profit for the year amounting to € 8,095 (2022: loss of € 45,061).

The Company's financial position continues to be dependent on the parent company's ongoing obligations to pay the annual interest on the loan granted which serve as the primary income to pay out the annual interest on the public bond, and in later years, pay back the principal amount on loan maturity, which proceeds will be used to repay the bonds to the bondholders. The guarantor offers the maximum support to the issuer through the strength of its balance sheet. The Company's balance sheet at year end was primarily made up of the bond issue for € 17 million and a corresponding loan to the parent company amounting to € 16,809,090. The Company's equity as at the end of the financial year amounted to € 174,705 (2022: € 166,610).

**Principal Risks and Uncertainties**

The Company is a special purpose vehicle set up for the financial transactions with Pharmacare Premium Limited. It has raised finance through the issue of bonds which are quoted on the Malta Stock Exchange and guaranteed by its major shareholder, namely Pharmacare Premium Limited, to whom the proceeds of the bonds, net of expenses, have been advanced in terms of the prospectus.

The Company is a special purpose vehicle acting as a finance entity for Pharmacare Premium Limited. Its assets consist mainly of a loan due from its parent company. The Company is therefore fully dependent on the business prospects of the parent

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

The Group's business is dependent on a number of key clients and the ability of the parent company to satisfy those early contacts has led to a sustained growth in the client base. There has also been an expansion in the number of projects (products and territories) with the existing key clients reflecting growing confidence and satisfaction while spreading the risk of revenue discontinuation. Failure to retain such clients may materially impact the parent company's revenue and substantially affect the operations and financial considerations of the Group and consequently of the Company. Similarly, the parent company, which is engaged in the manufacturing of pharmaceutical products, which relies on imported raw materials from suppliers, may be exposed to risks associated with their supply chain and could negatively affect the price movements and availability of the products for sale.

Furthermore, the Group growth is relying on key senior personnel who have contacts and expertise in the pharmaceutical industry and more recently, the company has also onboarded additional contractors to gain access into additional markets. The loss of such key personnel and contractors can have an adverse effect on the financial results of the Group.

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

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

#### **Guarantor Performance for 2023 and Prospects for 2024**

During 2023, Pharmicare Premium Limited (the 'Guarantor') launched two internally developed products in several markets in Europe and the Middle East and North Africa (MENA) region. It continued to increase its customer base through licensing agreements adding 12 new agreements during the year, bringing the total up to 93.

The Guarantor also continued to grow its contract manufacturing and development business and added five new contracts with existing and new partners, further consolidating strategic partnerships with key customers as their 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 Issuer, 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 Guarantor 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 Guarantor 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.

Although activity 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 € 2M which the customer delayed to 2024. An additional € 1M in revenue was lost due to cancelled orders as a direct result of the current geo-political situation. The Guarantor suffered a loss of € 3,883,703 (2022: profit of € 178,048). This loss of margins was a result of price pressures on two of the Guarantor's main products, low utilisation due to lost orders which the company had expanded 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 Guarantor 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.

## Results, Dividends and Reserves

The results for the year and the movement on the reserves are set out on the statement of comprehensive income and statement of changes in equity of the financial statements respectively. Being that the Company has accumulated losses, no dividends were recommended or paid during the year.

## Directors

The directors listed above served in office throughout the year. In accordance with the Company's Articles of Association, the eligible directors at date of this report are to remain in office for a period of three years from 30 April 2021.

## Statement of Directors' Responsibilities for the Financial Statements

The Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss of the Company for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

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 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 comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Fair View Statement

We confirm that to the best of our knowledge:

- The 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 as adopted by the EU.
- The annual report includes a fair review of the development and performance of the business and the position of the Company, together with the description of the principal risks and uncertainties that the Company may face.

## Going Concern Statement

As required by Capital Markets Rule 5.62 issued by the Malta Financial Services Authority ("MFSA"), after making enquires and having taken into consideration the future plans of the Group and the Company, the directors have reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of these financial statements.

## Shareholding Statement

We confirm that the shareholding of the Company is as follows:

		<u>2023</u>	<u>2022</u>	
Pharmacare Premium Limited	Reg. No. C 45245	249,999	249,999	Ordinary Shares
Mr. Bassim S.F. Khoury Nasr		1	1	Ordinary Share

Indirect shareholdings of the Company through the shares held in Pharmacare Premium Limited are as follows:

		<u>2023</u>	<u>2022</u>	
Pharmacare Europe Limited	Reg. No. C 45191	10,750,000	10,750,000	A Ordinary Shares
Mr. Ahmad Salim (Mohammad Said) Sabbagh		677,952	677,952	C Ordinary Shares
Mr. Hani H. Sarraf		1,203,352	1,203,352	B Ordinary Shares
Mr. Mahmoud Salim (Mohammad Said) Sabbagh		677,954	677,954	C Ordinary Shares
Mr. (Mohammad Tahseen) Salim Said Sabbagh		702,954	702,954	C Ordinary Shares
Mr. Bassim S.F. Khoury Nasr		1,045,140	1,045,140	D Ordinary Shares
Mr. Paul Michel Wirtz		1,219,089	1,219,089	E Ordinary Shares
Mr. Maximilian R.F. Wirtz		302,274	302,274	E Ordinary Shares
Evolve Resources Ltd.		50,000	50,000	E Ordinary Shares
Bank of Palestine P.L.C.		500,000	500,000	F Ordinary Shares
Reach for Investment and Development (Reach Holding) Ltd.		500,000	500,000	G Ordinary Shares

The holders of the various classes of ordinary shares have the following rights in the appointment of directors:

- The A Ordinary Shares have the right to appoint five directors;
- The B Ordinary Shares have the right to appoint one director;
- The C Ordinary Shares have the right to appoint one director;
- The D Ordinary Shares have the right to appoint one director and who shall also act as Chairman;
- The E Ordinary Shares have the right to appoint one director;
- The F Ordinary Shares have the right to appoint two directors;
- The G Ordinary Shares have no right to appoint any director.

As at the end of the comparative year, Pharmacare Premium Limited had resolved, approved and received funds but not yet registered the issuance and allotment of a further 1,000,375 Ordinary Shares of various classes. The said share increase has been duly registered with the Malta Business Registry during 2022.

The shares of Pharmacare Europe Limited are in turn held by:

		<u>2023</u>	<u>2022</u>	
Dar Al-Shifa' Company P.l.c. (Palestine)	Reg. No. 562600288	9,999	9,999	Ordinary Shares
Mr. Bassim S.F. Khoury Nasr		1	1	Ordinary Share

### 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 and the group have 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 and the group 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 and the group's investments. As at the date of this report, the Company and the group are 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.

### **Events after the end of the reporting period**

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

### **Contracts of Significance with the Parent Company**

The Company has advanced amounts borrowed by the Company by way of bonds listed on the Malta Stock Exchange to its parent company, Pharmacare Premium Limited. The terms of the loan agreement are set out in the notes to the financial statements for the year ended 31 December 2023.

### **Directors' Interest**

The directors' beneficial interest in the shares of the Company as at 31 December 2023 is limited to 1 ordinary share having a nominal value of € 1 held by Mr. Bassim S.F. Khoury Nasr.

### **Auditor**

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution proposing its re-appointment will be put at the General Meeting.

Signed on behalf of the Board of Directors on 29 April 2024 by Amin Farah (Director) and Hani H. Sarraf (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2023.

## **DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

### **Introduction**

Pursuant to the requirements of the Capital Markets Rules issued by the MFSA, Pharmacare Finance P.L.C. (the "Issuer" or the "Company") as a wholly owned subsidiary of Pharmacare Premium Limited (the "Guarantor") bar, one Ordinary Share held by Bassim S.F. Khoury Nasr, hereby reports on the extent to which the Company has adopted the 'Code of Principles of Good Corporate Governance' (the "Code" or the "Principles") appended to the Capital Markets Rules as well as the measures adopted to ensure compliance with the same Principles.

The Board of Directors (the "Board" or the "Directors") of the Company notes that the Code does not dictate or prescribe mandatory rules but recommends principles of good governance. Nevertheless, the Board strongly maintains that the Principles are in the best interest of both the shareholders and investors, since they ensure that the Directors adhere to internationally recognised high standards of corporate governance. The Board of Directors restate their support for the Code and note that the adoption of the Code has resulted in positive effects to the Company.

### **The Guarantor**

The Guarantor, Pharmacare Premium Limited, is a private company and, accordingly, is not bound by the provisions of the Code set out in the Capital Markets Rules of the MFSA. While the Guarantor is not required to adopt the provision of the Code, the Audit Committee, which is set up at the level of the Company, has been specifically tasked with keeping a watchful brief over the performance of the Guarantor and other related Companies.

### ***Part 1: Compliance with the Code***

The Board of Directors of Pharmacare Finance P.L.C. believes in the adoption of the Code and has endorsed it except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. In this context, it is relevant to note that the Company has issued bonds to the public and has no employees. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

The Board considers that during the reporting period, the Company has been in compliance with the Code to the extent that was considered adequate with the size and operations of the Company. Instances of divergence from the Code are disclosed and explained below.

## **Principle 1: The Board**

The Board of Directors of the Company is responsible for the overall long-term direction and management of the Company, assessing and evaluating the performance of the Company's executive functionaries, ascertaining that control systems suitable to the Company are implemented, that financial reporting is carried out to the highest attainable standards and to ascertain that the Company maintains open communication channels with the market and stakeholders.

Its responsibilities also involve the oversight of the Company's internal control procedures and financial performance, and the review of business risks facing the Company, ensuring that these are adequately identified, evaluated, managed and minimised. All the Directors have access to independent professional advice at the expense of the Company, should they so require.

The Board is composed of Mr. Bassim S.F. Khoury Nasr (Chairperson), Mr. Amin Farah (Executive Director and Chief Executive Officer), Mr. Hani H. Sarraf (Executive Director), Ms. Marisa Tanti (Non-Executive Director), Mr. Louis Borg Manche' (Non-Executive Director) and Mr. Mark Vassallo (Non-Executive Director).

Dr. Katia Cachia occupied the post of Company Secretary up to 20 November 2023 and following her resignation, was replaced by Dr. Emma Blake with effect from the same date. The Company's Board Secretary is responsible to the Board for ensuring that the Board and Audit Committee proceedings are complied with and also aid the respective Chairperson to ensure that all members receive precise, timely and objective information.

Mr. Louis Borg Manche', Ms. Marisa Tanti and Mr. Mark Vassallo are considered to be independent Directors since they are free of any business, family or other relationship with the Company.

The Board delegates specific responsibilities to an Audit Committee, details of which are found in Principle 4 hereunder.

The Directors and Restricted Persons (as defined in the Capital Markets Rules) are informed and are aware of their obligations on dealings in securities of the Company within the established parameters of the law and the Capital Markets Rules. Each such Director and Senior Officer (as defined in the Capital Markets Rules) has been provided with the code of dealing required in terms of Capital Markets Rules and training in respect of their obligations arising thereunder.

## **Principle 2: Chairperson and Chief Executive Officer**

The day-to-day management of the Company is vested with the executive directors of the Company.

The Chairperson is responsible to:

- Lead the Board and set its agenda;
- Ensure that the Directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company;
- Ensure effective communication with shareholders; and
- Encourage active engagement by all members of the Board for discussion of complex or contentious issues.

## **Principle 3: Composition of the Board**

The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required and adds value to the functioning of the Board and gives direction to the Company.

The Board of Directors shall consist of a minimum number of three directors and a maximum of six members. The Board is composed of three executive directors and three non-executive directors, as listed in Principle 1 above. Each non-executive director has submitted a declaration to the Board declaring their independence as stipulated under the Code.

For the purpose of Capital Markets Rules 5.118 and 5.119, the non-executive directors are deemed independent. Each Director is mindful of maintaining independence, professionalism and integrity in carrying out his or her duties, responsibilities and providing judgement as a Director of the Company.

The independent Directors of the Company hereby report that neither of them:

- a) are or have been employed in any capacity by the Company;
- b) have, or had within the last three years, a significant business relationship with the Company;
- c) have received or receive significant additional remuneration from the Company;
- d) have close family ties with any of the executive members of the Board;

- e) have served on the Board for more than twelve consecutive years; or
- f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditors of the Company.

Each of the Directors hereby declares that he or she undertakes to:

- a) maintain in all circumstances his or her independence of analysis, decision and action;
- b) not to seek or accept any unreasonable advantages that could be considered as compromising his or her independence; and
- c) clearly express his or her opposition in the event that he or she finds that a decision of the Board may harm the Company.

The Board aims to meet a minimum of four times every calendar year. The Company ensures that sufficient information is provided to the attendees to effectively contribute during meetings of the Board, and to take informed decisions on the manner in which the Company's affairs are being administered.

Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting reading materials, which are circulated well in advance of the meeting.

All of the Directors were nominated and appointed by the shareholders. The Memorandum and Articles of Association set out the procedures to be followed in the appointment of the Directors in an extensive manner. Shareholders having voting rights are entitled at the Annual General Meeting to appoint Directors. Appointed Directors shall hold office for a period of three years but shall be eligible for re-election.

#### Senior Management

In view of the Company being primarily a finance Company, the Company does not have any employees. However, the overall management comprises: Mr. Bassim S.F. Khoury Nasr, as Chairperson, Mr. Amin Farah, as Chief Executive Officer, and Mr. Hani H. Sarraf.

#### **Principle 4: The Responsibilities of the Board**

Further to the relevant section in Appendix 5.1 to the Capital Market Rules, the Board of Directors acknowledge that they are stewards of the Company's assets and their behaviour is focused on working with management to enhance value to the shareholders.

The Directors individually and collectively are of the appropriate calibre, with the necessary skills and experience to contribute effectively to the decision-making process. The Directors have determined the Company's strategic aims and organisational structure and always ensure that the Company has the appropriate mix of financial and human resources to meet its objectives.

The Board has the first level responsibility for executing the four basic roles of corporate governance, namely accountability, monitoring, strategy formulation and policy development. The Board seeks to monitor effectively the implementation of strategy and policy by management. Clear internal and external reporting lines are established with a view to ensuring that the Board can properly discharge its obligation to take decisions in the best interests of the Company.

All Directors are required to:

- Exercise prudent and effective controls which enable risk to be assessed and managed to achieve continued prosperity to the Company;
- Be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
- Determine the Company's strategic aims and the organizational structure;
- Regularly review management performance and ensure that the Company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the Company;
- Acquire a broad knowledge of the business of the Company;
- Be aware of and be conversant with the statutory and regulatory requirements connected to the business of the Company;
- Allocate sufficient time to perform their responsibilities; and
- Regularly attend meetings of the Board.

#### **Principle 5: Board Meetings**

Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the Directors. During the financial year under review the Board of Directors met on four occasions. The number of Board



meetings attended by each Director for the period under review is as follows:

<i>Members</i>	<i>Meetings Attended out of total held during tenure</i>
Mr. Bassim S.F. Khoury Nasr	2 out of 4
Mr. Amin Farah	4 out of 4
Mr. Hani H. Sarraf	4 out of 4
Ms. Marisa Tanti	4 out of 4
Mr. Louis Borg Manche'	4 out of 4
Mr. Mark Vassallo	4 out of 4

### **Principle 6: Information and Professional Development**

Each Director is made aware of the Company's on-going obligations in terms of the Companies Act, the Capital Markets Rules and other relevant legislation. Directors have access to the advice and services of the Company Secretary. The Company is also prepared to bear the expense incurred by the Directors requiring independent professional advice should they judge it necessary to discharge their responsibilities as Directors.

### **Principle 7: Evaluation of the Board's Performance**

The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders.

### **Principle 8: Committees**

#### **Remuneration Committee**

The Code recommends that "the board should establish a remuneration policy for Directors and senior executives. It should also set up formal and transparent procedures for developing such a policy and for establishing the remuneration packages of individual Directors." In view of the size and type of operation of the Company, the Board does not believe that the Company requires a remuneration committee, and the Board itself carries out the functions of the remuneration committee specified in, and in accordance with, Principle Eight A of the Code, given that the remuneration of the Directors is not performance-related.

#### **Remuneration Statement**

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the Directors. The aggregate amount paid during the period amounted to € 37,694. The remuneration was approved by the Board and resolved to disclose the fees paid in aggregate rather than as separate figures for each director as recommended by the Code.

No part of the remuneration paid to the Directors is performance based, and the Chief Executive Officer receives no additional remuneration. None of the Directors, in their capacity as a Director of the Company, is entitled to profit sharing, share options or pension benefits with respect to Pharmacare Finance P.L.C.

#### **Audit Committee**

In terms of Capital Markets Rules 5.117 – 5.134 the Board has established an Audit Committee to monitor the Company's present and future operations, threats and risks in the external environment and current and future strengths and weaknesses. The Audit Committee ensures that the Company has the appropriate policies and procedures in place to ensure that the Company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards. The Audit Committee has a direct link to the Board and is represented by the Chairperson of the Audit Committee in all Board meetings.

The Audit Committee is composed of three non-executive Board members, namely:

Ms. Marisa Tanti - Chairperson  
Mr. Louis Borg Manche'  
Mr. Mark Vassallo

Dr. Katia Cachia occupied the post of secretary to the Audit Committee up to 20 November 2023 and following her resignation, was replaced by Dr. Emma Blake with effect from the same date. During the period under review, the Audit Committee met 5 times.

The Board considers Ms. Marisa Tanti to be independent and competent in accounting and/or auditing. Such determination was based on Ms. Tanti's substantial experience in various audits, accounting and risk management roles throughout her

career.

The Audit Committee is expected to deal with and advise the Board of Directors on the following on a Group-wide basis:

- Evaluating any proposed transaction to be entered into by the Company or its Guarantor/s and a related party, to ensure that the execution of such transaction is at arm's length, on a commercial basis and ultimately in the best interest of the Company or its Guarantor/s;
- Maintaining open communication on financial matters between the Board of Directors, management and its external auditors, including the appointment of the auditors;
- Monitoring responsibility over the financial reporting processes, financial policies and internal control procedures; and
- Preserving the Company's and Group's assets by assessing the Company's and Group's risk environment and determine how to deal with such risks.

### **Principle 9: Relations with Shareholders and with the Market**

The Company is highly committed to having an open and communicative relationship with its bondholders. In this respect, it communicates with bondholders by way of the Annual Return and Financial Statements. The Company also communicates with bondholders with public announcements made through the Malta Stock Exchange as well as entertaining queries and requests made by individual bondholders on an ad hoc basis.

### **Principle 10: Institutional Shareholders**

The Company has no direct institutional shareholders.

### **Principle 11: Conflicts of Interest**

The Directors are fully aware of their obligations regarding dealings in securities of the Company as required by the Capital Market Rules in force during the year.

The Directors of the Company recognise their responsibility to act in the interest of the Company and its shareholders as a whole, irrespective of who appointed them to serve on the Board. It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared so that steps may be taken to ensure that such items are appropriately dealt with. Directors who have a conflict of interest do not participate in discussions concerning such matters unless the Board finds no objection to the presence of such Directors. The Directors are obliged to keep the Board advised on an ongoing basis, of any interest that could potentially conflict with that of the Company.

In any event, Directors refrain from voting on the matters where conflicts of interest arise.

During the financial year under review, no private interests or duties unrelated to the Company were disclosed by the Directors which were or could have been likely to place any of them in conflict with any interests in, or duties towards, the Company. Mr. Bassim S.F. Khoury Nasr, has a direct beneficial interest in the share capital of the Company and Mr. Amin Farah and Mr. Hani H. Sarraf, have an indirect beneficial interest in the share capital of the Company, and as such are susceptible to conflicts arising between the potentially diverging interests of the shareholders and the Company.

### **Principle 12: Corporate Social Responsibility**

The Pharmicare Group of companies understands the importance of contributing to society at large, both in terms of the wellbeing of its staff, as well as the contribution towards society at large. This contribution has manifested itself in a number of initiatives of the said Group. Further activities of this nature are expected to be organised in 2024.

## ***Part 2: Non-Compliance with the Code***

### **Principle 4: Responsibilities of the Board**

The Board has not yet developed a succession policy for the future composition of the Board of Directors, and this is in view of the limited operations of business of the Company.

### **Principle 7: Evaluation of the Board's Performance**

At present, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the

Issuer's shareholders, the market and the rules by which the Issuer is regulated as a listed company.

### **Principle 8: Committees**

The Issuer does not have a Remuneration Committee as recommended by this principle because it is not deemed necessary in view of the very limited number of Directors engaged by the Issuer. Furthermore, the Issuer does not have a Nomination Committee as recommended in Principle 8. Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association. The Issuer considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the Code.

### **Internal Control**

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage, rather than to eliminate, the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

Authority to manage the business of the Company is delegated to the Chief Executive Officer within the limits set by the Board of Directors. Systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the Directors on a regular basis.

### **Risk Management**

The objective of the risk management function is to minimize the cost of risks and to maximize the return on assets. The Company endeavors to achieve such objectives through procedures that involve a coordinated approach across the operations of the Company and the Group, designed to identify and measure the potential risks. Appropriate action is being taken by the Board to mitigate such risks. The Audit Committee makes recommendations, as necessary, to the Board.

### **Dealings by Directors and Senior Officers in the Company's Bonds**

The Board has a responsibility to monitor dealings by the Directors and senior officers in the Company's Bonds. The Board approved the Code of Conduct for the transactions by Directors and senior officers in compliance with the Capital Markets Rules. The structured code of dealing, which includes names of directors and senior officials who have to comply with the Code, has been filed with the Malta Stock Exchange.

The above information is a fair summary of the Company's adoption of the Code. Overall, the Company has broadly implemented the Code where the Board of Directors believes that it would add value to the stakeholders. In certain instances, it was felt that the Code was more suited to companies who held equity on the Malta Stock Exchange, and therefore, its implementation would not be useful for a limited operating company like Pharmacare Finance P.L.C.

Signed on behalf of the Board of Directors on 29 April 2024 by Amin Farah (Director) and Hani H. Sarraf (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2023.

## **INDEPENDENT AUDITOR'S REPORT**

To the shareholders of Pharmacare Finance P.L.C.

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Pharmacare Finance P.L.C. (the "Company") 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 material accounting policy information.

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 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").

Our opinion is consistent with our additional report to the audit committee.

### **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. In conducting our audit, we have remained independent of the Company and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. Total remuneration payable to the Company's auditors in respect of the audit of the Company's financial statements amounted to € 8,000 (2022: € 7,080). Other fees payable to the Company's auditors in respect of non-audit services rendered to the Company amounted to € 2,000 (2022: €590).

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Financial assets at amortised cost**

#### *Key audit matter*

The company acts as the main finance vehicle of the Pharmacare Group. Financial assets at amortised cost, which comprise loan to its parent company, are the largest asset category of the company.

#### *How the key audit matter was addressed in our audit*

During the audit process, we ascertained ourselves that the parent company's audited financial statements disclose such amount due to the Company. We have agreed the terms of the loan to the loan agreement. We have also assessed the financial soundness of the parent company by making reference to the latest audited financial statements, forecasts and other prospective information made available to us.

Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of the loans and accrued interest thereon.

### **Debt securities in issue**

#### *Key audit matter*

During the year, €17,000,000 6% bonds with a nominal value of €100 each were issued. These notes are redeemable at par in 2033. Interest on the notes is due and payable annually in arrears on 3 February of each year at the above-mentioned rate.

#### *How the key audit matter was addressed in our audit*

Debt securities issued during the year were reconciled to the terms of the Offering Memorandum. It was ensured that capitalisation of bond issue costs and amortisation of debt securities in issue was in accordance with the company's accounting policies. We also considered the company's liquidity risk, to ensure that the company can meet these obligations as they fall due.

### **Other information**

The directors are responsible for the other information. The other information comprises Company information, the Directors' report and the Statement of Compliance – Good Corporate Governance 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, including the Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and,

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

With respect to the Directors' report, we also considered whether the Directors' report includes the 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 their 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.

In terms of article 179A(4) of the Act, the scope of our audit does not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

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.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

### **Report on other legal and regulatory requirements**

#### **Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6**

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Report and Financial Statements of Pharmacare Finance P.L.C. for the year ended 31 December 2023, entirely prepared in a single electronic reporting format.

### **Responsibilities of the directors**

The directors are responsible for the preparation of the Report and Financial Statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

### **Our responsibilities**

Our responsibility is to obtain reasonable assurance about whether the Report and Financial Statements complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

### **Our procedures included:**

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Report and Financial Statements, in accordance with the requirements of the ESEF RTS.
- Obtaining the Report and Financial Statements and performing validations to determine whether the Report and Financial Statements have been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Report and Financial Statements for the year ended 31 December 2023 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

### **Report on the statement of compliance with the Principles of Good Corporate Governance**

The Capital Markets Rules issued by the MFSA (the "Capital Markets Rules") require the directors to prepare and include in their Annual Report a Corporate governance statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Capital Markets Rules also require us, as the auditor of the Company, to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance with the Code of Principles of Good Corporate Governance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance with the Code of Principles of Good Corporate Governance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate governance statement has been properly prepared in accordance with the requirements of the Capital Markets Rules.

#### **Other matters on which we are required to report by exception**

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, or that returns adequate for our audit have not been received from branches not visited by us
  - the financial statements are not in agreement with the accounting records and returns;
  - we have not received all the information and explanations we require for our audit; or
  - certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- in terms of Capital Markets Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

#### **Auditor tenure**

This is the first year wherein we are acting as auditors. Our appointment will be renewed annually by shareholders' resolutions. The company first issued listed securities on the Malta Stock Exchange on 17 October 2018.

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

GRANT THORNTON  
 Certified Public Accountants  
 Fort Business Centre  
 Triq L-Intornjatur, Zone 1,  
 Central Business District,  
 Birkirkara CBD 1050  
 Malta

29 April 2024

#### **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER**

	Notes	<u>2023</u> Euro	<u>2022</u> Euro
<b>Finance Income</b>	5	<b>1,076,413</b>	397,955
Finance Costs	6	<b>(993,763)</b>	(299,918)
<b>Net Interest Income</b>		<b>82,650</b>	98,037

Administrative Expenses		(74,555)	(41,186)
Other Operating Expenses		-	(65,909)
<b>Profit/(Loss) before Tax</b>	7	<b>8,095</b>	(9,058)
Tax Expense	8	-	(36,003)
<b>Profit/(Loss) for the Year</b>		<b>8,095</b>	(45,061)
<b>Total Comprehensive Income/(Loss) for the Year</b>		<b>8,095</b>	(45,061)
<b>Earnings/(Loss) per Share</b>	9	<b>0.03</b>	(0.18)

The notes to the financial statements form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Notes	<u>2023</u> Euro	<u>2022</u> Euro
<b>ASSETS</b>			
Loans Receivable	10	<b>16,809,090</b>	5,079,090
<b>Total Non-Current Assets</b>		<b>16,809,090</b>	5,079,090
Receivables	11	<b>789,368</b>	211,428
Cash and Cash Equivalents	12	<b>3,391</b>	1,647
Current Tax Asset		<b>7,754</b>	-
<b>Total Current Assets</b>		<b>800,513</b>	213,075
<b>Total Assets</b>		<b>17,609,603</b>	5,292,165
<b>EQUITY</b>			
Share Capital	13	<b>250,000</b>	250,000
Accumulated Losses		<b>(75,295)</b>	(83,390)
<b>Total Equity</b>		<b>174,705</b>	166,610
<b>LIABILITIES</b>			
Debt Securities in Issue	14	<b>16,484,815</b>	-
<b>Total Non-Current Liabilities</b>		<b>16,484,815</b>	-
Debt Securities in Issue	14	-	4,993,471
Trade and Other Payables	15	<b>950,083</b>	96,081
Taxation Payable		-	36,003
<b>Total Current Liabilities</b>		<b>950,083</b>	5,125,555
<b>Total Liabilities</b>		<b>17,434,898</b>	5,125,555
<b>Total Equity and Liabilities</b>		<b>17,609,603</b>	5,292,165

The notes to the financial statements form an integral part of these financial statements.



The financial statements were signed on behalf of the Board of Directors on 29 April 2024 by Amin Farah (Director) and Hani H. Sarraf (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	<u>Total</u>	<u>Share Capital</u>	<u>Accumulated</u> <u>Losses</u>
	Euro	Euro	Euro
<b>Balance at 1 January 2023</b>	<b>166,610</b>	<b>250,000</b>	<b>(83,390)</b>
<b>Comprehensive Income/(Loss) for the Year</b>			
Profit for the Year	<b>8,095</b>	-	<b>8,095</b>
<b>Balance at 31 December 2023</b>	<b>174,705</b>	<b>250,000</b>	<b>(75,295)</b>
<b>Balance at 1 January 2022</b>	8,259	46,588	(38,329)
<b>Contributions by Owners of the Company</b>			
Issue of Ordinary Shares	203,412	203,412	
<b>Comprehensive Loss for the Year</b>			
Loss for the Year	(45,061)	-	(45,061)
<b>Balance at 31 December 2022</b>	<b>166,610</b>	<b>250,000</b>	<b>(83,390)</b>

The notes to the financial statements form an integral part of these financial statements

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	<u>2023</u>	<u>2022</u>
Note	Euro	Euro
<b>Cash Flows from Operating Activities</b>		
Profit/(Loss) before Taxation	<b>8,095</b>	(9,058)
<i>Adjustments for:</i>		
Amortisation of Bond Issuance Costs	<b>44,166</b>	12,418
Interest Income on Loans Receivable	<b>(1,076,413)</b>	(397,955)
Interest Expense on Debt Securities Issue	<b>949,597</b>	287,500
Write-off of Bond Issuance Costs	-	65,909
	<b>(82,650)</b>	(32,128)
<b>Net Changes in Working Capital</b>		
Receivables	<b>208,058</b>	333,512
Trade and Other Payables	<b>(95,595)</b>	(279,026)
	<b>112,463</b>	54,486
Taxes Paid	<b>(43,757)</b>	(15,472)
<b>Net Cash used in Operating Activities</b>	<b>(5,849)</b>	(2,172)

<b>Cash Flows from Investing Activity</b>		
Loans Issued to Parent Company	(11,730,000)	(200,000)
<b>Net Cash used in Investing Activity</b>	<b>(11,730,000)</b>	<b>(200,000)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Issue of Bonds	11,737,593	-
Proceeds from Issue of Share Capital	-	203,412
<b>Net Cash generated from Financing Activities</b>	<b>11,737,593</b>	<b>203,412</b>
<b>Net Movement in Cash and Cash Equivalents</b>	<b>1,744</b>	<b>1,240</b>
Cash and Cash Equivalents at Beginning of Year	1,647	407
<b>Cash and Cash Equivalents at End of Year</b>	<b>3,391</b>	<b>1,647</b>

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## Notes to the Financial Statements

The notes to the financial statements form an integral part of these financial statements.

### 1. Nature of operations

Pharmacare Finance P.L.C. (the 'Company') was incorporated on 30 April 2018. The Company was formed principally to act as a finance vehicle to Pharmacare Premium Limited (the 'parent company').

### 2. Basis of preparation

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

Pharmacare Finance P.L.C. is a public liability Company domiciled and incorporated in Malta. The registered office is located at HHF 003, Hal Far Industrial Estate, Hal Far, Birzebbugia, BBG 3000, Malta.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (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 company's functional currency.

#### 2.2 Going concern basis

During the financial period ended 31 December 2023, the Company issued €17,000,000 6% unsecured bonds of €100 each to the public, maturing in 2033. The net proceeds were advanced as a loan to the parent Company, namely Pharmacare Premium Limited at an interest rate of 6.8% per annum.

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

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

### 3. New or revised standards or interpretations

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

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not

have a significant impact on the Company's financial results or position.

Other standards and amendments that are effective for the first time in 2023 and could be applicable to the Company are:

- 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)

These amendments do not have a significant impact on these financial statements and therefore no disclosures have been made.

### **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.

The Company's management has concluded that the disclosure of the Company's material accounting policies below are appropriate.

### **4.1 Overall considerations and presentation of financial statements**

The financial statements have been prepared using the material accounting policies and measurement bases summarised below.

The accounting policies are consistent with those applied in previous years.

The financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007). The Company has elected to present the 'statement of total comprehensive income' in one statement.

### **4.2 Revenue**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and these can be measured reliably. The following specific, recognition criteria below must also be met before revenue is recognised.

Finance income

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

### **4.3 Administrative expenses**

Administrative expenses are recognised in profit or loss upon utilisation of the service or as incurred

### **4.4 Finance costs**

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

### **4.5 Bond issue costs**

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

## 4.6 Financial instruments

### Recognition and derecognition

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

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

### Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

In the periods presented, the Company does not have any financial assets categorised at FVTPL and FVOCI.

The classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in the income statement are presented within 'finance income' and 'finance costs', except for impairment of receivables which is presented within 'credit impairment loss'.

### Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss model'. Instruments within the scope of the new requirements included most receivables.

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

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

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

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

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

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

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

The Company's financial liabilities include other payables and debt securities in issue

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

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

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

#### **4.7 Income taxes**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

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

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

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

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

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

#### **4.8 Cash and cash equivalents**

Cash and cash equivalents comprise demand deposits with bank.

#### **4.9 Equity**

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

Accumulated losses include all current and prior period results as disclosed in the income statement less dividend distributions.

#### **4.10 Provisions**

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events; for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the

plan's main features to those affected by it. Provisions are not recognised for future operating losses

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

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

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

#### 4.11 Significant management judgement in applying accounting policies and estimation uncertainty

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

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

### 5. Finance Income

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Interest Income on Parent Company Loans	1,076,413	397,955
<b>Finance Income</b>	<b>1,076,413</b>	<b>397,955</b>

### 6. Finance Costs

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Bond Interest Expense	949,597	287,500
Amortisation of Bond Issuance Costs	44,166	12,418
<b>Finance Costs</b>	<b>993,763</b>	<b>299,918</b>

### 7. Profit (Loss) before Tax

The results from operating activities are stated after charging the following:

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Auditor's Remuneration	8,000	7,080
Auditor's Remuneration – Other Non-Audit Services	1,564	590
Directors' Remuneration	37,694	13,335

### 7.1 Employee Information

The Company did not have any employees during the accounting year.

## 8. Tax Expense

The Company has unabsorbed tax losses claimed from its Parent Company's losses which are available for set off against future taxable profits. The deferred tax benefits arising from the claimed trading losses have not been recognised 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.

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Profit for the year	<b>8,095</b>	(9,058)
Tax at 35%	<b>2,833</b>	(3,170)
Non-Allowable expenses	<b>37,995</b>	39,173
Absorbed Tax Losses	<b>(40,828)</b>	-
<b>Total Tax Charge</b>	<b>-</b>	<b>36,003</b>

## 9. Earnings / (Loss) per Share

Basic earnings / (loss) per share is based on the profit/(loss) attributable to the shareholders of Pharmacare Finance P.L.C. divided by the number of shares in issue at the year-end.

## 10. Loans Receivable

	<u>2023</u>	<u>2022</u>
	Euro	Euro
<b>Non-Current:</b>		
Loan receivable from parent company	<b>16,809,090</b>	5,079,090
<b>Total Loans Receivable</b>	<b>16,809,090</b>	5,079,090

The loan due from the Parent Company bears interest at 6.6% per annum and is receivable annually in arrears on 3 February of each year. The interest shall accrue daily until repayment of the principal amount and payment of all accrued interest in full. The principal loan will be paid in full on 3 February 2033. Subsequent to the original agreement, an amendment was made to its interest rate. The new interest rate is 6.8% per annum. The parent company is acting as a guarantor for the repayment of the Bond Issue and interest thereon. Hence, should the Company fail to honour its commitment towards the bondholders, the parent company would still exhaust its liability towards the Company on settlement of the liabilities due to the bondholders.

The net proceeds from the bond issue have been advanced by the Company to its parent company.

The parent company utilized the said funds towards the funding of product development projects, capacity expansion as well as towards the financing of overheads and general expenses.

## 11. Receivables

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Accrued Interest on Loans Receivable from Parent Company	<b>788,498</b>	204,545
Prepayments	<b>870</b>	6,883
	<b>789,368</b>	211,428

Accrued interest on the loans receivable due from the parent company are due for payment on the anniversary of when the original principal of the loan was advanced by the Company in terms with conditions listed in the Company's Prospectus, taking also into consideration the extra € 200,000 advanced in 2022.

The Company's exposure to credit risk related to other receivables is disclosed in Note 17.3. No provision for Expected Credit

Losses was considered necessary on the above balance due from the parent company, as the parent company is acting as a Guarantor and is financially solid. The directors have assessed that the Probability of Default and Loss Given Default are non-existent.

## 12. Cash and Cash Equivalents

Cash and cash equivalent consists of balances with banks. Cash and cash equivalent included in the statement of cash flows reconcile to the amount shown in the Statement of Financial Position as follows:

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Cash at bank	3,391	1,647
<b>Cash and Cash Equivalents</b>	<b>3,391</b>	<b>1,647</b>

## 13. Share Capital

	<u>2023</u>	<u>2022</u>
	Euro	Euro
<b>Authorised</b>		
250,000 Ordinary Shares of € 1 each	250,000	250,000
<b>Issued and Fully Paid Up</b>		
250,000 Ordinary Shares of € 1 each	250,000	250,000

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.

## 14. Debt Securities in Issue

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Opening balance	5,000,000	5,000,000
Bond issued during the year	17,000,000	-
Redemption of bond	(5,000,000)	-
<b>Bonds, at face value</b>	<b>17,000,000</b>	<b>5,000,000</b>
Bonds, at face value	17,000,000	5,000,000
Bonds issue costs	(552,823)	(124,179)
Amortisation of bond issue cost	37,638	117,650
	<b>16,484,815</b>	<b>4,993,471</b>
Comprising:		
Current	-	4,993,471
Non-Current	16,484,815	-
	<b>16,484,815</b>	<b>4,993,471</b>

At year end, the company had a balance of € 16,484,815 (2022: € 4,993,471) from the bond issue of € 17 million 6% bonds of € 100 nominal value each, redeemable at par in 2033. During the period, the € 5 million bonds on Prospects MTF were redeemed and € 17 million bonds were raised. Consequently, the amount as at year end is made up of the bond issue of € 17 million net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 3 February of each year at the above-mentioned rate. The bonds are listed on the Official Companies List of the Malta Stock Exchange and are jointly guaranteed by the parent company.

Following the early redemption of the original bond in February 2023, the unamortised balance of bond costs was amortized



over the remaining life of the bond. This resulted in a further charge of € 65,909 over and above the yearly amortisation charge of € 12,418 being transferred to the statement of comprehensive income in 2022.

The carrying amount of bonds issued by the Company is considered a reasonable approximation of fair value.

## 15. Trade and Other Payables

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Accrued Interest on Debt Securities in Issue	927,714	53,872
Other Payables	4,842	9,751
Accrued Expenses	17,527	28,320
Amounts due to Parent Company	-	4,138
	<u>950,083</u>	<u>96,081</u>

The carrying value of financial liabilities measured at cost approximates fair value.

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

## 16. Fair Value Hierarchy

The following table shows financial instruments, including those recognised at fair value, for the year ended 31 December 2023, analyzed between those whose fair value is based on:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based upon observable market data

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	Euro	Euro	Euro	Euro
<b>31 December 2023</b>				
<b>Financial Assets</b>				
Loans Receivable	16,809,090	-	-	16,809,090
Receivables	788,498	-	-	788,498
Cash and Cash Equivalents	3,391	-	-	3,391
	<u>17,600,979</u>	-	-	<u>17,600,979</u>
<b>Financial Liabilities</b>				
Debt Securities in Issue	16,484,815	-	-	16,484,815
Trade and Other Payables	950,083	-	-	950,083
	<u>17,434,898</u>	-	-	<u>17,434,898</u>
<b>31 December 2022</b>				
<b>Financial Assets</b>				
Loans Receivable	5,079,090	-	-	5,079,090
Receivables	204,545	-	-	204,545
Cash and Cash Equivalents	1,647	-	-	1,647
	<u>5,285,282</u>	-	-	<u>5,285,282</u>
<b>Financial Liabilities</b>				
Debt Securities in Issue	4,993,471	-	-	4,993,471
Trade and Other Payables	96,081	-	-	96,081

5,089,552	-	-	5,089,552
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During the reporting year ended 31 December 2023, there was no transfer to Level 1 and Level 2 fair value measurement.

## 17. Financial Risk Management

### 17.1 Overview

The Company's activities potentially expose it to a variety of financial risks, including fair value or cash flow interest rate risk, credit risk, liquidity risks and market risks.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

### 17.2 Risk Management Framework

The Board has overall responsibility for the establishment and oversight of the Company's risk management objectives and policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details of these policies are set out below.

### 17.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the loans receivable and accrued interest on loans receivable from its parent company, Pharmicare Premium Limited.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Company's policy is to place cash with financial institutions of a high credit rating.

#### *Exposure to Credit Risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting year was as follows:

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Loans Receivable	16,809,090	5,079,090
Accrued Interest on Loans Receivable	788,498	204,545
Cash and Cash Equivalents	3,391	1,647
	<u>17,600,979</u>	<u>5,285,282</u>

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

### 17.4 Liquidity Risk

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

The Company is exposed to liquidity risk in relation to meeting the future obligations associated with its financial liabilities,

which comprise principally of the bonds issued to the general public and other payables. Prudent liquidity risk management includes, maintaining sufficient cash and liquid assets to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The Company's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the Company's advances to the parent company effected out of the bond issue proceeds, together with the related interest receivable, match the cash outflows in respect of the Company's issued bonds, covering principal and interest payments, as referred to in the table hereunder.

The following table analyses the Company's liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal the carrying balances, as the impact of the discounting is not significant.

### ***Exposure to Liquidity Risk***

The following are the contractual maturities of financial liabilities:

	<u>Within 1</u> <u>Year</u> Euro	<u>Between 1-</u> <u>2 Years</u> Euro	<u>Between 2-</u> <u>5 Years</u> Euro	<u>Over 5</u> <u>Years</u> Euro
<b>31 December 2023</b>				
Debt Securities in Issue	-	-	-	16,484,815
Trade and Other Payables	950,083	-	-	-
	<u>950,083</u>	<u>-</u>	<u>-</u>	<u>16,484,815</u>
<b>31 December 2022</b>				
Debt Securities in Issue	4,993,471	-	-	-
Trade and Other Payables	96,081	-	-	-
	<u>5,089,552</u>	<u>-</u>	<u>-</u>	<u>-</u>

## **17.5 Market Risk**

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

### **Interest Rate Risk**

The Company's transactions consist mainly of earning interest income on advances affected, principally from the bond issue proceeds, and servicing its borrowings. The Company's significant interest-bearing instruments, comprising of advances to the parent company and the bond issued to the general public, are subject to fixed interest rates. The Company has secured the spread between the return on its investment in the parent company and its cost of borrowings. Accordingly, the Company is not exposed to cash flow interest rate risk but is potentially exposed to fair value interest rate risk in view of the nature of the fixed interest nature of its instruments, which are however measured at amortised cost. The Company's operating income and cash flows are substantially independent of changes in market interest rates, and on this basis, the directors consider the potential impact on the profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be insignificant.

### **Currency Risk**

The Company is not exposed to foreign currency risk because its principal assets and liabilities are denominated in Euro. The Company's interest income, interest cost and other operating expenses are also denominated in Euro. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period, is not deemed necessary.

## **17.6 Capital Management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The parent company's objectives when managing capital at the company level is to safeguard the respective company's ability to continue as a going concern in order to provide returns to the parent company and benefits to other stakeholders, and to maintain an optimal capital structure to reduce cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The capital equity, as disclosed in the financial statements, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements. Taking cognizance of the nature of the Company's assets, together with collateral held as security backing the Company's principal borrowings, the capital level at the end of the reporting period is deemed adequate by the directors.

## 18. Related Parties

### 18.1 Parent and Ultimate Controlling Party

The Company is a subsidiary of Pharmacare Premium Limited whose registered office is at HHF 003, Hal Far Industrial Estate, Hal Far, Birzebbugia BBG 3000, Malta. Pharmacare Premium Limited is in turn a subsidiary of Pharmacare Europe Limited which itself is a subsidiary of Dar Al-Shifa' for Manufacturing of Pharmaceuticals Limited, a company incorporated in Palestine.

No single party has a controlling interest in the Company.

### 18.2 Identity of Related Parties

The Company has a related party relationship with its directors, parent and other related companies.

### 18.3 Related Party Transactions and Balances

	<u>2023</u>	<u>2022</u>
	Euro	Euro
<b>Related Company</b>		
Expenses Recharged from	<u>291,890</u>	-
<b>Parent Company</b>		
Interest Income Receivable from	1,076,413	397,955
Net Funds Advanced by/(to)	<u>(4,138)</u>	4,138

Amounts due from related parties are disclosed in Notes 10 and 11 to these financial statements.

The key management of the Company are considered to be the directors. The directors' remuneration has been disclosed in Note 7 to these financial statements.

Related party transactions are entered into on a commercial basis with entities which are related by way of common shareholders who are able to exercise significant influence over the Company's operations. Transactions with these companies principally include advances affected by the Company from the Bond proceeds referred to in the notes to the financial statements

## 19. Capital Commitments

The Company did not have any commitments to purchase any property, plant and equipment at year end.

## 20. Contingent Liabilities

At year end, the Company did not have any contingent liabilities.

## 21. Subsequent Events

The directors have evaluated other subsequent events since 31 December 2023 up to the date of approval of these financial statements and concluded that there were no subsequent events which require disclosure in the financial statements.

**PHARMACARE FINANCE P.L.C.**

**SCHEDULE TO INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<u>2023</u>	<u>2022</u>
	Euro	Euro
<b>Finance Income</b>		
Loan Interest Income	1,076,413	397,955
<b>Finance Costs</b>		
Bond Interest Expense	949,597	287,500
Amortization of Bond Cost	44,166	12,418
<b>Net Interest Income</b>	<u>82,650</u>	<u>98,037</u>
<b>Administrative Overheads</b>		
Auditor's Remuneration	9,564	7,670
Bank Charges	612	300
Directors' Remuneration	37,694	13,335
Legal and Professional Fees	14,718	17,131
Other Charges and Expenses	2,085	912
Registration Fee	8,282	510
Website Costs	1,600	1,328
	<u>74,555</u>	<u>41,186</u>
<b>Other Operating Expenses</b>		
Further Amortization of Bond Costs	-	(65,909)
<b>Operating Profit/(Loss)</b>	<u><u>8,095</u></u>	<u><u>(9,058)</u></u>