

Company Registration No: C 70546

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Steward Malta Ltd

Consolidated Annual Report for the year ending

31st December 2020

Steward Malta Ltd

Company Reg. No.

C 70546

Consolidated Annual Report and Financial Statements for the year ending 31st December 2020

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COMPANY INFORMATION

Company name - Parent company

Steward Malta Ltd

Companies names - Subsidiary companies

Steward Malta Management Ltd

Steward Malta Assets Ltd

Steward Malta Personnel Limited

Date of Company Registration

13th May 2015

Registered Office

Steward Malta, St. Luke's Hospital Campus, Guardamangia Hill, Pieta'.

Director

Dr. Armin Ernst

Company Secretary

Dr. Armin Ernst

Legal Representative

Dr. Armin Ernst

Judicial Representative

Dr. Armin Ernst

Auditor

Mr. Christopher Spiteri B.A. (Hons) Accty, F.I.A., C.P.A.

The director presents his Annual Report and Financial Statements which are in conformity with the Maltese Companies Act, 1995 and are prepared using International Financial Reporting Standards as adopted by the EU.

Director's Report and Statement of Director's Responsibilities

The director presents his report and the audited financial statements of the Company and the Group for the year 31st December 2020.

Principal activities

On 30th November 2015 the Company, together with its subsidiary companies, signed a services concession agreement with the Government of the Republic of Malta for the redevelopment, maintenance, management and operation of the sites at St. Luke's Hospital, Karin Grech Rehabilitation Hospital and Gozo General Hospital. The effective date of the services concession agreement was 1st June 2016.

Review of the business

During the year under review the Company made a net loss for the year amounting to € 9,165. It did not have any revenue during the period of operation while Company expenses amounted to € 9,165.

During the year under review the Group's turnover amounted to € 113,477,410, while its total expenses amounted to € 107,423,825. Consequently the Group made a net profit for the financial year before charging taxation amounting to € 6,053,585.

Results and dividends

The results for the year are set out in the income statement on page 6. The director does not recommend the payment of a dividend.

Future Developments

The Board of Directors main objective remains continuing to expand the business model. It is the Board of Directors' intention to develop the Company and the Group through realignment of the business to provide a more efficient and cost effective structure. The Board of Directors believes that the measures that are being put in place should provide a platform for the Company and the Group to increase profitability.

Director

The director of the company during the financial year was:

Dr. Armin Ernst

In accordance with the company's Articles of Association, the present director remains in office.

Statement of director's responsibilities

The director is required by the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of each reporting year and of the profit or loss for that year.

In preparing the financial statements, the director is responsible for :

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business as a going concern.

.../continued

Director's Report and Statement of Director's Responsibilities

.../continued

The director is also responsible for designing, implementing and maintaining internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995. He is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

At the time of approving the financial statements, the Director considered the Group's operating performance, its statement of financial position as at year end, and its business plan for the coming year. He also determined that the shareholder has given its undertaking to support the Group so that it will continue operating in the foreseeable future. For this reason, the Director has adopted the going concern basis in preparing the financial statements.

Events after reporting period

There were no particular important events or transactions affecting the Company and the Group that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.

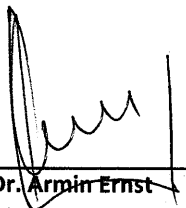
Capital Commitments

As at year end, the Company and the Group did not have any capital commitments.

Auditor

The auditor, Mr. Christopher Spiteri B.A. (Hons) Accty, F.I.A., C.P.A., expressed his willingness to remain in office. A resolution for the auditor's re-appointment will be proposed at the next annual general meeting.

By order of the board dated
24th June 2021



Dr. Armin Ernst
Director

Registered Office
Steward Malta, St. Luke's Hospital Campus, Guardamangia Hill, Pieta'.

INDEPENDENT AUDITOR'S REPORT
To the members of Steward Malta Ltd
For the year ending 31st December 2020

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I have audited the accompanying financial statements of Steward Malta Ltd (the Company) and the Group, which comprise the statement of financial position as at 31st December 2020, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Maltese Companies Act, 1995. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of Steward Malta Ltd (the Company) and the Group as of 31st December 2020, 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 and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

... /
continued

Report on other Legal and Regulatory Requirements

I also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in my opinion:

- The information given in the director's report is not consistent with the financial statements.
- Adequate accounting records have not been kept or that returns have not been received from branches not visited by me.
- The financial statements are not in agreement with the accounting records.
- I have not received all the information and explanations I require for my audit.
- If certain disclosures of the director's remuneration specified by law are not made in the financial statements, giving the required particulars in my report.

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

*This copy of the audit report has been signed
on behalf of the audit practice by*



Mr. Christopher Spiteri B.A. (Hons) Accty, F.I.A., C.P.A.
Registered Auditor

24th June 2021

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Paola - PLA1902
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Income Statement

	Note	The Group		The Company	
		2020 (€)	2019 (€)	2020 (€)	2019 (€)
Revenue	4	112,777,517	100,685,654	-	-
Direct costs		(82,872,128)	(89,040,431)	-	-
Gross Profit		29,905,389	11,645,223	-	-
Administrative expenses		(18,532,068)	(11,242,713)	(9,050)	(9,050)
Exceptional item		(1,927,227)	-	-	-
Finance income		699,893	622,574	-	-
Finance costs		(4,092,402)	(1,828,510)	(115)	(30)
Profit/(Loss) for the year before tax		6,053,585	(803,426)	(9,165)	(9,080)
Income tax charge	6	-	-	-	-
Profit/(Loss) for the financial year		6,053,585	(803,426)	(9,165)	(9,080)

Statement of Comprehensive Income

	The Group		The Company	
	2020 (€)	2019 (€)	2020 (€)	2019 (€)
Profit/(Loss) for the financial year	6,053,585	(803,426)	(9,165)	(9,080)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income/(loss) for the year	6,053,585	(803,426)	(9,165)	(9,080)
Earnings per share	5,044.65	(669.52)	(7.64)	(7.57)

The accounting policies and explanatory notes on pages 10 to 26 are an integral part of these financial statements.

Statement of financial position		The Group		The Company	
		2020	2019	2020	2019
	Notes	(€)	(€)	(€)	(€)
ASSETS					
Non-current assets					
Property, plant and equipment	8	6,055,608	3,924,450	-	-
Contract asset	9	49,495,839	42,751,961	-	-
Financial assets	10	1,971,812	5,040,000	-	-
Total non-current assets		57,523,259	51,716,411	-	-
Current assets					
Inventories	11	3,715,624	2,334,091	-	-
Trade and other receivables	12	30,107,582	9,118,176	-	-
Cash and cash equivalents	13	100,662	2,683,769	942	1,057
Total current assets		33,923,868	14,136,036	942	1,057
TOTAL ASSETS		91,447,127	65,852,447	942	1,057
EQUITY AND LIABILITIES					
Capital and Reserves					
Called up issued share capital	15	1,200	1,200	1,200	1,200
Accumulated losses		(28,496,198)	(34,549,783)	(50,974)	(41,809)
Total equity and reserves		(28,494,998)	(34,548,583)	(49,774)	(40,609)
LIABILITIES					
Non current liabilities					
Interest bearing borrowings	16	24,732,948	22,393,882	-	-
Other borrowings	16	36,371,783	31,922,871	-	-
Total non-current liabilities		61,104,731	54,316,753	-	-
Current liabilities					
Interest bearing borrowings	16	6,352,464	1,860,000	-	-
Trade and other payables	17	52,484,930	44,224,277	50,716	41,666
Current tax liabilities	6	-	-	-	-
Total current liabilities		58,837,394	46,084,277	50,716	41,666
TOTAL LIABILITIES		119,942,125	100,401,030	50,716	41,666
TOTAL EQUITY, RESERVES AND LIABILITIES		91,447,127	65,852,447	942	1,057

The financial statements on pages 6 to 26 were approved and authorised for issue by order of the board dated
24th June 2021


Dr. Armin Ernst
Director

The accounting policies and explanatory notes on pages 10 to 26 are an integral part of these financial statements.

Statement of changes in equity

		The Company		
		Share capital (€)	Accumulated losses (€)	Total (€)
2019				
	Opening balance	1,200	(32,729)	(31,529)
	Loss for the year	-	(9,080)	(9,080)
Balance as at				
	31st December 2019	1,200	(41,809)	(40,609)
2020				
	Opening balance	1,200	(41,809)	(40,609)
	Loss for the year	-	(9,165)	(9,165)
Balance as at				
	31st December 2020	1,200	(50,974)	(49,774)
		The Group		
		Share capital (€)	Accumulated losses (€)	Total (€)
2019				
	Opening balance	1,200	(33,746,357)	(33,745,157)
	Loss for the year	-	(803,426)	(803,426)
Balance as at				
	31st December 2019	1,200	(34,549,783)	(34,548,583)
2020				
	Opening balance	1,200	(34,549,783)	(34,548,583)
	Profit for the year	-	6,053,585	6,053,585
Balance as at				
	31st December 2020	1,200	(28,496,198)	(28,494,998)

The accounting policies and explanatory notes on pages 10 to 26 are an integral part of these financial statements.

Statement of cash flow

	Notes	The Group		The Company	
		2020 (€)	2019 (€)	2020 (€)	2019 (€)
Cash flow from operating activities					
Cash generated from operations	14	2,500,241	13,172,737	-	1,014
Income tax paid		-	-	-	-
Net cash inflow from operating activities		2,500,241	13,172,737	-	1,014
Cash flows used in investing activities					
Purchase of property, plant and equipment		(4,148,141)	(2,306,779)	-	-
Proceeds on disposal of property, plant and equipment		1,355	-	-	-
Development costs for contract asset		(6,743,878)	(16,303,026)	-	-
Movement in financial assets		3,068,188	(5,040,000)	-	-
Finance costs		(4,092,402)	(1,828,510)	(115)	(30)
Net cash outflow from investing activities		(11,914,878)	(25,478,315)	(115)	(30)
Cash flows generated from financing activities					
Movement in bank loans		1,786,116	22,253,882	-	-
Movement in other loan		1,241,398	-	-	-
Net cash inflow from financing activities		3,027,514	22,253,882	-	-
Movement in cash and cash equivalents		(6,387,123)	9,948,304	(115)	984
Cash and cash equivalents at beginning of the year		2,683,769	(7,264,535)	1,057	73
Cash and cash equivalents at end of the year	13	(3,703,354)	2,683,769	942	1,057

The accounting policies and explanatory notes on pages 10 to 26 are an integral part of these financial statements.

Notes to the financial statements

1 Statutory information

This Company is registered, domiciled and incorporated in Malta, and its registered address is Steward Malta, St. Luke's Hospital Campus, Guardamangia Hill, Pieta'.

2 Basis of preparation

2.1 Statement of Compliance

These financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the EU and the Companies Act, 1995.

2.2 Changes in accounting policies and disclosures

Standards, interpretations and amendments to published standards effective in 2020

The Company and the Group have adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company and the Group.

IAS 1 and IAS 8 Amendment	Definition of material - The amendment clarifies the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendment ensures that the definition of material is consistent across all IFRS Standards. This amendment is effective for financial years commencing on or after 1st January 2020.
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Standards, Interpretations and amendments to published standards that are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Company and the Group have not adopted early. The director anticipates that the adoption of International Financial Reporting Standards, that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the Company and the Group in the period of initial application.

Notes to the financial statements

2.3 Basis of Measurement

The financial statements have been prepared under the historical cost convention, as modified by the fair valuation of the non-current asset categories of property, plant and equipment and investment property and except as disclosed in the accounting policies below (Note 3). These accounting policies have been applied consistently to all periods presented in these financial statements.

2.4 Foreign currency translation

(a) Functional currency

Amounts disclosed in the financial statements are presented using the currency denoted in the company's Memorandum of Association, which is the Euro (€).

(b) Transactions and balances

Foreign currency transactions are translated into Euros (€) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

2.5 Critical accounting estimates and judgements

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

2.6 Financial risk factors

The Company's and Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's and Group's overall risk management programme focuses on the unpredictability of market conditions and therefore seeks to minimise potential adverse effects on the Company's and Group's financial performance. Risk management is carried out by the board of directors. The board evaluates, on a periodical basis, financial risk factors based on appropriate skills, experience and supervision.

Market risk

Market risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. The Company's and Group's policy is designed to minimise such risks by implementing the necessary safeguards to counter market risks.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks only independently rated parties are accepted. Risk control assesses the credit quality of customers, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the year and management does not expect any losses from non-performance by these counterparties.

Notes to the financial statements**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company and the Group maintains flexibility in funding by maintaining availability under committed credit lines. The Company and the Group monitors its liquidity on the basis of expected cash flow. This entails projecting cash flows and considering the level of liquid assets necessary to meet the Company's and Group's obligations as they fall due.

Capital risk management

The Company's and Group's objectives when managing capital are to safeguard its ability to continue to operate as a going concern in order to provide returns for the shareholders and to maintain an optimal structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company and the Group may adjust the amount of dividends paid to the shareholders, issue new shares or sell assets to reduce debt. The Company and the Group monitors capital on the basis of its gearing ratio.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company and Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Notes to the financial statements

3 Significant accounting policies

3.1 Property, Plant and equipment

All plant and equipment are initially recorded at cost. Subsequently, all property, plant and equipment are stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their estimated values over their estimated useful lives, as shown hereunder :

	%
Plant & equipment	20
Furniture, fixtures & fittings	10
Office & Computer equipment	25
Improvements to premises	2
Air-conditioners	16.67
Software	25
Motor vehicles	20

Freehold land, land held on perpetual emphyteusis and assets in the course of construction are not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

3.2 Contract asset and Services Concession Agreement

(a) Contract asset

The Group is recognising a contract asset in its statement of financial position to account for the construction, development and maintenance of the healthcare services project during its construction period. The carrying amount of the contract asset is equal to the total costs incurred on this project, profit on the completed construction and financing revenue.

(b) Services Concession Agreement

Under the terms of IFRIC 12 "Services Concessions Arrangements", a concession operator has a twofold activity:

- a construction activity in respect of its obligations to design, build and finance a new asset that it delivers to the grantor: revenue is recognised over time in accordance with IFRS 15;
- an operating and maintenance activity in respect of concession assets: revenue is recognised over time in accordance with IFRS 15.

In return for its activities as operator, the Group will receive remuneration from the grantor and therefore IFRIC 12's financial asset model applies. Under this model, the operator has an unconditional contractual right to receive payments from the concession grantor, irrespective of the amount of use made of the infrastructure.

The operator recognises a financial asset, attracting interest, in its statement of financial position, in consideration for the services it provides (design, construction, etc.). Such financial assets are recognised in the Statement of Financial Position as a Contract asset, in an amount corresponding to the fair value of the infrastructure on first recognition and subsequently at amortised cost. The receivable will in substance, be settled by the operator's right to retain all rental payments to be effected by users upon completion of construction; such payments will be received partly from users and partly from the grantor. Finance income calculated on the basis of the effective interest method is recognised under Finance income in the Statement of Comprehensive Income.

The part of the investment that is covered by an unconditional contractual right to receive payments from the grantor (in the form of contractual services concession charges) is recognised as a Contract asset up to the amount guaranteed.

Notes to the financial statements

3.3 Financial Assets

Classification

The Company and the Group classify their financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

-Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those designated and those held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

-Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting year. These are classified as non-current assets.

-Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months from statement of financial position date.

Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the Company and the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss, if any, is recognised in the income statement when the Company's and Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

3.4 Impairment of assets

The Company and the Group assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the financial statements

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company and the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

(a) Assets carried at amortised cost

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available-for-sale

The Company and the Group assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

3.5 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises packaging costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in income statement.

Notes to the financial statements**3.6 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company and the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments within the allowed credit terms are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, any short term liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value, and overdrawn bank balances. Overdrawn bank balances are shown in current liabilities on the statement of financial position.

3.8 Financial Instruments

Financial assets and financial liabilities are recognised when the Company and the Group has become party to the contractual provisions of the instrument.

3.9 Offsetting financial instruments

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

3.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company and the Group have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the financial statements**3.11 Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.12 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Company and the Group has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

3.13 Current and deferred income tax

The tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the current rate of corporate taxation at the balance sheet date and which is expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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

3.14 Revenue recognition

Revenue comprises the fair value of the consideration receivable for the sale of goods and services in the ordinary course of the Company's and Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The Company and the Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and the Group and specific criteria have been met for each of the activities described below.

Sales of goods are recognised when the goods are delivered to the Company's and Group's customers and the customers have accepted the products and the collectability of the related receivables is reasonably

Finance income is recognised on a time-proportion basis using the effective interest method.

Notes to the financial statements

3.15 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3.16 Finance costs

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

3.17 Associates

Associates are all entities over which the Company and the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. As there are no published price quotations available for the Company's and Group's associates, the Company and the Group has elected to account for investments in associates at cost less any accumulated impairment losses.

3.18 Earnings per share

The Company and the Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company and Group by the weighted average number of ordinary shares outstanding at the end of the period.

Notes to the financial statements

4 Revenue	The Group		The Company	
	2020	2019	2020	2019
	(€)	(€)	(€)	(€)
Government allocation	67,103,447	67,276,680	-	-
Air-ambulance allocation	1,071,667	1,051,667	-	-
Labour Supply Agreement reimbursements	21,117,570	4,242,818	-	-
Revenue from services concession agreement	6,043,985	15,680,452	-	-
Settlement agreements	59,310	1,031,081	-	-
Covid-19 reimbursements	5,401,484	-	-	-
Other income	11,980,054	11,402,956	-	-
Total revenue	112,777,517	100,685,654	-	-

5 Expenses by nature	The Group		The Company	
	2020	2019	2020	2019
	(€)	(€)	(€)	(€)
Costs related to services concession agreement	5,140,212	14,879,484	-	-
Depreciation of property, plant and equipment	1,983,181	1,184,794	-	-
Auditors' remuneration	52,500	52,500	7,500	7,500
Staff costs (refer to note 5.1)	61,261,469	59,828,618	-	-
Finance costs	4,092,402	1,828,510	115	30
(Decrease)/Increase in provision for bad debts	(4,155,556)	123,743	-	-
Bad debts	4,230,888	-	-	-
Covid-19 expenses	1,225,332	-	-	-
Loss on disposal of property, plant and equipment	32,447	-	-	-
Exceptional item (refer to note 5.2)	1,927,227	-	-	-
Other expenses	31,633,723	24,214,005	1,550	1,550
Total expenses	107,423,825	102,111,654	9,165	9,080

5.1 Staff costs	The Group		The Company	
	2020	2019	2020	2019
	(€)	(€)	(€)	(€)
Hospitals employees	52,250,319	49,736,412	-	-
Other wages & salaries	1,353,803	1,462,236	-	-
Total staff costs	53,604,122	51,198,648	-	-
Subcontracted staff	7,657,347	8,629,970	-	-
Total labour costs	61,261,469	59,828,618	-	-

Average number of persons directly employed by the Company and the Group (including director) during the year:

	The Group		The Company	
	2020	2019	2020	2019
	No	No	No	No
Full-timers	1,715	1,548	-	-
Part-timers	4	3	-	-
	1,719	1,551	-	-

By virtue of a Labour Supply Agreement dated 8th January 2016 (and an Addendum dated 30th June 2017) the Government of the Republic of Malta agreed to provide sufficient employees as required for the operation of the hospitals throughout the concession period commencing on 1st June 2016. The actual number of employees provided was less than agreed and the Group directly employed a number of persons to offset the shortfall. The Group has made reimbursement claims to the Government of the Republic of Malta for the cost of these employees.

5.2 Exceptional item

This consists of unallowed input value added tax by the Commissioner for Revenue.

Notes to the financial statements

6	Income tax charge	The Group		The Company	
		2020	2019	2020	2019
		(€)	(€)	(€)	(€)
	Tax charge for the year :				
	Tax @ 35%	-	-	-	-
	Current taxation	-	-	-	-
	Deferred taxation	-	-	-	-
	Income tax charge	-	-	-	-

No provision for Malta income tax has been made in these financial statements in view of the tax losses incurred by the Company and the Group.

The tax on the Company's and Group's profit/(loss) for the year before tax differs from the theoretical amount that would arise using the rate applicable to profits/(losses) as follows:

	The Group		The Company	
	2020	2019	2020	2019
	(€)	(€)	(€)	(€)
Profit/(Loss) for the year before tax	6,053,585	(803,426)	(9,165)	(9,080)
Tax calculated at the current rate of tax - 35%	2,118,755	(281,199)	(3,208)	(3,178)
Tax effects of:				
- unrecognised timing differences	(817,598)	233,731	-	-
- non-deductible expenses	(1,301,157)	47,468	3,208	3,178
Income tax charge	-	-	-	-

7	Deferred taxation	The Group		The Company	
		2020	2019	2020	2019
		(€)	(€)	(€)	(€)
	At the beginning of the year	11,089,024	10,811,984	-	-
	Deferred tax (credit)/charge	(2,272,041)	277,040	-	-
	At the end of the year	8,816,983	11,089,024	-	-

Deferred income taxes are calculated on all temporary differences under the liability method using the current rate of tax of 35%.

	The Group		The Company	
	2020	2019	2020	2019
	(€)	(€)	(€)	(€)
The balance at year end is made up of:				
Provision for bad debts	82,472	1,536,917	-	-
Unabsorbed capital allowances	674,668	57,766	-	-
Unabsorbed tax losses	8,059,843	9,494,341	-	-
	8,816,983	11,089,024	-	-

The director does not consider it prudent to recognise the deferred tax asset arising during the year under review in view of the tax losses incurred by the Company and the Group.

Notes to the financial statements

8 Property, plant and equipment

Year ended	The Group							Total
	Plant & equipment	Furniture, fixtures & fittings	Office & Computer equipment	Improvements to premises	Airconditioners	Software	Motor vehicles	
	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)
31st December 2019								
Opening net book amount	1,042,332	399,769	466,617	210,400	1,051	1,438	680,858	2,802,465
Additions	1,705,210	164,939	300,342	76,866	-	59,422	-	2,306,779
Disposals	-	-	-	-	-	-	-	-
Depreciation charge	(653,905)	(64,367)	(273,770)	(5,924)	(320)	(16,294)	(170,214)	(1,184,794)
Depreciation released-disposal	-	-	-	-	-	-	-	-
Closing net book amount	2,093,637	500,341	493,189	281,342	731	44,566	510,644	3,924,450
Book balance as at 31st December 2019								
Cost or valuation	3,269,526	643,669	1,095,079	296,181	1,922	65,177	851,072	6,222,626
Accumulated depreciation	(1,175,889)	(143,328)	(601,890)	(14,839)	(1,191)	(20,611)	(340,428)	(2,298,176)
Net book amount	2,093,637	500,341	493,189	281,342	731	44,566	510,644	3,924,450
Year ended 31st December 2020								
Opening net book amount	2,093,637	500,341	493,189	281,342	731	44,566	510,644	3,924,450
Additions	3,490,989	144,856	407,348	96,503	-	8,445	-	4,148,141
Disposals	-	(16,022)	(1,531)	(24,396)	(1,388)	-	-	(43,337)
Depreciation charge	(1,352,103)	(77,250)	(359,192)	(7,366)	(89)	(16,967)	(170,214)	(1,983,181)
Depreciation released-disposal	-	6,276	383	1,952	924	-	-	9,535
Closing net book amount	4,232,523	558,201	540,197	348,035	178	36,044	340,430	6,055,608
Book balance as at 31st December 2020								
Cost or valuation	6,760,515	772,503	1,500,896	368,288	534	73,622	851,072	10,327,430
Accumulated depreciation	(2,527,992)	(214,302)	(960,699)	(20,253)	(356)	(37,578)	(510,642)	(4,271,822)
Net book amount	4,232,523	558,201	540,197	348,035	178	36,044	340,430	6,055,608

Notes to the financial statements

9. Contract asset and Services Concession Agreement

On 30th November 2015, the Group signed a services concession agreement with the Government of the Republic of Malta, to make available a minimum of 712 hospital beds per day from the Completion date to the end of the Concession period of 30 years. The effective date of the services concession agreement was 1st June 2016. Construction works on the sites commenced in 2015 and to date works are still underway. The construction and finishing phase is expected to be completed during 2022 and thereafter the operating phase will follow with a duration of twenty four years once the construction and finishing phase is complete.

In line with the agreed terms, the Group has entitlement to cashflows for the provision of healthcare services. Rates are contractually agreed and will be paid by the Government of the Republic of Malta. The Group's total cashflows will equate to the contractually agreed rates.

Upon termination of the emphyteutical grant, the Group is required to hand-over responsibility and ownership of all assets relating to the hospital sites to the Government of the Republic of Malta. During the term of the agreement, the Group is entitled to cashflows relating to beds even if these are vacant. The only condition that entitles it to cash-flows is making such beds available for use. The Group may not however dispose, or change the use of, the properties during the period of the concession. Pursuant to IFRIC 12, when the operator has an unconditional right to receive cash or other financial assets from the grantor in remuneration for concession services, the financial asset model applies. In this context, the infrastructure managed under these contracts cannot be recorded in assets of the operator as property, plant and equipment, but are recorded as financial assets. During the construction phase, the financial asset is recorded as a contract asset.

During the construction phase, a financial receivable is recognised in the Statement of Financial Position and revenue in the Income Statement. The stage of completion of works was determined as the percentage of cost incurred up until the end of the reporting period relative to the total estimated cost (cost-to-cost method). Income amounting to € 6,043,985 from the construction activity was recognised during the year ended 31st December 2020 and € 49,495,839 is cumulatively recognised in the Statement of Financial Position as a contract asset. Since the operation phase did not yet commence, no cashflows were received to date. Costs in relation to construction amounting to € 5,140,212 have been recognised in the Income Statement. The difference between revenue and cost from the construction project during the year represents, in substance, project management fees.

Financial receivables are initially measured at the lower of fair value and the sum of discounted future cashflows and subsequently recognised at amortised cost using the effective interest method. The implied interest rate on the financial receivable is based on the derived rate implicit in the discounted cash flow model encompassing related terms and conditions within the services concession agreement.

The following table sets out the movement in the contract asset:

	2020 (€)	2019 (€)
Balance as at 1st January	42,751,961	26,448,935
Additions, including finance income	6,743,878	16,303,026
	<hr/>	<hr/>
Balance as at 31st December	49,495,839	42,751,961
	<hr/>	<hr/>

10. Financial assets

	The Group		The Company	
	2020 (€)	2019 (€)	2020 (€)	2019 (€)
Shares in related companies	-	-	-	-
Loan receivable	1,971,812	5,040,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,971,812	5,040,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements

11 Inventories

	The Group		The Company	
	2020	2019	2020	2019
	(€)	(€)	(€)	(€)
Pharmacy inventory	2,829,516	1,384,489	-	-
General store inventory	501,064	501,321	-	-
Provisions inventory	3,804	3,796	-	-
Stationery inventory	7,106	6,041	-	-
Maintenance store inventory	127,315	101,085	-	-
Orthotics inventory	246,819	337,359	-	-
	3,715,624	2,334,091	-	-

12 Trade and other receivables

	Note	The Group		The Company	
		2020	2019	2020	2019
		(€)	(€)	(€)	(€)
Trade receivables		1,281,985	453,226	-	-
Related company receivables	19	2,455,506	2,104,284	-	-
Advance deposits		208,250	294,500	-	-
Accrued income		25,366,933	5,048,177	-	-
Prepayments		794,908	814,789	-	-
Other receivables		-	403,200	-	-
		30,107,582	9,118,176	-	-

Trade receivables are stated net of a provision for bad debts of € 235,635 (2019 - € 4,391,191).

13 Cash and cash equivalents

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprised:

	The Group		The Company	
	2020	2019	2020	2019
	(€)	(€)	(€)	(€)
Cash in hand	2,209	3,969	-	-
Cash at bank	98,453	2,679,800	942	1,057
	100,662	2,683,769	942	1,057
Bank overdraft	(3,804,016)	-	-	-
	(3,703,354)	2,683,769	942	1,057

14 Cash generated from operations

	The Group		The Company	
	2020	2019	2020	2019
	(€)	(€)	(€)	(€)
Profit/(Loss) before taxation for the year	6,053,585	(803,426)	(9,165)	(9,080)
<u>Adjustments for:</u>				
Depreciation on property, plant and equipment	1,983,181	1,184,794	-	-
Finance costs	4,092,402	1,828,510	115	30
(Decrease)/Increase in provision for bad debts	(4,155,556)	123,743	-	-
Loss on disposal of property, plant and equipment	32,447	-	-	-
<u>Changes in working capital</u>				
Inventories	(1,381,533)	(600,832)	-	-
Trade and other receivables	(16,833,850)	(6,342,608)	-	-
Trade and other payables	12,709,565	17,782,556	9,050	10,064
	2,500,241	13,172,737	-	1,014

Notes to the financial statements

15 Ordinary share capital	The Group		The Company	
	2020 (€)	2019 (€)	2020 (€)	2019 (€)
Authorised share capital				
200,000,000 ordinary shares of €1 each	200,000,000	200,000,000	200,000,000	200,000,000
Issued and paid up share capital				
1,200 ordinary shares of €1 each, 100% paid up	1,200	1,200	1,200	1,200

Each ordinary share gives the right to one vote, participates equally in profits distributed by the Company and the Group and carries equal rights upon the distribution of assets by the Company in the event of a winding up.

16 Borrowings	The Group		The Company	
	2020 (€)	2019 (€)	2020 (€)	2019 (€)
Amounts falling due within one year				
<u>Interest bearing borrowings</u>				
Bank overdraft	3,804,016	-	-	-
Bank loans	1,617,400	1,860,000	-	-
Other loan	931,048	-	-	-
Total interest bearing borrowings	6,352,464	1,860,000	-	-
Total borrowings due within one year	6,352,464	1,860,000	-	-
Amounts falling due after more than one year				
<u>Interest bearing borrowings</u>				
Bank loans	24,422,598	22,393,882	-	-
Other loan	310,350	-	-	-
Total interest bearing borrowings	24,732,948	22,393,882	-	-
Total borrowings due after more than one year	24,732,948	22,393,882	-	-
<u>Other borrowings</u>				
Related company payables	36,371,783	31,922,871	-	-
Total other borrowings	36,371,783	31,922,871	-	-
Total borrowings due after more than one year	61,104,731	54,316,753	-	-
Total borrowings	67,457,195	56,176,753	-	-

The bank overdraft and bank loans are secured by assets of the Company and the Group and guarantees of the shareholder.

17 Trade and other payables	The Group		The Company	
	2020 (€)	2019 (€)	2020 (€)	2019 (€)
Trade payables	20,482,368	27,052,474	-	-
Hire purchase creditors	9,345	12,679	-	-
Related company payables	-	-	42,332	36,794
Accrued expenses	9,883,435	3,994,286	8,384	4,872
Other payables	-	38,500	-	-
Indirect taxes	22,109,782	13,126,338	-	-
Total trade and other payables	52,484,930	44,224,277	50,716	41,666

Notes to the financial statements

18 Ultimate Controlling Party

The Company and the Group is controlled by Steward Health Care International Ltd, which owns 100% of the issued share capital.

19 Related party transactions

The following transactions were carried out with related parties:

a. Sales of goods and services

	The Group		The Company	
	2020	2019	2020	2019
	(€)	(€)	(€)	(€)
Parent company	-	-	-	-
Subsidiary companies	-	-	-	-
Associate companies	-	-	-	-

b. Purchases of goods and services

	The Group		The Company	
	2020	2019	2020	2019
	(€)	(€)	(€)	(€)
Parent company	-	-	-	-
Subsidiary companies	-	-	-	-
Associate companies	-	-	-	-

c. Year end balances

	Note	The Group		The Company	
		2020	2019	2020	2019
		(€)	(€)	(€)	(€)
<i>Receivables from related parties</i>					
Parent company	12	79,319	42,875	-	-
Subsidiary companies	12	-	-	-	-
Associate companies	12	2,376,187	2,061,409	-	-

	Note	The Group		The Company	
		2020	2019	2020	2019
		(€)	(€)	(€)	(€)
<i>Payables to related parties</i>					
Parent company	17	-	-	-	-
Subsidiary companies	17	-	-	42,332	36,794
Associate companies	16, 17	36,371,783	31,922,871	-	-

The receivables from related parties arise mainly from intercompany transfers. The receivables are unsecured, interest free and have no fixed repayment date.

The payables to related parties arise mainly from intercompany transfers. The payables are unsecured, interest free and have no fixed repayment date.

Notes to the financial statements

20 Contingent liabilities

As at 31st December 2020 the Company and the Group had a contingent liability in respect of guarantees given to third parties amounting to € 2,300.

As at 31st December 2020 the Company and the Group had garnishee orders served against them by trade creditors amounting to € 272,913.

21 Events after the balance sheet date

There have been no events since the balance sheet date which materially affect the position of the Company and the Group.