Company Registration Number: C95118

BROWN'S PHARMA HOLDINGS PLC
Annual Report and Consolidated Financial Statements

31 December 2021

Contents

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Group and the Company for the year ended 31 December 2021.

Principal activities

The parent company's principal activity is to hold shares in two subsidiary companies registered in Malta, Brown's Pharma Limited and JP Pharma Retail Holdings Limited. Brown's Pharma Limited operates pharmacies in various localities in Malta whereas JP Pharma Retail Holdings Limited is an investment holding Company of various companies holding the pharmacy licences under their names. These companies gave right to operate the licences to Brown's Pharma Limited.

Review of the business

The Group continued its trading operations during the year and has reported positive results. The level of business and the Group's financial position remain satisfactory, and the directors expect that the present level of activity will be improved in the foreseeable future. During the year the Group took over the operations of two new pharmacies which continued to consolidate it's financial position. During the year ending 31 December 2021, the pharmacy licences were revalued as at 31 December 2021 with a revaluation gain through other comprehensive income of €11,184,485 (2020: revaluation loss of €2,364,761).

The Company continued to be consistent with last year's financial performance as it has registered a profit before tax of €2,329,188 (2020: €1,234,644). The Company's financial position remain satisfactory, and the directors expect that the present level of activity will be improved in the foreseeable future. During the year, the Company successfully issued a €13,000,000 3.9% unsecured bond. A portion of the proceeds of such bond were mainly advanced to one of its subsidiaries, Brown's Pharma Limited, which were in turn used to repay the bank facilities and to part finance various capital projects of such subsidiary. The rest of the proceeds are held by a Trustee and will be drawn down against the presentation of agreements, requests for payments and/or invoices in relation of future purchase of new pharmacy licences and refurbishment of existing pharmacies.

Results and dividends

The consolidated and separate statement of profit or loss and other comprehensive income is set out on page 12. As at 31 December 2021, the Company's directors proposed a final gross dividend of €2,123,058 to the ordinary shareholders. These dividends are being declared out of taxable profits resulting in a total net dividend to the ordinary shareholders of €1,379,988, equivalent to €0.07 per share. Net dividends to the ordinary shareholders with respect to the period end 31 December 2020 amounted to €798,244, equivalent to €0.04 per share.

Post balance sheet events

There were no adjusting or other significant non-adjusting events between the end of the reporting period and the date of authorisation by the Board of Directors.

Directors' Report – continued

Directors

The directors of the Company who held office during the year ended 31 December 2021 and as at the date of this report are:

Mr. Benjamin Muscat (Chairman)
Mr Alexander Fenech (Retail Director)
Mr. Joseph Caruana
Mr Robert Spiteri
Mr. Paul Camilleri
Mr. Jean-Pierre Miceli
Mr. Joseph Caruana
Mr. Mark Grech (appointed on 18 January 2021)

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

Statement of directors' responsibilities

The directors are required by the Companies Act, 1995 to prepare consolidated financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial period and of the profit or loss for that period.

In preparing the consolidated and separate financial statements, the directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgments and estimates;
- the consolidated and separate financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- the consolidated and separate financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business as a going concern.

The Board of Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the consolidated financial statements comply with the Companies Act, 1995. This responsibility includes designing, implementing, and maintaining such internal controls, as the Board of Directors determines the necessary procedures to enable the preparation of the consolidation and separate financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the Group and the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report – continued

Statement of directors' responsibilities – continued

The financial statements of Brown's Pharma Holdings plc, for the year ended 31 December 2021 are included in the Annual Report 2021 which is published in iXBRL format, in line with the ESEF requirements, and are made available on the Group's website. In view of their responsibility for the controls over, and the security of, the website, the Board of Directors are responsible for the maintenance and integrity of the Annual Report on the website. Access to information published on the Group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Financial reporting framework

The directors have resolved to prepare the Group's consolidated financial statements and the Company's separate financial statements for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union.

Disclosures in terms of the Capital Market Rules

Pursuant to the Capital Market Rule 5.62

Going Concern

The Directors, as required by Listing Rule 5.62 have considered the Group's and Company's operational performance, the statements of financial position as at year end as well as the business plans for the coming year, and declare that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the consolidated financial statements, the Group and the Company are in a position to continue operating as a going concern for the foreseeable future.

Pursuant to the Capital Market Rule 5.64

Share capital structure

The Group's and the Company's authorised and issued share capital amounts to €14,662,916 Ordinary "A" shares of €1 each and €5,432,270 Ordinary "B" shares of €1 each. Class 'A' shares have the right to appoint 1 director who shall have 2.5 votes each in meetings of the Board of Directors. Class 'A' and 'B' share shall, together, be entitled to appoint 3 directors to the Board of Directors of the Group and the Company who shall have 1 vote each in meetings of the Board of Directors. Each holder of 'B' shares shall have the right to appoint 1 director to the Board of Directors of the Group who shall have 1 vote each in meetings of the Board of Directors. Except as otherwise provided, all ordinary shares irrespective of class, shall rank equally in all respects, including without limitation, equal participation in profits distributed by the Group and the Company and equal rights upon distribution of the Group's and Company's assets upon its winding up. Each ordinary share shall entitle the holder to 1 vote at each general meeting. No restrictions apply to the transfer of shares.

Directors' Report – continued

Disclosures in terms of the Capital Market Rules – continued

Pursuant to the Capital Market Rule 5.64 – continued

Holding in excess of 5% of the Share Capital

On the basis of the information available to the Company as at 31 December 2021, 13i Limited and N&N Investments Limited held 7,331,458 shares each, which is equivalent to 36.5% each of the Company's authorized and issued share capital, whilst Elka Investments Limited and JLMX Investments Limited held 2,711,635 shares each, which is equivalent to 13% each of the Company's authorized and issued share capital.

Appointment and Replacement of Directors

Board members are appointed every 1 years and are eligible for re-appointment at the Annual General Meeting. All Directors shall retire from office, at least, once every three (3) years but shall be eligible for re-election

Board Member Powers

The powers of the Board members are contained in Article 54 of the Company's Articles of Association.

Contracts with Board Members and Employees

The Company has no agreements between the Company and the Directors of the Company's Board or employees providing for compensation on termination or cessation of their office for any reason whatsoever.

It is hereby declared that as at 31 December 2021, information required under Capital Market Rules 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 are not applicable to the Company.

Pursuant to the Capital Market Rule 5.68

We confirm that to the best of our knowledge:

a) The consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Company as at 31 December 2021, and of its consolidated and separate financial performance and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
b) The annual report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that the Group and the Company faces.

Directors' Report – continued

Disclosures in terms of the Capital Market Rules – continued

Pursuant to the Capital Market Rule 5.70

There were no material contracts in relation to which a Director of the Group and the Company was directly or indirectly interested.

Pursuant to the Capital Market Rule 5.70.2

Up until 2 March 2021, the Company secretary was Mr. Richard Deschrijver with a registered office at 'St. Paul', Triq Hal-Tartarni, Dingli, Malta. As from 2 March 2021, the Company secretary is Mr. Jean Carl Farrugia and the registered office is 32, Triq Santa Margerita, Siggiewi, Malta.

Disclosure of information to auditors

At the date of making this report the Board of Directors confirm the following:

a) As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
b) Each director has taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

Effects of the Covid-19 pandemic

Following the outbreak of the Covid-19 pandemic, the Board of Directors have continued to actively monitor all developments currently taking place in Malta to take any immediate action to safeguard the interest of the Group and the Company as changes in the business environment become more evident. Such events might have an impact on the performance and financial position of the Group and the Company in the future due to any effects that this pandemic is having on the economy and the industry in which the Group and the Company operates.

The results for the current year show that the Group and the Company has achieved satisfactory results. Whilst the situation remains extremely fluid and future events may have an adverse effect on the Group's and the Company's profitability in the medium to longer term, as well as its liquidity and financial position, the outlook remains cautiously optimistic.

Despite the Group and the Company challenges faced during the peak of Covid-19 pandemic in 2021, the management of the Group and the Company have well-handled these challenges and the Group and the Company has continued its operations normally during the pandemic months.

Directors' Report – continued

Principle risks and uncertainties faced by the Group and the Company

The Board as a whole, including the Audit Committee members, considers the nature and extent of the risk management framework and risk profile that is acceptable to the Board of Directors. The Audit Committee regularly reviews the work carried out and ensures that any weaknesses identified are remedied so as not to pose a risk to the Group and the Company.

The Group has established strategic relationships with key suppliers. These relationships support the Group's products and services offered and sales activities in general. There is no guarantee that the Group will be able to maintain these alliances, enter into further alliances or that existing suppliers will not enter into relationships with the Group's competitors. The loss of any of these relationships could have a material adverse effect on the Group's business, results of operations and financial condition.

Auditor

The auditor, Equis Assurance Limited, has intimated its willingness to continue in office and a resolution to reappoint them as auditor of the Group and the Company will be proposed at the forthcoming Annual General Meeting.

Registered address:

The registered office of the Group and the Company is Brown's Pharmacies, Triq l-Industrija, Qormi, Malta.

Signed on behalf of the Group's and the Company's Board of Directors on 27 April 2022 by Mr. Benjamin Muscat (Chairman), Mr. Alexander Fenech (Retail Director) and Mr. Paul Camilleri (Director) as per the Director's Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2021

Corporate Governance - Statement of Compliance

The Capital Market Rules issued by the Malta Financial Services Authority, require listed companies to observe The Code of Principles of Good Corporate Governance (the "Code"). Although the adoption of the Code is not obligatory, Listed Companies are required to include, in their Annual Report, a Directors' Statement of Compliance which deals with the extent to which Brown's Pharma Holdings plc (the 'Company') has adopted the Code of Principles of Good Corporate Governance and the effective measures that the Company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

Compliance

The Company's Board of Directors (the "Board") believe in the adoption of the Code and has endorsed them except where the size and/or 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

The Board of Directors is responsible for devising a strategy, setting policies and the management of the Company. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the Prospectus and all relevant rules and regulations.

Throughout the year under review, the Board regularly reviewed management performance. The Company has in place systems whereby the directors obtain timely information from the Retail Director, not only at meetings of the Board but at regular intervals or when the need arises.

Chairperson and Chief Executive Officer

The Chairperson's main function is to lead the board, set the agenda and ensure that all board members partake in discussions of complex and contentious issues.

The Company did not appoint any Chief Executive Officer; however, the day-to-day operations of the Group is under the responsibility of the Retail Director.

Complement of the Board

The Board is composed of one executive and six non-executive directors, as listed below. The directors were appointed on 25 November 2020, the date of incorporation of the Company, while Mark Grech, was appointed on 18 January 2021. All directors have been reappointed to their posts on a three-yearly basis.

Executive Director
Alexander Fenech (Retail Director)

Corporate Governance - Statement of Compliance – continued

Complement of the Board – continued

Non-Independent Non-Executive Directors
Robert Spiteri
Paul Camilleri
Jean-Pierre Micelli

Independent Non-Executive Directors

Benjamin Muscat (Chairperson)
Joseph Caruana
Mark Grech

Directors are appointed during the Company's Annual General Meeting for periods of one year, at the end of which term they may stand again for re-election. All Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election. The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

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 Company is delegated to the Retail Director 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.

The Board also approves, after review and recommendation by the Audit Committee, the transfer of funds and other amounts payable to companies within the same group, and ensures that these are subject to terms and conditions which are on an arm's length basis.

Directors' Attendance at Board Meetings

The Board believes that it has systems in place to fully comply with the principles of the Code. Directors meet regularly, mainly to review the financial performance of the Company and to review internal control processes. Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting Board papers, which are circulated well in advance of the meeting. All the directors have access to independent professional advice at the Company's expense should they so require.

Corporate Governance - Statement of Compliance – continued

Directors' Attendance at Board Meetings – continued

The Board met formally six times during the year under review. The number of board meetings attended by directors for the year ended 31 December 2021 is as follows:

Member	Attended
Alexander Fenech Benjamin Muscat	6
Benjamin Muscat	6
Joseph Caruana	5
Mark Grech	5
Robert Spiteri	6
Paul Camilleri	6
Jean-Pierre Micelli	6

Committees

The directors believe that, due to the Company's size and operation, the remuneration, evaluation and nominations committees that are suggested in the Code are not required, and that the function of these can efficiently be undertaken by the board itself. However, the Board on an annual basis undertakes a review of the remuneration paid to the directors and carries out an evaluation of their performance and of the audit committee. The shareholders approve the remuneration paid to the directors at the annual general meeting.

Audit Committee

The Board established an Audit Committee (the "Committee") in 2021 and has formally set out Terms of Reference as outlined in the Principles laid out in the Capital Markets Rules. The purpose of the Committee is to protect the interest of the Company's share and bondholders and assist the directors in conducting their role effectively. The Audit Committee also monitors the financial reporting process, the effectiveness of internal control and the audit of the annual financial statements. Additionally, it is responsible for monitoring the performance of the entities borrowing funds from the Company, to ensure that budgets are achieved and if not that corrective action is taken as necessary. It also scrutinises and supervises related party transactions for materiality and ensures that these are carried out at arm's length basis.

The Members of the Audit Committee are:

Joseph Caruana (Chairman of the Audit Committee)
Benjamin Muscat
Mark Grech

Corporate Governance - Statement of Compliance – continued

Audit Committee – continued

Joseph Caruana graduated with a Bachelor of Mechanical Engineering (Hons.) in 1986 and obtained a Master's degree in Business Administration from Brunel University in 2000. An engineer by profession, Joseph held various posts in several companies worldwide including Sulzer Escher-Wyss A.G., and Air Malta Co. Ltd. He also acted as Operations Director and Deputy Chief Executive Officer at Toly Products and was a General Manager in FXB Furniture Ltd., Marsovin Ltd., H.H. Ltd., and MGC Electronics Ltd. In 2005 he set up Inspectra Limited, providing custom quality control inspections and sorting as well as calibration services to the Maltese industry. Joseph acted as Chief Executive Officer of Mater Dei Hospital between 2011 and 2014 and currently is the senior partner and founder of Tuning Fork Limited – a management consulting firm.

Benjamin Muscat is a Certified Public Accountant by profession (Fellow of the Association of Chartered and Certified Accountants – ACCA) with a long career in finance and management at senior executive positions. He has worked in various industry sectors including switchgear manufacturing, food production, beer and soft drink brewing and production and bottling, international fast food franchising, hospitality and timeshare, construction and real estate development, including marketing and selling luxury condominiums. In his capacity as Chief Executive Officer of MIDI Plc, a Maltese listed company, Benjamin was key in the development of the Tigné Point Project. Benjamin was also instrumental in the promotion of the re-generation of part of Malta's historical Grand Harbour including the development of a cruise ship porting facility locally known as the Valletta Waterfront project. He also has extensive experience in raising project specific funding via banking facilities, third party investment, private placements, and issue of equity and debt instruments through retail offers subsequently listed on the Malta Stock Exchange. Today, Benjamin provides professional services as a freelance consultant and sits on the board of directors of a number of listed companies, three on the MSE Main Market, namely; Merkanti Holdings Plc, Shoreline Mall Plc and Phoenicia Finance Plc, and two on the Prospects MTF, namely; The Convenience Shop (Holding) Plc and Horizon Finance Plc.

Mark Grech is a lawyer by profession (graduated as Doctor of Laws from the University of Malta in 2016) with a passion for business. Mark co-founded One Culture Limited a company that specialises in mass events. Mark is a co-founder of Eleven Entertainment Group and Thirteen Media Limited. In 2018, Mark co-founded X Factor Malta and, in 2020, Malta's Got Talent - two television entertainment-related projects.

The Committee met three times during the year to 31 December 2021.

The Audit Committee is independent and is constituted in accordance with the requirements of the Capital Market Rules. The Head of Finance and the external auditors of the Company attend the meetings of the Committee by invitation. Other executive directors and external consultants are requested to attend when required. The Company Secretary also acts as Secretary to the Audit Committee.

Corporate Governance - Statement of Compliance – continued

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.

None of the directors is employed or has a service contract with the Company.

No part of the remuneration paid to the directors is performance-based. None of the directors, in their capacity as a Director of the Company, is entitled to profit sharing, share options or pension benefits.

The directors received € 33,111 in aggregate for services rendered during 2021.

Relations with bondholders and the market

The Company publishes interim and annual financial statements, and when required, company announcements. The Board feels these provide the market with adequate information about its activities.

Conflicts of Interest

On joining the Board and regularly thereafter, directors and officers of the Company are informed and reminded of their obligations on dealing in securities of the Company within the parameters of law and Capital Markets Rules. The Company has also set reporting procedures in line with the Capital Markets Rules, Code of Principles, and internal code of dealing.

Signed on behalf of the Group's and the Company's Board of Directors on 27 April 2022 by Mr. Benjamin Muscat (Chairman), Mr. Alexander Fenech (Retail Director) and Mr. Paul Camilleri (Director) as per the Director's Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	**Year ended 31 December The Group 2021 €**	Period ended 31 December The Group 2020 €	**Year ended 31 December The Company 2021 €**	Period ended 31 December The Company 2020 €
Revenue	3	**31,159,505**	24,602,685	**-**	-
Cost of Sales	4	**(20,880,733)**	(17,435,466)	**-**	-
Gross profit		**10,278,772**	7,167,219	**-**	-
Administrative expenses	4	**(5,631,144)**	(4,385,188)	**(109,064)**	(12,732)
Selling and distribution expenses	4	**(501,830)**	(366,622)	**-**	-
Other income	7	**63,687**	74,673	**-**	-
Net loss from other trading activities		**-**	(398)	**-**	-
Operating profit/(loss)		**4,209,485**	2,489,684	**(109,064)**	(12,732)
Investment Income	6	**-**	2	**2,712,000**	1,247,376
Finance costs	8	**(780,935)**	(498,170)	**(273,748)**	-
Profit before income tax		**3,428,550**	1,991,516	**2,329,188**	1,234,644
Income tax	9	**(1,307,832)**	(753,475)	**(949,200)**	(436,400)
Profit for the financial year/period		**2,120,718**	1,238,041	**1,379,988**	798,244
Other comprehensive income/(loss)					
Revaluation increase/(decrease) on intangible assets	11	**11,184,485**	(2,364,761)	-	-
Income tax (charge)/credit relating to components of other comprehensive income	9	**(3,914,570)**	827,667	-	-
Other comprehensive income/(loss) for the financial year/period		**7,269,915**	(1,537,094)	**-**	-
Total comprehensive income/(loss) for the financial year/period		**9,390,633**	(299,053)	**1,378,988**	798,244

The accounting policies and explanatory notes on pages 20 to 59 form an integral part of the consolidated and separate financial statements.

Consolidated Statement of Financial Position

	Notes	**Year ended 31 December The Group 2021 €**	Period ended 31 December The Group 2020 €	**Year ended 31 December The Company 2021 €**	Period ended 31 December The Company 2020 €
ASSETS					
Non-current assets					
Intangible assets	11	**43,267,096**	29,199,942	**-**	-
Goodwill	13	**2,152,825**	2,152,825	**-**	-
Property, plant and equipment	12	**1,989,812**	1,431,706	**-**	-
Right of use assets	14	**8,095,451**	6,665,288	**-**	-
Financial assets					
- Investments in subsidiaries	15	**-**	-	**20,084,988**	20,084,988
Trade and other receivables	17	**3,996,603**	-	**3,996,603**	-
		59,501,787	39,449,761	**24,081,591**	20,084,988
Current assets					
Inventories	16	**2,513,781**	2,061,941	**-**	-
Trade and other receivables	17	**2,843,634**	3,142,924	**9,390,142**	800,691
Cash and cash equivalents	27	**2,402,403**	570,682	**1,200**	1,200
		7,759,818	5,775,547	**9,391,342**	801,891
Total assets		**67,261,605**	45,225,308	**33,472,933**	20,886,879
EQUITY					
Capital and reserves					
Share capital	18	**20,086,186**	20,086,186	**20,086,186**	20,086,186
Retained earnings	20	**1,058,952**	296,734	**-**	-
Revaluation reserve	19	**5,732,821**	(1,537,094)	**-**	-
Equity attributable to the equity holders of the present		**26,877,959**	18,845,826	**20,086,186**	20,086,186
Non – controlling interest		**-**	21,488	**-**	-
Total Equity		**26,877,959**	18,867,314	**20,086,186**	20,086,186

Consolidated Statement of Financial Position – continued

	Notes	**Year ended 31 December The Group 2021 €**	Period ended 31 December The Group 2020 €	**Year ended 31 December The Company 2021 €**	Period ended 31 December The Company 2020 €
LIABILITIES					
Non-current liabilities					
Interest-bearing borrowings	21	**12,735,710**	1,723,317	**12,735,710**	-
Redeemable preference shares	28	**-**	12	**-**	-
Trade and other payables	24	**73,597**	2,135,090	**-**	-
Deferred taxation	23	**12,472,900**	8,575,760	**-**	-
Lease liabilities	22	**7,852,519**	6,651,106	**-**	-
		33,134,726	19,085,285	**12,735,710**	-
Current liabilities					
Interest-bearing borrowings	21	**100,000**	415,033	**-**	-
Redeemable preference shares	28	**14**	-	**-**	-
Trade and other payables	24	**6,145,112**	6,071,239	**651,037**	800,693
Lease liabilities	22	**329,319**	271,689	**-**	-
Current taxation	25	**674,475**	514,748	**-**	-
		7,248,920	7,272,709	**651,037**	800,693
Total liabilities		**40,383,646**	26,357,994	**13,386,747**	800,693
Total equity and liabilities		**67,261,605**	45,225,308	**33,472,933**	20,886,879

The accounting policies and explanatory notes on pages 20 to 59 form an integral part of the consolidated and separate financial statements.

The consolidated and separate financial statements on pages 12 to 59 were approved and authorised for issue by the Board of Directors on 27 April 2022 and signed on behalf of the Group's and the Company's Board of Directors by Mr. Benjamin Muscat (Chairman), Mr. Alexander Fenech (Retail Director) and Mr. Paul Camilleri (Director) as per the Director's Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2021

Consolidated Statement of Changes in Equity

The Company

	Note	**Share capital €**	**Retained earnings €**	**Total €**
Issue of share capital		20,086,186	-	20,086,186
Comprehensive income				
Total comprehensive income for the financial period		-	798,244	798,244
Transactions with owners				
Dividends	10	-	(798,244)	(798,244)
Balance at 31 December 2020		**20,086,186**	**-**	**20,086,186**
Balance at 1 January 2021		20,086,186	-	20,086,186
Comprehensive income				
Total comprehensive income for the financial year		-	1,379,988	1,379,988
Transactions with owners				
Dividends	10	-	(1,379,988)	(1,379,988)
Balance at 31 December 2021		**20,086,186**	**-**	**20,086,186**

Consolidated Statement of Changes in Equity – continued

The Group

	Note	Share capital €	Retained earnings €	Revaluation reserve €	Total €	Non-controlling interests €	Total Equity €
		Attributable to the equity holders of the parent					
Accumulated losses taken over upon acquisition		-	(143,063)	-	(143,063)	21,488	(121,575)
Issue of share capital		20,086,186	-	-	20,086,186	-	20,086,186
Comprehensive loss							
Total comprehensive loss for the financial period		-	1,238,041	(1,537,094)	(299,053)	-	(299,053)
Transaction with owners							
Dividends	10	-	(798,244)	-	(798,244)	-	(798,244)
Balance at 31 December 2020		**20,086,186**	**296,734**	**(1,537,094)**	**18,845,826**	**21,488**	**18,867,314**

Consolidated Statement of Changes in Equity – continued

The Group

	Note	Attributable to the equity holders of the parent					
		Share capital	**Retained earnings**	**Revaluation reserve**	**Total**	**Non-controlling interests**	**Total Equity**
		€	**€**	**€**	**€**	**€**	**€**
Balance at 1 January 2021		20,086,186	296,734	(1,537,094)	18,845,826	21,488	18,867,314
Accumulated losses taken over upon acquisition		-	21,488	-	21,488	(21,488)	-
Comprehensive income							
Total comprehensive income for the financial year		-	2,120,718	7,269,915	9,390,633	-	9,390,633
Transaction with owners							
Dividends	10	-	(1,379,988)	-	(1,379,988)	-	(1,379,988)
Balance at 31 December 2021		**20,086,186**	**1,058,952**	**5,732,821**	**26,877,959**	**-**	**26,877,959**

The accounting policies and explanatory notes on pages 20 to 59 form an integral part of the consolidated and separate financial statements.

Consolidated Statement of Cash Flows

	Notes	**Year ended 31 December The Group 2021 €**	Period ended 31 December The Group 2020 €	**Year ended 31 December The Company 2021 €**	Period ended 31 December The Company 2020 €
Operating activities					
Cash generated from/ (used by) operations	26	**5,137,017**	3,044,091	**(88,110)**	1,202
Interest paid		**(135,223)**	(102,001)	**-**	-
Tax paid	25	**(1,165,535)**	(510,245)	**-**	-
Net cash generated from operating activities		**3,836,259**	2,431,845	**(88,110)**	1,202
Investing activities					
Goodwill upon acquisition and issue of share capital		**-**	(2,149,380)	**-**	-
Intangible assets upon issue of share capital		**-**	(17,934,559)	**-**	-
Purchase of property, plant and equipment	12	**(867,344)**	(506,070)	**-**	-
Purchase of website costs	11	**(141,082)**	(87,757)	**-**	-
Purchase of pharmacy licence	11	**(2,800,000)**	(1,652,000)	**-**	-
Purchase of shares in subsidiary companies	15	**-**	-	**-**	(20,084,988)
Increase in amounts due from subsidiaries		**-**	-	**(6,832,154)**	-
Net cash used in investing activities		**(3,808,426)**	(22,329,766)	**(6,832,154)**	(20,084,988)
Financing activities					
Issue of share capital		**-**	20,086,186	**-**	20,086,186
Issue of redeemable preference shares		**2**	1	**-**	-
Non-controlling interest		**-**	21,488	**-**	-
(Decrease)/increase in bank borrowings		**(2,038,350)**	993,980	**-**	-
Increase in debt securities in issue net of transaction costs		**12,721,800**	-	**12,721,800**	-
Net movement in amounts held by Trustee		**(3,996,603)**	-	**(3,966,603)**	-
Net movements in shareholders' loan (net of dividend declared)		**(3,866,414)**	(2,800)	**(1,804,933)**	(1,200)
Principal payments of lease liabilities		**(1,016,547)**	(653,695)	**-**	-
Net cash generated from financing activities		**1,803,888**	20,445,160	**6,920,264**	20,084,986

Consolidated Statement of Cash Flows – continued

	Notes	**Year ended 31 December The Group 2021 €**	Period ended 31 December The Group 2020 €	**Year ended 31 December The Company 2021 €**	Period ended 31 December The Company 2020 €
Net movement of assets and liabilities taken over upon consolidation		**-**	23,443	**-**	-
Movement in cash and cash equivalents		**1,831,721**	570,682	-	1,200
Cash and cash equivalents at beginning of year/period		**570,682**	-	**1,200**	-
Cash and cash equivalents at end of year/period	27	**2,402,403**	570,682	**1,200**	1,200

The accounting policies and explanatory notes on pages 20 to 59 form an integral part of the consolidated and separate financial statements.

Notes to the Financial Statements

1. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Companies Act (Cap.386). The consolidated financial statements have also been prepared in accordance with IFRS Standards adopted by the European Union and therefore the Group consolidated financial statements comply with Article 4 of the EU IAS Consolidated Regulation.

The consolidated financial statements are prepared under the historical cost convention, except for the revaluation of intangible assets that are measured at revalued amounts, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The comparative period of the consolidated and separate financial statement has been prepared for a 10-months period which is from 5 March 2020 to 31 December 2020.

i. Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Board of Directors, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

ii. New and amended IFRS Standards that are effective for the current year

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Group and the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

1. Accounting policies – continued

a. Basis of preparation – continued

ii. New and amended IFRS Standards that are effective for the current year – continued

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year – continued

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16

In March 2021, the Board issued *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease.

Impact on accounting for changes in lease payments applying the exemption

The impact for changes in lease payments applying the exemption is not considered to be material.

1. Accounting policies – continued

a. Basis of preparation – continued

iii New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these consolidated and separate financial statements, the Group and the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective had not yet been adopted by the EU:

IFRS 17 (including the June 2020 amendments to IFRS 17)	*Insurance Contracts*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current and Non-current*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Board of Directors do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group and the Company in future periods.

1. Accounting policies – continued

b. Basis of consolidation

The Group's consolidated financial statements consolidate those of the parent company and all of its subsidiaries and sub-subsidiaries as of 31 December 2021. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiaries have a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment losses from the Group's perspective. The amounts reported in the separate financial statement of the subsidiaries have been adjusted, where necessary, to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed off during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

c. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquire at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all the liabilities assumed and reviews the procedure used to measure the amounts to be recognised at the acquisition date.

1. **Accounting policies** – continued

c. **Business combinations and goodwill** – continued

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposal operation and the portion of the cash-generating unit retained.

d. Revenue recognition

Revenue is recognised upon delivery of products and service. They are reported in the consolidated financial statements as revenue, net of VAT and discounts. Other revenues earned by the Group and the Company are recognised on the following basis:

Interest income – as it accrues, unless collectability is in doubt.

Dividend income – when the shareholder's right to receive payment is established.

e. Foreign currencies

(i) Functional and presentation currency

Items included in the Group's consolidated, and the Company's separate financial statements are measured using the currency of the primary economic environment in which the entity operates. The Euro is the Group's and the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency (Euro) 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 consolidated statement of profit or loss and other comprehensive income.

1 Accounting policies – continued

f. Intangible assets

Intangible assets comprise of pharmacy licences and website costs. The subsidiary companies within the Group hold the licence to operate the pharmacy outlets and gave the rights to operate these licences to Brown's Pharma Limited, the Company's subsidiary.

Acquired website is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 4 years. Costs associated with maintaining the website are recognised as an expense incurred.

The licences are initially measured at cost. After initial recognition, the licences are carried at revalued amount, being its fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

If the carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If the carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The licenses have an indefinite useful life thus should not be amortised. An asset is considered as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The useful life should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to definite should be accounted for as a change in an accounting estimate.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (j)).

1. Accounting policies – continued

g. Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the Group's incremental borrowing rate, currently established at 5.5%.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments);
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the incremental borrowing rate) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate
- The lease payments change due to changes in an index or rate in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date. They are subsequently measured at cost less accumulated depreciation and impairment losses as per IAS 36 - Impairment of Assets.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. The depreciation starts at the commencement date of the lease.The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

1. Accounting policies – continued

h. Property, plant and equipment

Property, plant and equipment, comprising improvements to premises, computer equipment, furniture and fittings, electrical installations and shop equipment are initially recorded at cost and are subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

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

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Improvements to premises	1%
• Computer equipment	33%
• Furniture and fittings	10%
• Shop equipment	15%
• Electrical installations	6.66%
• Motor Vehicle	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (j)).

i. Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting. The dividend income from such investments is included in the statement of profit or loss and other comprehensive income.in the accounting period in which the Company's rights to receive payment of any dividend is established. The Company gathers objective evidence that an investment is impaired. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of profit or loss and other comprehensive income.

1. Accounting policies – continued

j. Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

k. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

l. Financial assets

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition either at amortised cost, fair value through other comprehensive income ("OCI") or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, or for which the Group and the Company has applied the practical expedient, the Group and the Company initially measures a financial asset at its fair value.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

1. Accounting policies – continued

l. Financial assets – continued

(a) *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost;
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
d) Financial assets at fair value through profit or loss

The Group and the Company does not hold any financial assets at fair value through OCI, financial assets designated at fair value through OCI and financial assets at fair value through profit or loss.

(b) *Financial assets at amortised cost*

The Group and the Company measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) *Financial assets at amortised cost*

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost are trade and other receivables which are expected to be received within 1 year from period end.

(d) *Derecognition*

A financial asset is primarily derecognised when:

a) The rights to receive cash flows from the asset have expired; or
b) The Group and the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either the Group and the Company has transferred substantially all the risks and rewards of the asset or the Group and the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1. Accounting policies – continued

l. Financial assets – continued

(e) *Impairment*

The Group and the Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expects to receive, discounted at an approximate of the original effective interest rate. The expected cash flows will include cash flows from the sale of a collateral held or other credit enhancements that are integral to the contractual terms.

For amounts due from related party, the Group and the Company applies a simplified approach in calculating ECLs. Therefore, the Group and the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

The Group and the Company considers a financial asset in default when contractual payments are ninety (90) days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

m. Financial liabilities at amortised costs (loans and borrowings)

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and Company's financial liabilities include debt securities in issue.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate, the "EIR" method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

1. Accounting policies – continued

m. Financial liabilities at amortised costs (loans and borrowings) – continued

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

n. Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

o. Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at face value. For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

p. Current and deferred taxation

The tax expense for the period comprises current and deferred taxation.

Taxation is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or equity, respectively.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the results as reported in profit or loss because it excludes items which hare non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. Current tax also includes any tax arising from dividends. It is calculated using the tax rates that have enacted or substantively enacted by the end of the reporting period, and any adjustments in relation to the prior periods.

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

1. Accounting policies – continued

q. Share capital and dividends

Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

r. Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

s. Preference share capital

Preference share capital that provides for mandatory redemption by the Company for a fixed or determinable amount at a fixed or determinable future date, or at the option of the holder, contains a financial liability as the issuer has an obligation to transfer financial assets to the holder of the share.

t. Employee benefits

The Group contribute towards the state pension in accordance with local legislation. The only obligation is to make the required contributions. Costs are expensed in the period in which they are incurred.

u. Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

v. Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related party accounts are carried at cost, net of any impairment charge.

2. Critical accounting estimates and judgements

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

In the opinion of the Board of Directors, the accounting estimates and judgements made in the course of preparing these consolidated and separate 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.

3. Revenue

All the Group's revenue is generated from the local sales and export of pharmaceutical products.

4. Expenses by nature

	Year ended 31 December	Period ended 31 December	**Year ended 31 December**	Period ended 31 December
	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Depreciation of property, plant and equipment (Note 12)	**309,238**	225,809	-	-
Depreciation of right-of-use assets (Note 14)	**473,462**	418,456	**-**	-
Amortisation of intangible assets (Note 11)	**58,413**	23,143	**-**	-
Staff costs (Note 5)	**3,529,943**	2,809,331	**-**	-
Foreign exchange differences	**104**	(6,738)	**-**	-
Directors' remuneration	**95,815**	91,473	**33,311**	-
Auditor's remuneration	**33,075**	25,556	**10,900**	2,950
Bad debts	**31,162**	475	**-**	-
Cost of goods sold	**20,880,733**	17,435,466	**-**	-
Other expenses	**1,601,762**	1,164,305	**64,853**	9,782
Total cost of sales, administrative expenses and selling and distribution expenses	**27,013,707**	22,187,276	**109,064**	12,732

4. Expenses by nature – continued

Auditor's fees

Fees charged, excluding VAT, by the auditor for the services rendered during the financial periods ended 31 December 2021 & 2020 relate to the following:

	Year ended 31 December	Period ended 31 December	**Year ended 31 December**	Period ended 31 December
	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Annual statutory auditors	**33,075**	25,556	**10,900**	2,950
Tax compliance & advisory services	**4,275**	-	**300**	-
Other non – audit services	**5,200**	-	**3,800**	-
	42,550	25,556	**15,000**	2,950

5. Staff costs

	Year ended 31 December	Period ended 31 December	**Year ended 31 December**	Period ended 31 December
	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Wages and salaries	**3,399,621**	2,701,749	**-**	-
Social security costs	**130,322**	107,582	**-**	-
	3,529,943	2,809,331	**-**	-

Average number of full-time equivalents employed by the Group and the Company during the year/period:

	Year ended 31 December	Period ended 31 December	**Year ended 31 December**	Period ended 31 December
	The Group 2021	The Group 2020	**The Company 2021**	The Company 2020
Direct	**195**	169	**-**	-

6. Investment income

	Year ended 31 December	Period ended 31 December	**Year ended 31 December**	Period ended 31 December
	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Dividend receivables	**-**	-	**2,712,000**	1,247,376
Interest receivable on bank balances	**-**	2	**-**	-
	-	2	**2,712,000**	1,247,376

7. Other income

	Year ended 31 December	Period ended 31 December	**Year ended 31 December**	Period ended 31 December
	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Other income	**9,885**	49,751	**-**	-
Reimbursement of salaries	**53,802**	24,922	**-**	-
	63,687	74,673	**-**	-

8. Finance costs

	Year ended 31 December	Period ended 31 December	**Year ended 31 December**	Period ended 31 December
	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Interest payable on debt security in issue	**259,838**	-	**259,838**	-
Amortisation of debt security in issue costs	**13,910**	-	**13,910**	-
Interest payable on amounts due to third party	**10,432**	-	**-**	-
Interest payable on bank loans	**116,785**	93,100	**-**	-
Interest payable on bank overdraft	**6**	901	**-**	-
Interest payable on third party loan	**8,000**	8,000	**-**	-
Finance cost – lease liability	**371,964**	396,169	**-**	-
	780,935	498,170	**273,748**	-

9. Income tax

	Year ended 31 December	Period ended 31 December	**Year ended 31 December**	Period ended 31 December
	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Current tax:				
At 15 %	**-**	-	**-**	136
At 35%	**1,321,552**	769,483	**949,200**	436,264
Under provision of prior period tax	**3,710**	-	**-**	-
Deferred tax credit for the year/period (Note 23)	**(17,430)**	(16,008)	**-**	-
	1,307,832	753,475	**949,200**	436,400

The tax expense and the result of accounting profit multiplied by the statutory domestic income tax rate is reconciled as follows:

	Year ended 31 December	Period ended 31 December	**Year ended 31 December**	Period ended 31 December
	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Profit before tax	**3,428,550**	1,991,516	**2,329,188**	1,234,644
Tax on accounting profit at 35% thereon	**1,199,993**	697,031	**815,216**	432,125
Tax effect of:				
Net effect on right-of-use assets depreciation and lease liabilities finance charge	**(80,417)**	56,326	**-**	-
Income not subject to tax	**(4,007)**	(6,381)	**-**	-
Income subject to reduce tax rates of tax	**-**	-	**-**	(182)
Non-allowable expenses	**189,443**	15,792	**133,984**	4,457
Temporary difference	**16,540**	6,715	**-**	-
Movement in deferred tax	**(17,430)**	(16,008)	**-**	-
Under provision of prior-period tax	**3,710**	-	**-**	-
	1,307,832	753,475	**949,200**	436,400

9. **Income tax** – continued

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in consolidated other comprehensive income:

	Year ended 31 December	Period ended 31 December	**Year ended 31 December**	Period ended 31 December
	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Deferred tax:				
Gains/(losses) on pharmacy licences revaluation	**3,914,570**	(827,667)	**-**	-
Total income tax recognised in other comprehensive income	**3,914,570**	(827,667)	**-**	-

10. Dividends

	Year ended 31 December	Period ended 31 December
The Group and the Company	**2021 €**	2020 €
Ordinary shares		
Final dividend	**1,379,988**	798,244
Cents per share	**0.07**	0.04

As at 31 December 2021, the directors proposed final gross dividend of €2,123,058 to the ordinary shareholders. These dividends are being declared out of taxable profits resulting in a total net dividend to the ordinary shareholders of €1,378,988 which case, equivalent to €0.07 per share. Net dividends to the ordinary shareholders with respect to the period end 31 December 2020 amounted to €798,244, equivalent to €0.04 per share.

11. Intangible assets

	Pharmacy Licences €	Website Costs €	Total €
Movements for the period ended 31 December 2020			
Opening net book amount taken over upon consolidation	29,844,900	3,189	29,848,089
Additions	1,652,000	87,757	1,739,757
Amortisation charge	-	(23,143)	(23,143)
Net revaluation decrease	(2,364,761)	-	(2,364,761)
Closing net book amount	**29,132,139**	**67,803**	**29,199,942**
At 31 December 2020			
Cost	4,517,095	95,340	4,612,435
Accumulated amortisation	-	(27,537)	(27,537)
Revaluation surplus	24,615,044	-	24,615,044
Net book amount	**29,132,139**	**67,803**	**29,199,942**
Movements for the year ended 31 December 2021			
Opening net book amount	29,132,139	67,803	29,199,942
Additions	2,800,000	141,082	2,941,082
Amortisation charge	-	(58,413)	(58,413)
Net revaluation surplus	11,184,485	-	11,184,485
Closing net book amount	**43,116,624**	**150,472**	**43,267,096**
At 31 December 2021			
Cost	7,317,095	236,422	7,553,517
Accumulated amortisation	-	(85,950)	(85,950)
Net revaluation surplus	35,799,529	-	35,799,529
Net book amount	**43,116,624**	**150,472**	**43,267,096**

The pharmacy licences were valued by the Board of Directors as at 31 December 2021.

Amortisation charge of €58,413 (2020: €23,143) is included in administrative expenses.

12. Property, plant and equipment

The Group

	Improvements to premises	Computer equipment	Furniture & fittings	Shop equipment	Motor Vehicle	Electrical Installations	Total
	€	€	€	€	€	€	€
Movements for period ended 31 December 2020							
Opening net book amount upon consolidation	468,868	53,745	299,787	212,268	-	116,777	1,151,445
Additions	93,955	58,330	169,330	132,487	-	51,968	506,070
Depreciation charge	(6,012)	(52,370)	(77,112)	(72,327)	-	(17,988)	(225,809)
Closing net book amount	**556,811**	**59,705**	**392,005**	**272,428**	**-**	**150,757**	**1,431,706**
At 31 December 2020							
Cost	601,319	397,949	1,168,708	635,786	19,555	270,087	3,093,404
Accumulated depreciation	(44,508)	(338,244)	(776,703)	(363,358)	(19,555)	(119,330)	(1,661,698)
Net book amount	**556,811**	**59,705**	**392,005**	**272,428**	**-**	**150,757**	**1,431,706**

12. Property, plant and equipment – continued

The Group

	Improvements to premises	Computer equipment	Furniture & fittings	Shop equipment	Motor Vehicle	Electrical Installations	Total
	€	€	€	€	€	€	€
Movements for year ended 31 December 2021							
Opening net book amount	556,811	59,705	392,005	272,428	-	150,757	1,431,706
Additions	144,765	71,141	383,985	223,839	-	43,614	867,344
Depreciation charge	(7,461)	(63,963)	(107,550)	(109,372)	-	(20,892)	(309,238)
Closing net book amount	**694,115**	**66,883**	**668,440**	**386,895**	**-**	**173,479**	**1,989,812**
At 31 December 2021							
Cost	746,084	469,090	1,552,693	859,625	19,555	313,701	3,960,748
Accumulated depreciation	(51,969)	(402,207)	(884,253)	(472,730)	(19,555)	(140,222)	(1,970,936)
Net book amount	**694,115**	**66,883**	**668,440**	**386,895**	**-**	**173,479**	**1,989,812**

Fully depreciated assets which were still in use at 31 December 2021 had a cost of €1,195,939 (2020: €1,051,412), on which depreciation otherwise chargeable would have amounted to €223,290 (2020: €191,136).

13. Goodwill

The Group

The movement in the carrying amount of goodwill are as follows

	€
Goodwill taken over upon consolidation	3,445
Goodwill for the period	2,149,380
At 31 December 2020	**2,152,825**
At 31 December 2021	**2,152,825**
Carrying amount	
At 31 December 2020	**2,152,825**
At 31 December 2021	**2,152,825**

14. Right-of-use assets

The Group	**Buildings** €
Cost	
Additions	7,254,352
At 31 December 2020	**7,254,352**
At 1 January 2021	7,254,352
Additions	1,751,595
Net effect on modifications made on existing contracts	459,767
Disposals	(307,737)
At 31 December 2021	**9,157,977**
Accumulated depreciation	
Depreciation charge	589,064
At 31 December 2020	**589,064**
At 1 January 2021	589,064
Depreciation charge	473,462
At 31 December 2021	**1,062,526**
Carrying amount	
At 31 December 2020	**6,665,288**
At 31 December 2021	**8,095,451**

The Group leases buildings. The average lease term is 18 years (2020: 19 years)

14. Right-of-use assets – continued

Amounts recognised in profit and loss

	2021	2020
	€	€
Depreciation expense on right-of-use assets	**(473,462)**	(418,456)
Interest expense on lease liabilities	**(371,964)**	(396,169)
Expense relating to short-term leases	**-**	(6,000)
Expense relating to leases of low value assets	**(8,367)**	(14,712)
Expense related to variable lease payments not included in the measurement of lease liability	**(177,837)**	(78,803)
Net release of Right-of-use assets and lease liabilities upon disposal	**34,170**	-

Variable lease payments

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased property or depend on the change in the consumer price index. The breakdown of lease payments for these retail outlets is as follows:

	2021	2020
	€	€
Fixed payments	**1,016,547**	653,695
Variable payments	**177,837**	78,803
Total payments	**1,194,384**	732,498

Overall, the variable payments constitute up to 15% (2020: 11%) of the Group's entire lease payments. The Group expects this ratio to change in future years as the variable payments depend on sales, consumer price index and consequently on the overall economic development over the next few years. The total cash outflow for leases amount to €1,194,384 (2020: €732,498)

On 14 October 2021, the Group entered into a 4-year lease to rent a property, commencing on 1 November 2021, which had not commenced by the year-end and as result, a lease liability and right-of-use asset has not been recognised as at 31 December 2021. The aggregate future cash outflows to which the Group is exposed in respect of this contract are fixed payments of €40,526 for the first year which increase annually by 10%. Furthermore, the Group is exposed to a rent variable payment between 6% - 15% on the turnover generated from the premises and a commission of 5% on turnover generated from the premises. The lease agreement does not specify whether the Group has the option to extend the rent for a further term.

On 1 November 2021, the Group entered into a 10-year lease to rent a property, commencing on 27 December 2021, which had not commenced by the year-end and as result, a lease liability and right-of-use asset has not been recognised as at 31 December 2021. The 10-year lease is split into 3-years di fermo period and 7-years di rispetto period. During the di rispetto period, the Group may terminate the lease at any time by giving a 6-months' notice. The aggregate future cash outflows to which the Group is exposed in respect of this contract is fixed payments of €50 per day for the first 5 years and increase to €60 per day thereafter.

15. Investments in subsidiaries

The Company	2021	2020
	€	€
Movements for the year/period ended 31 December		
Opening net book amount	**20,084,988**	-
Additions	**-**	20,084,988
Closing net book amount	**20,084,988**	20,084,988
At 31 December		
Cost/net book amount	**20,084,988**	20,084,988

The subsidiaries, all of which are unlisted, at 31 December are shown below:

Name	Registered office	Principal activities	Percentage of shares held 2021	2020
Brown's Pharma Limited	Brown's Pharmacies Triq L-Industrija Qormi	Operation of pharmacies	**100%**	100%
JP Pharma Retail Holdings Limited	42 – 46, Mill Street Qormi, QRM 3105	Holding company of companies holding the pharmacy licences	**100%**	100%

As at 31 December 2021, JP Pharma Retail Holdings Limited held 100% in Brown's Grognet Pharmacy Ltd., Brown's Medical Plaza Ltd., Brown's Pharmacy Fleur-de-Lys Ltd., Brown's Pharmacy Hamrun Ltd., Brown's Pharmacy Kalkara Ltd., Brown's Pharmacy M1 Ltd., Brown's Pharmacy M2 Ltd., Brown's Pharmacy Paola Ltd., Brown's Pharmacy Pieta' Ltd., Brown's Pharmacy Rahal Gdid Ltd., Brown's Pharmacy Sliema Ltd., Brown's Pharmacy Zebbug Ltd. and Brown's SM Pharmacy Ltd. The registered office of these companies is Brown's Pharmacies, Triq l-Industrija, Qormi, Malta. As at 31 December 2020, these companies were 100% owned by Brown's Pharma Limited. However, following the restructuring process made by the Group, these were transferred to JP Pharma Retail Holdings Limited on 28 January 2021.

Also, as at 31 December 2021, JP Pharma Retail Holdings Limited held 100% (2020: 100%) in JP Pharma B'Kara Limited, JP Pharma Hamrun Limited, JP Pharma Iklin Limited, JP Pharma Naxxar Limited, JP Pharma San Gwann Limited and JP Pharma St. Julians Limited. The registered office of these companies is 42-46, Mill Street Qormi QRM3105, Malta.

16. Inventories

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Goods held for resale	**2,412,560**	2,061,941	**-**	-
Goods in transit	**101,221**	-	**-**	-
	2,513,781	2,061,941	**-**	-

17. Trade and other receivables

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Non-current				
Amount held by Trustee (Note iii)	**3,996,603**	-	**3,996,603**	-
Current				
Trade receivables (Note i)	**2,167,313**	2,452,374	**-**	-
Amounts due from shareholders (Note ii)	**5,776**	-	**5,776**	-
Amounts due from related parties (Note ii)	**56,029**	163,603	**-**	-
Amounts due from subsidiary (Note ii & iv)	**-**	-	**9,370,275**	775,321
Other receivables	**30,340**	23,411	**1,515**	-
Prepayments, accrued income and deferred expenditure	**584,176**	503,536	**12,576**	25,370
	2,843,634	3,142,924	**9,390,142**	800,691

Notes:

i. The majority of the sales of goods and services are made on a cash basis. The average credit period on sales of goods and services made on credit sales is 90 days. Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance in credit quality and the amounts are still considered recoverable.

ii. Amounts due from shareholders, related parties and subsidiary are unsecured, interest free and are repayable on demand.

iii. Amount held by Trustee relates to proceeds from the debt securities in issue held by in a Trust company and will be drawn down against the presentation of agreements, requests for payments and/or invoices in accordance with the provisions of the prospectus as noted in Note 21.

iv. Amount due from subsidiary includes a portion of proceeds from the debt security in issue that have been advanced by the Issuer in accordance with the provisions of the prospectus as noted in Note 21.

17. Trade and other receivables – continued

Age of receivables that are past due but not impaired

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
91-120 days	**64,325**	392,184	**-**	-
120-365 days	**62,995**	83,241	**-**	-
365 days +	**19,178**	13,716	**-**	-
Total	**146,498**	489,141	**-**	-

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and any receipts made after year end. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

18. Share capital

The Group and the Company

	2021 €	2020 €
Authorised		
14,662,916 Ordinary "A" shares of €1 each	**14,662,916**	14,662,916
5,423,270 Ordinary "B" shares of €1 each	**5,423,270**	5,423,270
	20,086,186	20,086,186
Issued and fully paid		
14,662,916 Ordinary "A" shares of €1 each	**14,662,916**	14,662,916
5,423,270 Ordinary "B" shares of €1 each	**5,423,270**	5,423,270
	20,086,186	20,086,186

Class 'A' shares have the right to appoint 1 director who shall have 2.5 votes each in meetings of the Board of Directors. Class 'A' and 'B' share shall, together, be entitled to appoint 3 directors to the Board of Directors of the Group and the Company who shall have 1 vote each in meetings of the Board of Directors. Each holder of 'B' shares shall have the right to appoint 1 director to the Board of Directors of the Group and the Company who shall have 1 vote each in meetings of the Board of Directors. Except as otherwise provided, all ordinary shares irrespective of class, shall rank equally in all respects, including without limitation, equal participation in profits distributed by the Group and the Company and equal rights upon distribution of the Group's and the Company's assets upon its winding up. Each ordinary share shall entitle the holder to 1 vote at each general meeting.

19. Revaluation reserve

The revaluation reserve comprises revaluation surpluses/(decreases) on intangible assets used in the production and supply of goods and services, net of deferred tax. The revaluation reserve is not available for distribution to the Group's and the Company's shareholders.

20. Retained earnings

Retained earnings represent accumulated losses or profits. Dividends paid out of retained earnings during the year/period is disclosed in Note 10.

21. Interest-bearing borrowings

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Non-current				
Debt securities in issue	**12,735,710**	-	**12,735,710**	-
Bank loans	**-**	1,723,317	**-**	-
	12,735,710	1,723,317	**12,735,710**	-
Current				
Bank loans	**-**	315,033	**-**	-
Other loan	**100,000**	100,000	**-**	-
	100,000	415,033	**-**	-
	12,835,710	2,138,350	**12,735,710**	-

Debt securities in issue

By virtue of a prospectus dated 10 June 2021, Brown's Pharma Holdings plc (the 'Issuer') issued €13,000,000 unsecured bond with a face value of €100 each. The bonds have a coupon interest of 3.9% which is payable annually in arrears on 9 July of each year. The bonds are redeemable at par and are due for redemption between 2027 and 2031, unless they are previously re-purchased and cancelled or redeemed in the case of an Early redemption or a partial conditional early redemption.

The bonds shall constitute the general, direct, unconditional, and unsecured obligations of the Issuer to the Bondholders and shall at all times, rank *pari passu*, without any priority or preference among themselves and with other outstanding and unsecured debt of the Issuer, present and future.

The bonds were admitted on the Official List of the Malta Stock Exchange on 15 July 2021. The quoted market price as at 31 December 2021 for the bonds was €103.50, which in the opinion of the directors fairly represents the fair value of these financial liabilities.

As noted in Note 17, in accordance with the provisions of the prospectus, a portion of the proceeds from the bond issue have been advanced by the Issuer to its subsidiary, whilst the rest of the proceeds are held by a Trustee and will be draw down against the presentation of agreements, requests for payments and/or invoices.

21. Interest-bearing borrowings – continued

Debt securities in issue – continued

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective interest rate as follows:

	The Group and the Company 2021 €	2020 €
Original face value of the bonds issued	**13,000,000**	-
Bond issue costs	**(278,200)**	-
Accumulated amortisation	**13,910**	-
Unamortised bond issue costs	**(264,290)**	-
Amortised costs and closing carrying amount of the debt securities in issue	**12,735,710**	-

Bank and other loans

The other loan is unsecured, bears an interest of 8% per annum and was repayable by 31 December 2021 in lump sum payments at the option of the Group.

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
At floating rates	**-**	2,038,350	**-**	-
At fixed rates	**12,835,710**	100,000	**12,735,710**	-
Total borrowings	**12,835,710**	2,138,350	**12,735,710**	-

Weighted average effective interest rates during the reporting year/period:

	The Group 2021 %	The Group 2020 %	**The Company 2021 %**	The Company 2020 %
Bank overdraft	**-**	5.95	**-**	-
Bank loans	**4-5.95**	4-5.95	**-**	-
Other loan	**8**	8	**-**	-

21. **Interest-bearing borrowings** – continued

Bank and other loans – continued

Maturity of bank and other loans falling due after more than one year:

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Between 1 and 2 years	**-**	305,483	**-**	-
Between 2 and 5 years	**-**	879,575	**-**	-
Over 5 years	**-**	538,259	**-**	-
	-	1,723,317	**-**	-

22. **Lease Liabilities**

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Maturity Analysis				
Year 1	**329,319**	271,689	**-**	-
Year 2	**356,758**	286,630	**-**	-
Year 3	**362,236**	302,396	**-**	-
Year 4	**346,130**	304,230	**-**	-
Year 5	**338,856**	305,560	**-**	-
Onwards	**6,448,539**	5,452,290	**-**	-
	8,181,838	6,922,795	**-**	-

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Analysed as:				
Non-current	**7,852,519**	6,651,106	**-**	-
Current	**329,319**	271,689	**-**	-
	8,181,838	6,922,795	**-**	-

23. Deferred taxation

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
At beginning of year/period	**8,575,760**	-	**-**	-
Opening balance taken over upon consolidation	**-**	9,419,435	**-**	-
Credit to consolidated income statement (Note 9)	**(17,430)**	(16,008)	**-**	-
Charged/(credit) to consolidated other comprehensive income	**3,914,570**	(827,667)	**-**	-
At end of year/period	**12,472,900**	8,575,760	**-**	-

Deferred tax is analysed as follows:

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Net deferred tax asset at:				
Fair value movement on pharmacy licence	**12,529,835**	8,615,265	**-**	-
Excess of capital allowances over depreciation	**(56,935)**	(39,505)	**-**	-
	12,472,900	8,575,760	**-**	-

24. Trade and other payables

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Non-current				
Amounts due to shareholders (Note i)	**73,597**	2,135,090	**-**	-
Current				
Trade payables	**4,383,339**	4,873,080	**-**	-
Amounts due to shareholders (Note ii)	**377,874**	797,032	**377,874**	797,044
Amounts due to related parties (Note ii)	**676,209**	6,984	**-**	-
Other payables and indirect tax	**37,378**	210,961	**-**	-
Accruals	**670,326**	183,182	**273,163**	3,649
	6,145,126	6,071,239	**651,037**	800,693

Notes:

i. Amounts due to shareholders are unsecured, interest free and is repayable by 31 December 2025

ii. Amounts due to related parties and shareholders are unsecured, interest free and repayable on demand.

25. Current taxation

Income tax payable is made up as follows:

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Balance at 1 January	**514,748**	255,510	**-**	-
Current tax charge for the year/period (Note 9)	**1,321,552**	769,483	**949,200**	436,400
Settlement tax paid	**(514,744)**	(255,507)	**-**	-
Provisional tax paid	**(650,791)**	(254,738)	**-**	-
Under provision of prior period tax (Note 9)	**3,710**	-	**-**	-
Withholding tax paid	**-**	-	**(949,200)**	(436,400)
Balance at 31 December	**674,475**	514,748	**-**	-

26. Cash generated from operations

Reconciliation of operating profit/loss to cash generated from/(used by) operations:

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Operating profit/(loss)	**4,209,485**	2,489,684	**(109,064)**	(12,732)
Adjustments for:				
Depreciation of property, plant and equipment (Note 12)	**309,238**	225,809	**-**	-
Depreciation of right-of-use assets (Note 14)	**473,462**	418,456	**-**	-
Amortisation of intangible assets (Note 11)	**58,413**	23,143	**-**	-
Interest received	**-**	2	**-**	-
Changes in working capital:				
Inventories	**(451,840)**	(177,473)	**-**	-
Trade and other receivables	**305,066**	558,088	**11,278**	(25,370)
Trade and other payables	**233,193**	(493,618)	**9,676**	39,304
Cash generated from/ (used by) operations	**5,137,017**	3,044,091	**(88,110)**	1,202

26. Cash generated from operations - continued

Non-cash transaction

The Group's principal non-cash transaction during the year ended 31 December 2021, related to dividends declared but not paid in the current year amounting to €362,800 and to finance costs – lease liability amounting to €371,964. These have been recorded as amounts due to shareholders and finance costs respectively.

27. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents at the end of the year/period comprise the following:

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Cash at bank and in hand	**2,402,403**	570,682	**1,200**	1,200

28. Redeemable preference shares

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
Non-current				
Redeemable Preference 'A' Share	**-**	12	**-**	-
Current				
Redeemable Preference 'A' Share	**14**	-	**-**	-

The Redeemable Preference 'A' share was redeemable within 15 days from the payment in full of any amount owned by the Group to the holder, provided that the holder shall have the option to redeem the preference share at an earlier date at its discretion, provided further that in no case shall the preference share be redeemed later than 31 December 2099.

During the year, the amounts owed by the Group to the holder were all paid in full, and thus, the redeemable preference shares as at 31 December 2021 has been classified as current, as these were redeemed on 26 January 2022.

29. Related party transactions

Year/period-end balances due from or to related parties, from or to subsidiaries, due to ultimate controlling companies and due to shareholders are disclosed in notes 16 and 24 to these consolidated financial statements.

The Group and the Company also entered into related party transactions on an arm's length basis with its subsidiaries. Transaction between the Group have been eliminated on consolidation. Transactions with related parties are also made on an arm's length basis.

29. Related party transactions – continued

The following transactions were carried out with related parties:

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
(a) Recharge of directors' remuneration				
Subsidiary	**-**	-	**33,311**	-
(b) Rental charge				
Related party	**385,781**	-	**-**	-
(c) Purchase of stock				
Related party	**1,839,364**	1,568,850	**-**	-
(d) Other income				
Related party	**13,788**	11,340	**-**	-
(e) Dividend receivable				
Subsidiary	**-**	**-**	**2,712,000**	1,247,376
(f) Amounts due from subsidiary				
Beginning of the year/period	**-**	-	**775,321**	-
Dividend receivable net of tax	**-**	-	**1,762,800**	810,976
Debt securities in issue proceeds transferred to subsidiary			**8,875,000**	-
Payments made on behalf of the Company	**-**	-	**(2,042,846)**	(35,655)
	-	-	**9,370,275**	775,321
(g) Amounts due from related parties				
Beginning of the year/period	**163,603**	-	**-**	-
Opening balance taken over upon consolidation	**-**	49,075	**-**	-
Transfer to amounts due to related parties	**(130,950)**	-	**-**	-
Payments made on behalf of the related parties	**23,376**	114,528	**-**	-
	56,029	163,603	**-**	-
(h) Amounts due from shareholders				
Transfer from amounts due to shareholder	**(215,202)**	-	**(215,202)**	-
Dividend declared	**(372,597)**	-	**(372,597)**	-
Payments made during the year/period	**593,575**	-	**593,575**	-
	5,776	-	**5,776**	-

29. Related party transactions – continued

	The Group 2021 €	The Group 2020 €	**The Company 2021 €**	The Company 2020 €
(i) Amounts due to related parties				
Beginning of the year/period	**(6,984)**		**-**	-
Opening balance taken over upon consolidation	**-**	(3,547)	**-**	-
Transfer from amounts due from related parties	**130,950**	-	**-**	-
Rental Charge	**(455,221)**	-	**-**	-
Purchase of stock made during the year/period	**(2,170,450)**	(1,851,243)	**-**	-
Other income made during the year/period	**13,788**	11,370	**-**	-
Repayments made during the year/period	**1,829,773**	1,839,873	**-**	-
Other movements during the year/period	**(18,065)**	(3,437)	**-**	-
	(676,209)	(6,984)	**-**	-
(j) Amounts due to shareholders - non-current				
Beginning of the year/period	**(2,135,090)**	-	**-**	-
Opening balance taken over upon consolidation	**-**	(2,136,690)	**-**	-
Repayments made during the year/period	**2,061,493**	-	**-**	-
Other movements during the year/period	**-**	1,600	**-**	-
	(73,597)	(2,135,090)	**-**	-
(k) Amounts due to shareholders - current				
Beginning of the year/period	**(797,032)**	-	**(797,044)**	-
Transfer to amounts due from shareholders	**215,202**	-	**215,202**	-
Issue of share capital	**-**	20,086,186	**-**	20,086,186
Sale of shares in subsidiary companies	**-**	(20,084,986)	**-**	(20,084,986)
Dividend declared	**(1,007,391)**	(798,244)	**(1,007,391)**	(798,244)
Payments made on behalf of the Group/Company	**1,211,347**	12	**1,211,359**	-
	(377,874)	(797,032)	**(377,874)**	(797,044)
(l) Key management compensation				
Directors remuneration	**95,815**	91,473	**33,311**	-

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 4. Dividends paid to shareholders have been disclosed in Note 10.

30. Financial risk management

Overview

The Group and the Company has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's and the Company's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Group's and the Company's management of capital. Further quantitative disclosures are included in these consolidated financial statements.

The responsibility for the management of risk is vested in the Board of Directors. Accordingly, it is the Board of Directors who have the overall responsibility for establishing an appropriate risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group and the Company's trade and other receivables and cash and cash equivalents held at banks. The carrying amounts of financial assets represent the maximum credit exposure.

The Group assesses the credit quality of its customers by taking into account their financial standing, past experience, any payments made post reporting date and other factors, such as bank references and the customers' financial position.

Management is responsible for the quality of the Group's credit portfolios and has established credit processes involving delegated approval authorities and credit procedures, the objective of which is to build and maintain assets of high quality.

The Group's policy is to deal only with credit worthy counterparties. The credit terms are generally 90 days. The Group regularly review the ageing analysis together with the credit limits per customer.

Trade and other receivables

The level of credit risk is minimum as the majority of the Group's clients are paid in cash upon the delivery of services or goods sold.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Management considers the probability of default from such trade receivables to be not material. More than 35% of trade receivables that exceeded the 90 days credit term has been received after reporting period date. In view of this, the amount calculated using the 12-month expected credit loss model is considered to be very insignificant. Therefore, based on the above, no loss allowance has been recognized by the Group.

30. Financial risk management – continued

Overview - continued

Credit risk *– continued*

Trade and other receivables – continued

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than a year past due.

The ageing analysis of trade receivables have been disclosed in Note 17.

The Group's and the Company's concentration to credit risk arising from certain other receivables; that comprise amounts due from shareholders, related parties and from subsidiary, are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these counterparties to be of a good credit quality. Furthermore, management does not consider these counterparties to have deteriorated in credit quality and the effect of management's estimate of the 12-month credit loss has been determined to be insignificant to the results of the Group and the Company.

Cash and cash equivalents

The cash and cash equivalents held with banks as at 31 December 2021 and 2020 are callable on demand and held with local financial institutions with high quality standing or rating. Management considers the probability of default from such banks to be insignificant. Therefore, based on the above, no loss allowance has been recognized by the Group and the Company.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Group and the Company ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

The table below analyses the Group and the Company's financial liabilities into relevant maturity grouping based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows with respect to the debt securities in issue.

30. Financial risk management – continued

Overview – continued

Liquidity risk – *continued*

The Group

As at 31 December 2021	**Less than 1 year €**	**Between 1 and 2 years €**	**Between 2 and 5 years €**	**Over 5 years €**	**Total €**	**Carrying amount €**
Interest-bearing borrowings	607,000	507,000	1,521,000	15,535,000	18,170,000	12,835,710
Redeemable preference shares	14	-	-	-	14	14
Trade and other payables	6,145,126	-	73,597	-	6,218,723	6,218,723
Current taxation	674,475	-	-	-	674,475	674,475
	7,426,615	**507,000**	**1,594,597**	**15,535,000**	**25,063,212**	**19,728,922**

As at 31 December 2020	**Less than 1 year €**	**Between 1 and 2 years €**	**Between 2 and 5 years €**	**Over 5 years €**	**Total €**	**Carrying amount €**
Interest-bearing borrowings	415,033	387,661	1,060,835	584,702	2,448,231	2,138,350
Redeemable preference shares	-	-	-	12	12	12
Trade and other payables	6,071,239	-	2,135,090	-	8,206,329	8,206,329
Current taxation	514,748	-	-	-	514,748	514,748
	7,001,020	**387,661**	**3,195,925**	**584,714**	**11,169,320**	**10,859,439**

The Company

As at 31 December 2021	**Less than 1 year €**	**Between 1 and 2 years €**	**Between 2 and 5 years €**	**Over 5 years €**	**Total €**	**Carrying amount €**
Interest-bearing borrowings	507,000	507,000	1,521,000	15,535,000	18,070,000	12,735,710
Trade and other payables	651,037	-	-	-	651,037	651,037
	1,158,037	**507,000**	**1,521,000**	**15,535,000**	**18,721,037**	**13,386,747**

30. Financial risk management – continued

Overview – continued

Liquidity risk *– continued*

The Company – continued

As at 31 December 2020	**Less than 1 year €**	**Between 1 and 2 years €**	**Between 2 and 5 years €**	**Over 5 years €**	**Total €**	**Carrying amount €**
Trade and other payables	**800,693**	**-**	**-**	**-**	**800,693**	**800,693**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the fair value or future cash flows of a financial instrument. The objective of market risk is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The operating cash flows of the Group and the Company are influenced by changes in market interest rates. Up to the statement of financial position date, the Group and the Company did not have any hedging arrangements with respect to the exposure of floating interest rate risk. The Group and the Company is not exposed to foreign exchange risk since all operations are conducted locally in the Group's and the Company's functional currency.

Capital management

It is the policy of the Board of Directors to maintain an adequate capital base in order to sustain the future development of the business and safeguard the ability of the Group and the Company to continue as a going concern. In this respect, the Board of Directors monitor the operations and results of the Group and the Company, and also monitor the level of dividends, if any, payable to the ordinary shareholders.

The Group and the Company is not subject to externally imposed capital requirements.

There were no changes in the Group and the Company's approach to capital management during the year/period.

30. Financial risk management – continued

Overview – continued

Fair values

The Group is required to disclose for financial instruments that are measured in the consolidated and separate statement of financial position at fair value, fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices(unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs (Level 3)

At 31 December 2021 and 2020 the carrying amounts of cash and cash equivalents, trade and other receivables, trade payables and accrued expenses, lease liabilities and short-term borrowings are reflected in the consolidated and separate financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The carrying amounts of the other financial liabilities as at 31 December 2021 and 31 December 2020, comprising lease liabilities, are reasonable estimates of their fair value as there has not been significant changes in the Group's internal borrowing rate since the date of first application of IFRS 16. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2 within the fair value measurement hierarchy. Information on the fair value of the bonds issued to the public is disclosed in Note 21 to the financial statements. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

31. Capital commitments

Commitments for capital expenditure not provided for in these consolidated financial statements are as follows:

	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Contracted but not provided for	**-**	1,650,000	**-**	-

Commitments with respect to right-of-use assets are disclosed in Note 13.

32. Statutory information

Brown's Pharma Holdings plc is a public limited company and is registered in Malta.

As at 31 December 2021, the ownership of Brown's Pharma Holdings plc is ultimately shared between 13i Limited, N&N Investments Limited, Elka Investments Limited and JLMX Investments Limited. The ownership of such company's share capital and voting rights related to such holding are such that no particular individual or identifiable group may be deemed to exercise control over the company.

33. Comparative information

Certain comparative information has been reclassified to conform with the current year's disclosure for the purpose of fairer presentation.

34. Post balance sheet events

There were no adjusting or significant non-adjusting events that have occurred between the end of the reporting period and at the date of authorisation by the Board of Directors.

Independent Auditor's Report

To the Members of BROWN'S PHARMA HOLDINGS PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Brown's Pharma Holdings plc (the "Company") and its subsidiaries (collectively the "Group"), set out on pages 12 to 59, which comprise the consolidated and separate statement of financial position as at 31 December 2021, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2021, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group and 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 that are relevant to our audit of the consolidated and separate financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated and separate financial statements of Brown's Pharma Holdings plc for the period ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on these statements on 14 April 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated and separate financial statements.

Key Audit Matters – continued

(i) Intangible assets – Pharmacy licences

Part of the Group's intangible assets include the revaluation of pharmacy licences purchased and operated by the Group, which is being further described in Note 1 Accounting policies - Section f and Note 11 of the consolidated financial statements. This represents 64% of the total assets of the Group as at 31 December 2021.

Management is determining fair value of its pharmacy licences on a periodical basis. The fair value of these licences is calculated on market-based valuation techniques by applying the acquisition price to pre-takeover turnover using acquisition transactions in process of being completed or recently completed.

The valuation of such licences at its fair value is highly dependent on estimates and assumptions. We have considered the valuation of the intangible assets as a key audit matter in view of the subjectivity surrounding the judgement applied and our audit focus on this area.

We gained understanding of the design and implementation of key controls over the Group's valuation process by inquiring with the process owners. We have also gained understanding on the Group's valuation methodology and assumptions used in estimating the fair value of the intangible assets as at the reporting date. As part of our procedures, we have analysed the key assumptions used by comparing to independent sources, market data and condition and assessing the completeness, relevance and accuracy of the revenue values underlying the model with the audited revenue figures per pharmacy. No issues were identified.

(ii) Investment in subsidiaries

The Company holds shares in Brown's Pharma Limited and JP Pharma Holdings Limited which is being further described in Note 1 Accounting policies - Section i and Note 15 of the separate financial statements. This represents 60% of the total assets of the Company as at 31 December 2021.

During the year ended 31 December 2021, management carried out an assessment to establish whether the carrying amount of the investments in subsidiaries in the separate financial statements at 31 December 2021 is impaired. We focussed on this area because of the significant of the investment in subsidiaries which at 31 December 2021, amounted to €20,084,988. Moreover, the Board of Directors' assessment process is complex and highly judgemental and is based on assumptions, such as forecasted growth rates and profit margin which are driven by expected future market or economic conditions.

We evaluated the suitability and appropriateness of the impairment methodology applied by management to assess the reliability of the Board of Directors' forecasts and to challenge the methodology used and the underlying assumptions. We concluded that the parameters utilised were reasonable. We also assessed the adequacy of the disclosures made in Note 2 of the consolidated and separate financial statements related to investments in subsidiaries including those concerning the key assumptions used in assessing it carrying amount. Those disclosures specifically explain that the Board of Directors have assessed when carrying amount of investments as at 31 December 2021 and concluded that no provision for impairment of investments in subsidiaries was required.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the directors' report and the corporate governance – statement of compliance. Our opinion on the consolidated and separate financial statements does not cover this information, including the directors' report and the corporate government – statement of compliance. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the consolidated and separate financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

With respect to the Corporate Governance – Statement of Compliance, the Capital Market Rules issued by the Malta Listing Authority require the directors to prepare and include in the Annual Report, the Corporate Governance - Statement of Compliance within Appendix 5.1 to Chapter 5 of the Capital Market Rules. The Statement's required minimum contents are determined by reference to Capital Market Rule 5.97. The Statement provides explanation as to how the Group has complied with the provisions of the Code, presenting the extent to which the Group has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.

We are required to report on the Corporate Governance - Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Market Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatement.

We are also required to assess whether the Corporate Governance - Statement of Compliance includes all the other information required to be presented as per Capital Market Rule 5.97.

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

In our opinion, the Corporate Governance - Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Market Rules issued by the Malta Listing Authority.

Responsibilities of the Board of Directors

The Board of Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with EU IFRSs, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Board of Directors – continued

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

Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the Board of Directors' 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 Group's and 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 consolidated and separate 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 Group and the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements – continued

We communicate with the directors 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 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 auditors' 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 benefits 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 Annual Financial Report of Brown's Pharma Holdings plc. for the year ended 31 December 2021, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the consolidated 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 Annual Financial Report, including the consolidated financial statements and the relevant electronic tagging therein, comply 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 Group's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Financial Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

Report on Other Legal and Regulatory Requirements – continued

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 – continued

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2021 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 Market Rules issued by the Malta Listing Authority (the "Capital Market Rules") require the Board of Directors to prepare and include in their Annual Report a Statement of Compliance 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 Market Rules also require us, as the auditor of the Group, to include a report on the Statement of Compliance prepared by the Board of Directors.

We read the Corporate Governance - 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 consolidated 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.

Our responsibilities and opinion over the Corporate Governance - Statement of Compliance is disclosed the Other Information section of our report.

Other reporting requirements

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:
- We have not received all the information and explanations we require for our audit.
- 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 consolidated and separate financial statements are not in agreement with the accounting records and returns.

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

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Group's and the Company's members as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

This is our first year that we were appointed as auditors of the Group and the Company with effect on 17 January 2022. Our total period of uninterrupted engagement appointment is 1 year. The Company became listed on a regulated market on 6 July 2021.

Non-audit services

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group and the Company are in accordance with the applicable law and regulations in Malta and we have not provided non-audit services that are prohibited under Article 18A(1) of the Accountancy Profession Act, Cap. 281 of the Laws of Malta were provided by us to the Group and the Company. We remain independent of the Group and the Company as described in the Basis for Opinion section of our report. No other services besides statutory audit services and services disclosed in the annual report and in the consolidated and separate financial statements were provided by us to the Group and the Company and its controlled undertakings.

David Busuttil
Director

For and on behalf of
Equis Assurance Limited
Certified Public Accountants

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27 April 2022