



LifeStar Insurance Plc

Interim Report and Interim
Condensed Consolidated Financial
Statements
(unaudited)

30 June 2022

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Interim Directors' Report

The following statements relate to the consolidated position of LifeStar Insurance plc (the "Company") and its immediate subsidiary LifeStar Health Limited ("LifeStar Health"). The consolidated loss after tax for the six months ended 30 June 2022 totalled €4,527,489 compared to the prior period consolidated profit after taxation of €2,086,433.

LifeStar Insurance plc

The life insurance business saw its gross written premium increase to €7.2 million, representing an 8% uplift over the same period last year. The Company saw its loss before taxation increase to €4.4 million from a prior year loss for the same period of €2.1 million. The life business incurred unrealised losses on the investment portfolio of €3.1 million which was mainly driven by reductions in both local and foreign sovereign bonds, local bonds, and both local and foreign equities. Surrenders and maturities have increased closing off the six-month period at €6.6 million. The total technical income saw a healthy increase of €615,790 to close of the six-month period at €7.5 million compared to the same period in 2021 of €6.9 million. Total technical charges for the period under review closed at €11.1 million compared to €8.7 million. Value of in-Force business also grew during these six months by a further €440k meaning that the Company has continued to write very profitable business. The LifeStar Insurance plc has a healthy Solvency Capital Ratio of 180.1% (Dec 2021: 164.5%). This has predominantly come about through a more efficient cash retention policy and a reduction in our Market Equity risk.

LifeStar Health Ltd

LifeStar Health's business commission income from normal operations increased by 9% when compared to the first six months of 2021 due to the near returning to normality of those business sectors that were adversely impacted by the COVID-19 measures implemented by the various governments around the globe. Profit commission increased by 38% when compared to the same period last year. Total commissions receivable increased by 12% when compared to last year.

Total costs increased by 16.6% over last year mainly due to higher salary costs due to increased level of business and also due to the Talent Retention strategy implemented at the very beginning of 2022. The composite effect being that the health insurance business registered a profit before tax of €432,382 compared to €412,432 in 2021, an increase of 4.8%.

COVID-19

The operations of both businesses were adversely impacted by various quarantined staff members and as a company, we believe that the virus will be with us in the short to medium term. We continue to urge both our customers and staff to exercise basic hygiene measures. With the exception of surrenders, the respective levels of operation are returning to the pre-pandemic levels.

Achieving long term financial stability

The Directors look towards the next half of this year with cautious optimism. There are various global factors at play mainly the Ukraine conflict, the high inflation rates prevailing across all economies and the uncertainty in financial investments. We are also seeing an increased pace in increases in the various base rates of various countries including the European Union. The Board and Management are very conscious of these challenges and remain focused on improving operational efficiencies, customer satisfaction and retention and overall increased shareholder returns.

The Directors do not recommend the payment of an interim dividend. By order of the Board.



Paolo Catalfamo
Chairman
29 August 2022



Joseph C. Schembri
Director

**Directors' Statement pursuant to the Capital Markets Rule 5.75.3
Issued by the Malta Financial Services Authority**

We confirm that to the best of our knowledge:

- The condensed interim financial information give a true and fair view of the financial position of the Group as at 30 June 2022 and of its financial performance and its cash flows for the period ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).
- The Interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.

Signed on behalf of the Board by:



Paolo Catalfamo
Chairman
29 August 2022



Joseph C. Schembri
Director

Condensed interim consolidated statement of comprehensive income

<i>For the period ended 30 June 2022</i>	Group	
	1 January to 30 June 2022 (unaudited) €	1 January to 30 June 2021 (unaudited) €
Commission and fees receivable	1,058,204	894,511
Balance on the long-term business of insurance technical account before tax – Investment Related	(1,610,198)	(819,289)
Balance on the long-term business of insurance technical account before tax – Operations Related	(1,916,332)	(670,042)
Other operating income	-	-
Administrative expenses	(1,197,368)	(889,373)
Commission payable and direct marketing costs	(27,704)	(52,379)
Operating loss	(3,693,398)	(1,536,572)
Net investment return, net of allocation to the insurance technical account	(786,266)	(351,124)
Loss for the period before tax	(4,479,664)	(1,887,696)
Tax credit/(expense)	(47,825)	(198,736)
Loss for the period	(4,527,489)	(2,086,433)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Increment in Value of In-force, net of tax	439,521	704,475
Net loss on available-for-sale financial assets, net of tax	47,113	(9,301)
Total comprehensive loss for the period	(4,040,855)	(1,391,259)
Loss per share (cents)	(0c6)	(0c2)

Condensed interim consolidated statement of financial position

<i>As at 30 June 2022</i>	Group	
	30 June 2022 (unaudited) €	31 December 2021 (audited) €
ASSETS		
Intangible assets	14,724,035	14,151,541
Right of use asset	4,590	7,650
Property, plant & equipment	3,587,466	3,605,995
Investment property	16,208,897	16,208,894
Other investments	83,618,486	89,119,724
Reinsurers' share of technical provisions	18,218,512	20,004,452
Deferred tax asset	-	-
Taxation receivable	376,928	346,109
Trade and other receivables	15,764,876	14,757,350
Deposits with bank and credit institution	2,100,000	2,100,000
Cash and cash equivalents	7,721,841	11,494,900
Asset held for sale	-	190,002
Total assets	162,325,631	171,986,617
EQUITY AND LIABILITIES		
Capital and reserves	28,123,044	32,163,899
Technical provisions	125,169,576	130,059,589
4% LifeStar Subordinated Bond	2,122,293	2,105,257
Lease liability	5,353	13,391
Tax payable	180,857	137,550
Deferred tax liability	1,669,703	1,669,703
Trade and other payables	5,054,805	5,837,228
Total equity and liabilities	162,325,631	171,986,617

These unaudited interim condensed consolidated financial statements on Pages 3 to 6 were approved by the Board of Directors, on 29 August 2022 and signed on its behalf by:



Paolo Catalfamo
Chairman



Joseph C. Schembri
Director

Condensed interim consolidated statement of cash flows

<i>For the period ended 30 June 2022</i>	Group	
	1 January to 30 June 2022	1 January to 30 June 2021
	(unaudited)	(unaudited)
	€	€
<i>Net cash used in operating activities</i>	(1,049,420)	(969,563)
<i>Net cash used in investing activities</i>	(2,723,639)	(2,600,692)
Movement in cash and cash equivalents	(3,773,059)	(3,570,255)
Cash and cash equivalents at the beginning of period	11,494,900	15,593,372
Cash and cash equivalents at end of period	7,721,841	12,023,117

Condensed interim consolidated statement of changes in equity

For the period ended 30 June 2022 (unaudited)

	Share capital	Share Premium account	Other reserves	Capital redemption reserve	Accumulated losses	Total
	€	€	€	€	€	€
Balance as at 1 January 2022	9,169,870	-	13,138,945	800,000	9,055,084	32,163,899
Loss for the financial period	-	-	-	-	(4,527,489)	(4,527,489)
Net movement in available-for-sale investments	-	-	47,113	-	-	47,113
Total comprehensive loss for the period	-	-	47,113	-	(4,527,489)	(4,480,376)
Increase in value of in-force business, transferred to other reserves	-	-	439,521	-	-	439,521
Balance as at 30 June 2022	9,169,870	-	13,625,579	800,000	4,527,595	28,123,044
Balance at 1 January 2021	9,169,870	-	11,874,368	800,000	8,386,012	30,230,250
Profit for the financial period	-	-	-	-	(1,381,958)	(1,381,958)
Net movement in available-for-sale investments	-	-	(9,301)	-	-	(9,301)
Total comprehensive income for the period	-	-	(9,301)	-	(1,381,958)	(1,391,259)
Increase in value of in-force business, transferred to other reserves	-	-	704,475	-	(704,475)	-
Balance as at 30 June 2021	9,169,870	-	12,569,542	800,000	6,299,579	28,838,991

Segmental information

The following is an analysis of the Group's revenue and result by reportable segment, assets, liabilities, and other information for the period ended 30 June 2022.

Period ended 30 June 2022	Business of insurance €	Agency and brokerage services €	Adjustments €	Group €
Revenue from external customers	7,436,098	818,640	-	8,254,738
Intersegment revenues	-	-	-	-
Segment profit/(loss)	(4,125,780)	432,382	-	(3,693,398)
Net investment loss				(786,266)
Loss before tax				(4,479,664)
As at 30 June 2022				
Total assets	172,569,307	2,584,162	-	175,153,469
Unallocated assets				(12,827,838)
				162,325,631
Total liabilities	145,119,831	246,457	-	145,366,288
Unallocated liabilities				(11,163,699)
				134,202,589
Period ended 30 June 2021				
Revenue from external customers	6,886,698	773,343	-	7,660,041
Intersegment revenues	-	-	-	-
Segment profit/(loss)	(1,235,456)	412,432	105,743	(717,282)
Net investment loss				(351,124)
Other corporate expenses				
Profit before tax				(1,068,406)
As at 30 June 2021				
Total assets	172,569,307	2,584,162	-	175,153,469
Unallocated assets				(836,312)
				174,317,157
Total liabilities	145,119,831	246,457	(655,218)	144,711,070
Unallocated liabilities				767,096
				145,478,166

Fair Value Measurement

As at 30 June 2022 (unaudited)

	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Fair Value through profit or loss				
Debt securities	26,097,106	-	-	26,097,106
Equities	16,068,678	-	-	16,068,678
Collective Investment schemes	2,472,372	-	-	2,472,372
Available for sale				
Equities	2,207,068	-	-	2,207,068
Collective investment schemes held to cover linked liabilities	-	29,126,303	-	29,126,303
Investment Property			16,208,897	16,208,897
Financial Liabilities at amortised cost				
4% LSI Subordinated Bond	-	(2,122,293)	-	(2,122,293)
Unit linked financial instruments	-	(30,113,418)	-	(30,113,418)
Balance at 30 June 2022	<u>46,845,224</u>	<u>(3,109,408)</u>	<u>16,208,897</u>	<u>59,944,713</u>

Fair Value Measurement (continued)

As at 31 December 2021 (audited)

	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Fair Value through profit or loss				
Debt securities	23,986,705	-	-	23,986,705
Equities	19,033,513	-	-	19,033,513
Collective Investment schemes	6,011,080	-	-	6,011,080
Available for sale				
Equities	1,838,107	-	-	1,838,107
Collective investment schemes held to cover linked liabilities	-	27,859,847	-	27,859,847
Investment Property			16,398,894	16,398,894
Financial Liabilities at amortised cost				
Unit linked financial instruments	-	(34,395,648)	-	(34,395,648)
Balance at 31 December 2021	<u>50,869,405</u>	<u>(6,535,801)</u>	<u>16,398,894</u>	<u>60,732,498</u>

Level 2 collective investment schemes are valued using the realisable net asset value per share of the fund as published by the fund administrator on the Malta Stock exchange or website of the fund administrator as applicable.

For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the Group uses the valuation processes to decide its valuation policies and procedures and analyse changes in fair value measurements from period to period. The Group's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with Management. Management validates fair value estimates by benchmarking prices against observable market prices or other independent sources, re-performing model calculations and evaluating and validating input parameters. Management also challenges the valuation model on at least an annual basis or when significant events in the relevant markets occur.

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 30 June 2022.

At 30 June 2022 and 31 December 2021 the carrying amounts of financial assets and current financial liabilities approximated their fair values except for investment contracts with DPF and unlisted equity financial instruments classified as available-for-sale amounting to €2,207,068 (31 December 2021: €1,838,107). The aforementioned equity instruments are measured at cost as it is impracticable to determine the fair value given the nature of such investments. Moreover, for the investment contracts with DPF there is no reliable basis to measure the future discretionary term which is a material feature of these contracts.

Fair Value Measurement (continued)

The financial liabilities for unit link contracts were classified as Level 2. The fair value of these contracts is determined using the current unit value that reflects the fair value of the financial asset (classified as Level 2) linked to the financial liability.

Other considerations on Financial Assets

Unrealised fair value movements during the period under review resulted in an adverse movement of €2,889,646. The following are the main classes of investments leading to this movement:

- Adverse movement in equities €1,919,766
- Adverse movements in fixed income securities €913,157
- Favourable movement in funds and unquoted investments €56,723


Investment Property

There were no additions during the current reporting period. The investment property held in Barcelona (Spain) was disposed of during 2022, this was classified as available-for-sale in the annual financial statements dated 31 December 2021. As at period end, the value of investment property is stated as disclosed in the 31 December 2021 annual financial statements. Details about the fair valuation of investment property are provided in Note 14 to the audited annual financial statements for the year ended 31 December 2021.

Notes to the condensed interim consolidated financial statements

- a. This half-yearly report is published pursuant to chapter 5 of the Malta Financial Services Authority Capital Markets Rules and the Prevention of Financial Market Abuse Act, 2005. The condensed set of consolidated interim financial statements attached to this report has been extracted from LifeStar Insurance p.l.c.'s unaudited management accounts and LifeStar Health Ltd unaudited management accounts for the six months ended 30 June 2022.
- b. The condensed interim financial statements for the half year ended 30 June 2022 have been extracted from the unaudited nor reviewed by the Group's independent auditors. The consolidated condensed financial information does not include all the notes of the type normally included in the annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.
- c. COVID-19 has also proved a challenge for the Directors, business has continued to increase pace and are slowly returning to pre-pandemic levels. The Directors are confident that the Group has sufficient resources and skills to weather this storm.
- d. The interim financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties, financial assets classified at fair value through profit and loss, available-for-sale investments, value of in-force business and investment contracts without DPF. The same accounting policies, presentation and methods of computation have been followed in these interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2021.
- e. The Group's operations consist of the provision of investments, advisory and insurance intermediary services in terms of the Investment Services Act, 1994 and the Insurance intermediaries Act, 2006, the carrying of long-term business of insurance under the Insurance Business Act, 1998. The Group's turnover is primarily generated in and from Malta.
- f. The Group had no commitments for capital expenditure as at 30 June 2022 and 31 December 2021.
- g. The net unrealised loss on financial instruments recognised in the interim condensed consolidated statement of comprehensive income for the period ended 30 June 2022 amounted to €3,079,560 (30 June 2021: loss of €2,606,386).
- h. Earnings per share is based on the net result for the period divided by the weighted average number of ordinary shares during the period. The weighted average number of shares in issue during the period amounted to 64,814,817 shares.
- i. During the six months ended 30 June 2022, property, plant and equipment include additions of €2,971 (year ended 31 December 2021: €96,026) and disposals of nil (year ended 31 December 2021: nil) and intangible assets include additions of €169,338 (year ended 31 December 2021: €616,192) and disposals of nil (year ended 31 December 2021: nil).
- j. Included in the 'Balance on the long-term business of insurance technical account before tax' of the condensed statement of comprehensive income is the net movement in the life reserve amounting to a increase of €441,801 (30 June 2021 an decrease of €255,795) and the net movement in the claims outstanding amounting to an increase of €946,294 (30 June 2021 an increase of €414,973). The estimates and key assumptions used to arrive at the value of the Life Reserve remained the same as those applied as at 31 December 2021.



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LifeStar Insurance plc (C29086) is AUTHORISED under the Insurance Business Act, Cap 403 and is regulated by the MFSA.