LifeStar Insurance p.l.c.

Annual Report & Consolidated Financial Statements

31 December 2021

Company Registration Number: C 29086

LIFESTAR INSURANCE P.L.C.

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Chairman's Statement

It is a great honour to be able to address you as the Chairman of the LifeStar Insurance Group for the first time.

My initial thoughts take me to the transformation that the world has undergone in such a very short period of time, mainly due to COVID. However, what really strikes me about this pandemic is how the LifeStar Team adapted and evolved, and I have to admit, performed so brilliantly. We have come to consider these people as our extended family, and we like to refer to them as the LifeStar Family.

The LifeStar Family comprises 100 employees

Despite all the turbulence, they still manage to service our over 40,000 customers relentlessly and to the same professional manner that is expected from each and every individual forming part of the LifeStar family.

So much has happened in 2021, the Group continued with its transformation despite the gale force head winds caused by COVID and its variants.

I believe that 2021 will go down in LifeStar's history books where the work initiated in 2016 started to come to fruition. We repaid in full the €10 million 5% Bond at LifeStar Holding plc. We converted the LifeStar Insurance Company from a limited liability to a public listed company on the Malta Stock Exchange. We issued an equity IPO whereby shareholders in the LifeStar Holding plc could exchange their shares into LifeStar Insurance plc. In addition, we issued a Euro 2.4 million, 10 Years Subordinated Bond.

LifeStar Health Ltd
50th Anniversary
Dividend of €1 million

Change is something we have come to accept as being part of life. During 2021 we also started another transformational journey to change our accounting system to comply with one of the historical changes in the insurance industry: IFRS 17 standard. We chose, what we believe to be, the best system in class, Oracle Fusion Enterprise Resource Planning together with Oracle's IFRS 17 engine. These new systems will enable LifeStar to seek out new horizons, some of which will be beyond Malta's shores.

I am also pleased to announce two important aspects in relation to LifeStar Health Limited. The first is Bupa's 50th anniversary in Malta and the second is the declaration of a €1.37 million gross dividend which is still subject to a regulatory no objection. After such distribution, the Health company will still have own funds of in excess of a 225% coverage.

From a performance perspective the LifeStar Insurance Group closed off with much better results than the previous year and beyond our most optimistic expectations.

The Solvency Capital Ratio also increased to a healthy 165% (the target SCR set by the company is 140%).

LifeStar Insurance plc
Solvency Capital Ratio
165%

Unfortunately, the macro-economic outlook doesn't seem to be familiar. The COVID pandemic stretched the European economic resources for almost two years and forced Governments to provide unprecedent financial support. More recently the Ukraine conflict is now creating further economic turmoil. More uncertainties are also created by the higher inflation rate and by the proposed global minimum 15% tax rate.
The inclusion of Malta in the FATF grey list has also generated a high level of uncertainty.

We appreciate the Government's efforts to reverse the decision and to make Malta attractive again for foreign investments.

During the year we unfortunately lost one of our valued Director's Mr Nicolas Hornby Taylor, which was a true shock to all of us. We still miss his technical and wise contributions till this very date. On a positive note, we had two new additions to the Life Insurance Board, Mr Mark Bamber and Mr Joseph Rizzo. Their experience and competence greatly strengthen our Board of Directors.

I cannot not end by mentioning LifeStar's most important asset, our employees. They have been exemplary, adapting to working from home, lockdowns, quarantines and then back working from the office. The psychological strain was great but as a family we have endured and produced very positive results for 2021.

Despite these hardships we were able to celebrate Bupa's 50 Th anniversary in Malta with a Gala Dinner held at the charming Phoenicia Hotel in Valletta.

We also celebrated our anniversary by organizing the event Christmas in July at one of the local orphanages and by funding the total refurbishment of a playground for some less fortunate children.

As in the past, even in 2021, LifeStar and Bupa were among the main sponsors of Pink October and Movember.

Last, I need to thank the senior team Ms Cristina Casingena – CEO of LifeStar Insurance plc and Ms Adriana Zarb Adami, Managing Director of LifeStar Health Limited for leading these two arms of the LifeStar Insurance Group. A special thanks also to Mr Roberto Apap Bologna, Group CFO, for his tireless and always positive contribution. Together with your respective teams and, despite some very turbulent times, you have produced some terrific results.

Prosit tassew e grazie dal cuore!

Profs Paolo Catalfamo
Chairman LifeStar Insurance Group
8 April 2022

CEO's Statement LifeStar Insurance plc

Similar to Paolo, this is my first address to our new Shareholders. It is a true honour to be at the forefront leading this still very young company that has so much still to achieve.

2021 had been a positive though challenging year. So much has affected our lives. We have faced the continued global pandemic, economic uncertainty and most of all a disruption to our "normal" lives. People are still scared of this virus and I believe that we need to start accepting that COVID will be very much part of our lives.

The Life insurance business has fared very well in 2021. Premiums from our ordinary business has remained fairly stable and we have experienced a surge in the demand for our Unit Linked and Variable Unit linked. Total premium receivable amounted to €22.3 million (2020: €20.2 million) an uplift of 10.5%. Quite a few of our customers, whose policy matured in 2021, have switched to these investment policies. The harshest part of 2021 has been having to listen to customers who have been insured for decades having to surrender their polices because they can no longer make ends meet. We have tried to assist with premium holidays but there are some people who are facing some tough times.

Such trying times push us to look at our processes to seek more efficient and cost effective ways of doing business. The Life Company has continued to transform its self by launching the state-of-the art front office system which has effectively paved the way to a more paperless environment. This is just the beginning of a long journey ahead of us. The next phase of this project has already commenced and we will see a customer relationship management tool and a customer portal come to light. The transformation doesn't stop here. We are also in the final testing phase for the implementation of IFRS 17 which will completely transform our financial statements. To ensure a seamless implementation we are also changing our core accounting system and moving over to Oracle Fusion. This will enable us to integrate all our core systems into a state-of-the-art ERP. During 2021, we focused on the capital structuring of the organisation, whereas 2022 will be geared towards a systems transformation.

The Life Company generated a profit before tax of €1.5 million compared to a loss of €0.4 million in 2020. A remarkable improvement in performance. The balance on the Long-Term Business registered a loss of €0.3 million compared to a higher loss of €1.3 million in the previous year. Net operating expenses in the technical account increased by 7.3% on 2020 mainly due to legal and professional fees and staff costs. Benefits and Claims incurred remained fairly flat on 2020 closing off the year at €10.2 million (2020: €10.3 million). Another performance indicator is the value of inforce business which increased by €1.4 million over 2020 or by a remarkable 13.2%. Lastly, technical provisions increased by €5.6 million in 2020 or an uplift of 4.5%.

During 2021 the investment book suffered predominately from local equities which saw an adverse unrealised fair value movement of €1.5 million and from Government Bonds (local and foreign) €0.6 million.

A word of thanks is due to the fantastic team that I head and also to the sales team of Tied Insurance Intermediaries that have managed to achieve such encouraging results. I feel very proud of these people who as Paolo rightly mentioned belong to the LifeStar family. In 2022, we will continue to strengthen our sales team and we have managed to secure a new sales agent. We aspire to offer a sterling service to our customers and to have an engaged workforce and sales team, the synergies of which will be phenomenal.

The future is still very uncertain, we are seeing greater economic unrest, greater volatility in the investments world and most recently the conflict in Ukraine has added to the complexity of the global arena. LifeStar Insurance is also looking at expanding into a different jurisdiction, though still within the EU. It is hoped that the first benefits will be seen during quarter 4 of 2022.

I believe that 2022 will be another challenging but positive year while we look forward to the time when we will be in a position to announce healthy dividends for our shareholders. For 2021 we have a solvency capital ratio of 165% meaning that realistically the company is not far off form being in a position to recommend to the regulator a distribution of a dividend. I also look at 2022 with new hope, COVID restrictions seem that they will be lifted, Malta will be removed from the grey list and the pulse of economic activity will also start to quicken and collectively return to a state of normality.

LifeStar Insurance will continue to see a considerable amount of transformation and change and together all obstacles can be surmounted.

Ms Cristina Casingena

Managing Director and CEO of LifeStar Insurance plc
8 April 2022

Managing Director's Report - LifeStar Health Limited

I find this time of the year a very prestigious one, as it is the time when LifeStar Health Limited boasts about the profit it has made during 2021. LifeStar Health has once again registered a profit before tax, something that has been consistent over the last few years, of € 572, 846 compared to €956,768 in 2020. Again, the pandemic has been challenging during both 2020 and 2021 and had a very negative impact on the business mainly due from a loss of covers in the hospitality industry due to their downsizing and less medical treatment carried out in 2020 that started to be undertaken in 2021.

On a more positive note, in 2021, as already mentioned by Paolo, Bupa celebrated its 50 years' presence in Malta and to mark this very important year, Bupa Malta carried out refurbishment works to the playground of an institute which now serves as a good recreational place for little children. Various other initiatives, such as "Christmas in July" also cheered many children. This also included the participation of the LifeStar family. We wanted to mark this milestone by giving something back to the community.

To mark the end of our celebrations, a gala dinner was held in December 2021 which saw a mix of our prestigious clients and the medical profession. A truly enjoyable event despite all the COVID restrictions.

Bupa Global has been trading since 1947 and we are proud of the fact that Bupa Global's first international overseas operation was Malta in the early70s. In fact, Bupa has been the pioneer of medical health insurance in Malta.

Bupa continually invest heavily in developing systems, products, people and technology. This expertise is applied to all Bupa representations around the globe, including Malta.

Bupa Malta constantly keep its ears to the ground in order to get a feel of clients' changing needs. Last year, we reviewed existing plans and launched a Dental Rider. More to follow.

Adriana Zarb Adami
Managing Director of LifeStar Health Limited
08 April 2022.

Directors' report

The Directors present the annual report and the consolidated audited financial statements of LifeStar Insurance p.l.c. (the "Company") and its subsidiary LifeStar Health Limited ("LifeStar Health") for the year ended 31 December 2021. The Company and LifeStar Health shall hereinafter jointly be referred to as the "Group" or "Insurance Group".

Principal activities

The Company and LifeStar Health are licensed by the Malta Financial Services Authority ("MFSA") to carry out long term business of insurance under the Insurance Business Act and the Insurance Distribution Act respectively.

Review of business

The Insurance Group – Consolidated results

During the year, the Group continued to undertake restructuring and transformation activity to align the business operations with the Board's approved strategy and to strengthen its capital based. This was achieved by implementing a holistic strategic plan, designed to permanently resolve various legacy issues that continue to negatively impact the wider LifeStar Group and to support the consolidation and future growth of the Company as well as the enitre LifeStar Group. As a result, on 4 May 2021 the Malta Financial Services Authority approved an offer for sale of 18,518,519 ordinary shares in the Company at an offer price of €0.54 per share ('the Share Offer') and the offer of 6,570,000 ordinary shares in the Company to its shareholders in exchange for their ordinary shares in LifeStar Holding p.l.c. at an exchange ratio of 1 LifeStar Holding p.l.c. share to 1 share in the Company ('the Exchange Offer). From the Share Offer, 10,854,000 shares (for a total value of €5,861,160) were received by the Company, whilst 5,897,951 shares from the Exchange Offer (for a total value of €3,184,894) were received by the Company. Furthermore, on 6 May 2021, the Malta Financial Services Authority approved the issue of €10,000,000 4% Subordinated Bonds due 2026-2031 issued by the Company (the "Subordinated Bonds"). A total of 24,313 Subordinated Bonds (for a total value of €2,431,300) were received by the Company.

2021 proved to be another uncertain year as the Covid-19 pandemic has continued to impact businesses globally. While many hoped that this pandemic would come to an end, the development of new variants has continued to impact all sectors globally. Like many businesses, the Group has learnt to operate within this reality and the circumstances obtained satisfactory results. In fact, at a consolidated level, the Insurance Group registered a profit after tax amounting of €0.54 million (2020: €0.9 million) and total comprehensive income of €1.9 million (2020: €1.2 million).

LifeStar Insurance p.l.c.

LifeStar Insurance p.l.c.'s profit before tax amounted to €1.4 million (2020: loss €0.4 million) and generated a total comprehensive income for the year of €2.6 million (2020: €0.6 million). The profit is due to the benefits and claims remaining fairly flat on the previous year despite suffering some severe adverse unrealised losses on local equities and sovereign bonds resulting in a fall in net investment income and fair value movements of €1.4 million. Gross written premium decreased on the previous year mainly due to a number of maturities and cancellations that did not result in re-investments. On the other hand we did experience a very encouraging increase in our Index Linked and Unit Linked insurance of 36.6%. During the year, the Company received a gross dividend of €1.37 million from its subsidiary LifeStar Health which is still subject to a regulatory no objection.

An important part of the Company's business involves managing the treasury function, investing policyholder and shareholder funds across a wide range of financial investments, including equities, fixed income securities and to a lesser extent properties. The Company's results are sensitive to the volatility in the market value of these investments, either directly because the Company bears the investment risk, or indirectly because the Company earns management fees for investments managed on behalf of policyholders.

Operating expenses increased on the prior year by €0.3 million, due mainly to professional fees and salary costs to retain and protect our talent loss. The balance on the long-term technical account closed off with a small loss of €0.3 million compared to a much larger loss in 2020 of €1.3 million.

Another important measure for a Life Company would be the Value of in Force Business. 2021 produced an excellent increase of €1.4 million (2020: €0.07 million). This led to a total comprehensive income for the year of €2.6 million compared to €0.6 million in 2020.

As the impact of the pandemic has lingered and continues to impact business in the foreseeable future, the Directors continue to monitor the situation closely and have assessed the Company's financial position and performance for 2022, to mitigate the impact brought about by the pandemic as well as its impact on capital. Such analysis was also extended to analyse the effect on the Solvency Capital Requirements (the "SCR") of the Company by reference to the stressed test scenarios in latest ORSA (Own Risk and Solvency Assessment) reports prepared by the entity.

Total assets of the Group increased by 6.5% (2020: 6.2%) from €161.9 million to €171.9 million as at the end of the current reporting period. Technical provisions increased by 4.5% (2020: 10.6%) from € 124.4 million to €130.1 million. The Company's Solvency II ratio was a healthy one and, as at 31 December 2021 amounting to 165%.

The Company's value of in-force business for 2021 registered an increase of €1.4 million (2020: €0.1 million) and, in aggregate, amounted to €11.9 million (2020: €10.5 million) at end of the current year - representing the discounted projected future shareholder profits expected from the insurance policies in force as at year end, adjusted for taxation.

The Board of directors approved a 2021 bonus declaration of 3.5% for Money Plus policies (2020: 3.5%) and 1% (2020: 1.5%) for all other interest sensitive products. The Company also announced a bonus rate of 0.5% (2020: 0.5%) for paid up policies.

LifeStar Health Limited

The COVID-19 pandemic has directly impacted the business of LifeStar Health Limited, in view of the reduction in travel insurance as well as a decrease in clients operating in the hospitality industry. Whilst 2020 saw clients postponing interventions and treatments to a more suitable time. The company saw an increase in claims in 2021 due to customer feeling more confident to undertake these procedures. As a result, LifeStar Health Limited generated higher revenue and earnings during 2020; however, revenues and earnings generated during 2021 were in line with previous years. Consequently, LifeStar Health Limited, registered a profit before tax of €0.6 million (FY2020: €1.0 million), as revenue decreased from €2.1 million in FY2020 to €1.8 million in FY2021.

Net assets decreased from €2.1 million to €1.4 million, principally due to €1 million net dividends which were declared, subject to regulatory no objection, during the year (2020: Nil).

LifeStar Health Limited is required to comply with the own funds requirement as set by the Malta Financial Services Authority. The minimum capital requirements (defined as "the capital resource requirements") must be maintained at all times throughout the year. LifeStar Health Limited monitors its capital level through detailed reports compiled with management accounts. Any transactions that may potentially affect LifeStar Health Limited's regulatory position are immediately reported to the directors for resolution prior to notifying the Malta Financial Services Authority. The Company exceeded the required minimum capital requirements during the year under review.

Future outlook

The Directors intend to continue to operate in line with the Group's current business plan.

Principal risks and uncertainties

The Group's principal risks and uncertainties are further disclosed in Note 1 – Critical accounting estimates and judgements, Note 2 – Management of insurance and financial risk, Note 10 – Intangible assets covering details on the Group 's value of in-force business, Note 13 – Investment property and assets held for sale disclosing the significant observable inputs, and Note 16 – Technical provisions for insurance and investment contracts which include the valuation assumptions.

Financial risk management

Note 2 to the financial statements provides details in connection with the Group's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

Results and dividends

The statement of comprehensive income sets out the results of the Group and the Company. After considering the net movement of value-in-force business and available-for-sale investments, the Group's total comprehensive profit amounted to €1.9 million (2020: €1.2 million). The profit for the year after taxation was €0.5 million (2020: €0.9 million). No dividends were declared during the year under review (2020: Nil) at the Company level, however a gross dividend of €1.37 million was declared by LifeStar Health Limited subject to regulatory no objection.

Events after the reporting date

Towards the end of February 2022, the armed conflict between the Russian Federation and Ukraine set in motion a chain of diplomatic efforts and other major geopolitical events which led a number of western nations, including the EU institution and the United States government, to impose a number of sanctions on Russia and Belarus. These current sanctions in place include several restrictive measures of a direct financial nature that are having a significant direct impact on the broad economy of the invading nations, as well as resulting in a downgrading of their sovereign and private debt by international credit rating agencies.

The consequences of these restrictive measures are however also expected to have a significant impact on the economies of the countries implementing such trade restrictions, with a spill-over on the world economy, as uncertainty and market volatility remain high across all industries with increasing tensions and rhetoric on both sides. The cost of doing business is undoubtedly set to rise further, following the initial COVID-19 shocks on the global economy seen in the last couple of years, as the ongoing conflict in Ukraine and COVID-related measures continue to rock global supply chains. The economic magnitude of this will depend on how the conflict unfolds. Different scenarios present different economic outcomes in terms of impact magnitude and on the eventual recovery.

The Company is not expected to be negatively impacted by the ongoing conflict in Ukraine because the Group's business is predominantly in Malta. However, should individuals continue to refrain from travelling due to the ongoing conflicts as well as the continuous spikes in COVID-19 numbers, travel insurance may decrease which would ultimately impact revenue generated from LifeStar Health Limited. The Directors continue to actively monitor the situation, as well as all developments taking place internationally in order to take any action that might be necessary in the eventuality that developments in the conflict start to impact the Group's turnover and business activity.

Going concern

The Directors, as required by Capital Markets Rule 5.62, have considered the Group's operating performance, the statement of financial position at year end, as well as the business plan for the coming year, and they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors of the Company who held office during the period were:

Prof. Paolo Catalfamo
Mr. Joseph C. Schembri
Mr. Nicolas Hornby Taylor (deceased on 27 April 2021)
Ms. Cristina Casingena
Mr. Mark J. Bamber (appointed on 23 April 2021)
Mr. Joseph M. Rizzo (appointed on 7 December 2021)

In terms of Article 117 of the Articles of Association, the term of appointment of the Directors still in office expires at the end of the forthcoming Annual General Meeting.

The Directors are required in terms of the Company's Articles of Association to retire at the forthcoming Annual General Meeting and shall be automatically eligible for re-election by the Company in general meeting, without the need for nomination.

Remuneration Committee and corporate governance

The Board of Directors has set up an Audit and Risk Committee, as well as a Remuneration and Nominations Committee. The Board of the Company will be submitting to the Shareholders at the next Annual General Meeting the Remuneration Report for the financial year ending 31 December 2021 (the "Reporting Period"). The Remuneration Report is drawn up in accordance with, and in fulfilment of the provisions of Chapter 12 of the Capital Markets Rules issued by the Malta Financial Services Authority ("Capital Markets Rules") relating to the Remuneration Report and Section 8A of the Code of Principles of Good Corporate Governance (Appendix 5.1 of the Capital Market Rules) regarding the Remuneration Statement.

The Remuneration Report provides a comprehensive overview of the nature and quantum of remuneration paid to the individual Directors and the Chief Executive Officer during the Reporting Period and details how this complies with the Company's Remuneration Policy. The Remuneration Report is intended to provide increased corporate transparency, increased accountability and a better shareholder oversight of the remuneration paid to Directors and the Chief Executive Officer. The contents of the Remuneration Report have been reviewed by the Company's Auditors to ensure that the information required in terms of Appendix 12.1 of the Capital Market Rules has been included.

The Group's arrangements for corporate governance are reported in the 'Corporate Governance - Statement of compliance' section.

Statement of Directors' responsibilities

The Directors are required by the Insurance Business Act (Cap. 403 of the Laws of Malta) and the Companies Act (Cap. 386 of the Laws of Malta) to prepare financial statements which give a true and fair view of the state of affairs of the Group as at the end of each financial year and of the profit or loss for that year.

In preparing the financial statements, the Directors are responsible for:

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

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Insurance Business Act (Cap. 403 of the Laws of Malta) and the Companies Act (Cap. 386 of the Laws of Malta). They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, the Directors are required to ensure that the Company has, at all times, complied with and observed the various requirements of the Insurance Business Act (Cap. 403 of the Laws of Malta) and that LifeStar Health Limited has, at all times, complied with and observed the various requirements of the Insurance Distribution Act (Cap. 487 of the Law of Malta).

Information provided in accordance with Capital Markets Rule 5.70.1

There were no material contracts to which the Company, or its subsidiary was a party, and in which anyone of the Company's Directors was directly or indirectly interested.

Auditors

Grant Thornton have intimated their willingness to continue in office.

A resolution to reappoint Grant Thornton as auditor of the Company will be proposed at the forthcoming annual general meeting.

Information provided in accordance with Capital Markets Rule 5.64

The authorised share capital of the Company is fifty million Euro (€50,000,000.06) divided into three hundred and fifty three million, four hundred and eleven thousand, nine hundred and forty two (353,411,942) ordinary shares of fourteen Euro cents (€0.141478) each share.

The issued share capital of the Company is nine million, one hundred and sixty nine thousand, eight hundred and seventy Euro and sixty eight cents (€9,169,870.68) divided into sixty four million, eight hundred and fourteen thousand, eight hundred and seventeen (64,814,817) ordinary shares of fourteen Euro cents (€0.141478) each share, which have been subscribed for and allotted fully paid-up.

The issued shares of the Company consist of one (1) class of ordinary shares with equal voting rights attached. The shares carry equal rights to participate in any distribution of dividends declared by the Company. Each share shall be entitled to one (1) vote at the meetings of the shareholders. The shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange, as applicable from time to time, and in terms of the provisions of the Articles of Association of the Company.

The Directors confirm that as at 31 December 2021, LifeStar Holding p.l.c., and GlobalCapital Financial Management Limited (as nominee for client accounts), held a shareholding in excess of 5% of the total issued share capital.

The Nominations and Remuneration Committee of the Board of Directors currently consists solely of Non-Executive Directors. It has the responsibility to assist and advise the Board of Directors on matters relating to the remuneration of the Board of Directors and senior management, in order to motivate and retain executives and ensure that the Company is able to attract the best talents in the market in order to maximise shareholder value.

The rules governing the appointment and replacement of the Company's Directors are contained in Articles 107 to 124 of the Company's Articles of Association. Directors of the Company are elected on an individual basis by ordinary resolution of the Company in general meeting. The order of priority of the said ordinary resolutions shall be determined and decided by lot. The Company may, in accordance with article 140 of the Companies Act (Cap. 386 of the Laws of Malta) remove a Director by ordinary resolution taken at a general meeting at any time prior to the expiration of his term of office, if any.

The Directors can only issue shares following an extraordinary resolution passed in the Annual General Meeting. This and other powers vested in the Company's Directors are confirmed in Articles 132 to 142 of the Company's Articles of Association.

It is hereby declared that as at 31 December 2021, the information required under Capital Markets Rules 5.64.4, 5.64.5, 5.64.6, 5.64.7, 5.64.10 and 5.64.11 is not applicable to the Company

Information pursuant to Capital Markets Rule 5.70.2

The Company Secretary is Dr Clinton Calleja and the registered office is LifeStar Insurance p.l.c., Testaferrata Street, Ta' Xbiex, Malta.

Statement by the Directors pursuant to Capital Markets Rule 5.68

We, the undersigned, declare that to the best of our knowledge, the financial statements prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole, and that this Director's report includes a fair review of the performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board of Directors on 8 April 2022 by Prof. Paolo Catalfamo (Director) and Joseph C. Schembri (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report. :

Corporate Governance – Statement of Compliance

Introduction

Pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority, the Company whose equity securities are listed on a regulated market should endeavour to adopt the Code of Principles of Good Corporate Governance ("the Code") as contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules. In terms of the Capital Markets Rules, the Company is hereby reporting on the extent of its adoption of the Code.

The Company acknowledges that the Code does not prescribe mandatory rules but recommends principles so as to provide proper incentives for the Board of Directors ("the Board") and the Company's management to pursue objectives that are in the interests of the Company and its shareholders. Good corporate governance is the responsibility of the Board, and in this regard the Board has carried out a review of the Company's compliance with the Code during the period under review, and hereby provides its report thereon.

As demonstrated by the information set out in this statement, the Company believes that during the reporting period, it has been in full compliance with the Code.

Compliance with the Code

Principles 1 and 4: The Board

The Directors report that for the financial year under review, the Directors have provided the necessary leadership in the overall direction of the Company and have performed their responsibilities for the efficient and smooth running of the Company with honesty, competence and integrity. The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations.

Directors, individually and collectively, are of appropriate calibre, with the necessary skill and experience to assist them in providing leadership, integrity and judgement in directing the Company towards the maximisation of shareholder value and to make an effective contribution to the leadership and decision-making processes of the Company as reflected by the Company's strategy and policies. In fact, the Board comprises a number of individuals, all of whom have extensive knowledge of insurance. Members of the Board are selected on the basis of their core competencies and professional background in the industry so as to ensure the continued success of the Company.

All the members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of the Company. The Board is accountable for its performance and that of its delegates to shareholders and other relevant stakeholders.
Its responsibilities also involve the oversight of the Company's internal control procedures and financial performance, and the review of business risks facing the Company, ensuring that these are adequately identified, evaluated, managed and minimised. The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company and protect the interests of bondholders, external borrowers and the shareholders

The Company has a structure that ensures a mix of executive and non-executive directors and that enables the Board to have direct information about the Company's performance and business activities.

All directors are required to:

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

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

Principle 2: Chairman and Chief Executive Officer

In compliance with the provisions of this Principle, the functions of the Chairman and the CEO of the Company are segregated from one another. Prof. Paolo Catalfamo occupies the post of Chairman whilst Ms. Cristina Casingena occupies the post of CEO.

The responsibilities and roles of the Chairman and the Chief Executive Officer are clearly established and agreed to by the Board of Directors.

The Chairman is responsible to:

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

Principle 3: Composition of the Board

In accordance with the provisions of the Company's Articles of Association, the appointment of Directors to the Board is exclusively reserved to the Company's shareholders, except in so far as appointment is made to fill a casual vacancy on the Board, and which appointment would expire at the Company's Annual General Meeting following appointment. Any vacancy among the Directors may be filled by the co-option of another person to fill such vacancy. Such co-option shall be made by the Board of Directors.

The Board has the overall responsibility for the activities carried out within the Company and the Group and thus decides on the nature, direction, strategy and framework of the activities and sets the objectives for the activities.

The Board is composed of five (5) Directors (one (1) of whom is the Chairman), with four (4) being non-executive Directors and one being an executive Director. The present mix of executive and non-executive directors is considered to create a healthy balance and serves to unite all stakeholders interests, whilst providing direction to the Company's management to help maintain a sustainable organisation.

The non-executive directors constitute a majority on the Board and their main functions are to monitor the operations of the executive director (the Chief Executive Officer) and her performance. For the purpose of Capital Markets Rules 5.118 and 5.119, Mr Mark J Bamber, Mr Joseph C Schembri and Mr Joseph M Rizzo are the non-executive directors which are deemed independent. Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a director of the Company.

The Board considers that none of the independent directors of the Company:

- Are or have been employed in any capacity by the Company;
- Have or have had, over the past three years, a significant business relationship with the Company;
- Have received or receives significant additional remuneration from the company in addition to its director's fee;
- Have close family ties with any of the company's executive directors or senior employees; and
- Have been within the last three years an engagement partner or a member of the audit team or past external auditor of the company.

Each of the directors hereby declares that he undertakes to:

- Maintain in all circumstances his independence of analysis, decision and action;
- Not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
- Clearly express his opposition in the event that he finds that a decision of the board may harm the company.

The Board of Directors is currently chaired by Prof. Paolo Catalfamo. The Company Secretary (Dr. Clinton Calleja) attends all meetings and takes minutes. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows between the Board of Directors and its Committees and between senior management and the Directors, as well as ensuring that the Board of Directors' procedures are followed. The Company's Articles of Association also provide for adequate controls and procedures in so far as the treatment of conflicts of interest during Board of Directors meetings is concerned.

The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors. The following Directors served on the Board during the period under review:

Prof. Paolo Catalfamo	Non-executive Director
Ms. Cristina Casingena	Executive Director
Mr. Joseph C. Schembri	Independent, Non-executive Director
Mr. Nicolas Hornby Taylor (deceased on 27 April 2021)	Independent, Non-executive Director
Mr. Mark J. Bamber (appointed on 23 April 2021)	Independent, Non-executive Director
Mr. Joseph M. Rizzo (appointed on 7 December 2021)	Independent, Non-executive Director

Principle Five: Board Meetings

The Directors meet regularly to dispatch the business of the Board. The Directors are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting Board papers, which are circulated in advance of the meeting. Minutes are prepared during the Board meetings recording *inter alia* attendance, and resolutions taken at the meeting. The Chairman ensures that all relevant issues are on the agenda supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all Directors every opportunity to contribute to relevant issues on the agenda. The agenda for the meeting seeks to achieve a balance between long-term strategic and short-term performance issues.

The Board of Directors meets in accordance with a regular schedule of meetings and reviews and evaluates the Group's strategy, major operational and financial plans, as well as new material initiatives to be undertaken by the Group. The Board of Directors meets formally at least once every quarter and at other times on an 'as and when' required basis.

During the period under review, the Board of Directors me seventeen (17) times. The following Directors attended Board meetings as follows:

	Meetings
Prof. Paolo Catalfamo	17
Ms. Cristina Casingena	16
Mr. Joseph C. Schembri	17
Mr. Nicolas Hornby Taylor (deceased 27 April 2021)	10
Mr. Mark J. Bamber (appointed on 23 April 2021)	8
Mr. Joseph M. Rizzo (appointed on 7 December 2021)	1

Principle Six: Information and Professional Development

The Company ensures that it provides directors with relevant information to enable them to effectively contribute to Board decisions. The Company Secretary ensures effective information flows within the Board, committees and between senior management and Directors, as well as facilitating professional development. The Company Secretary advises the Board through the Chairman on all governance matters.

Directors may, in the course of their duties, take independent professional advice on any matter at the Company's expense. The Company will provide for additional individual Directors' training on a requirements basis.

The Chief Executive Officer ensures that systems are in place:

1. to provide for the development and training of the management and employees generally so that the Company remains competitive;
2. to provide additional training for individual Directors where necessary;
3. to monitor management and staff morale; and
4. to establish a succession plan for senior management.

Principle Seven: Evaluation of the Board's Performance

The Chairman of the Board informally evaluates the performance of the Board members, which assessment is followed by discussions within the Board. Through this process, the activities and working methods of the Board and each committee member are evaluated. Amongst the things examined by the Chairman through his assessment are the following: how to improve the work of the Board further, whether or not each individual member takes an active part in the discussions of the Board and the committees; whether they contribute independent opinions and whether the meeting atmosphere facilitates open discussions. Under the present circumstances the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the Board's performance is furthermore also under the scrutiny of the shareholders. On the other hand, the performance of the Chairman is evaluated by the Board of Directors of the ultimate controlling party, taking into account the manner in which the Chairman is appointed. The self-evaluation of the Board has not led to any material changes in the Company's governance structures and organisations.

Principle Eight: Committees

Audit and Risk Committee

The Board of Directors delegates certain responsibilities to the Audit Committee, the terms of reference of which reflect the requirements stipulated in the Capital Markets Rules. As part of its terms of reference, the Audit Committee has the responsibility to vet, approve, monitor and scrutinise any related party transactions falling within the ambits of the Capital Markets Rules, and to make its recommendations to the Board of Directors on any such proposed related party transactions. The Audit Committee also assists the Board of Directors in monitoring and reviewing the Group's financial statements, accounting policies and internal control mechanisms in accordance with the Committee's terms of reference.

In the performance of its duties the Audit Committee calls upon any person it requires to attend meetings. The external auditors of the Company are invited to attend all relevant meetings. The internal auditors are also invited to attend meetings of the Audit Committee and report directly any findings of their audit process. The head of legal and compliance, as well as the compliance officers of the regulated subsidiaries are invited to attend meetings of the Audit Committee to present their compliance reports, as necessary. In addition, the Audit Committee invites the Chief Financial Officer and other members of management to attend Audit Committee meetings on a regular basis and as deemed appropriate.

The Audit Committee also approves and reviews the Group's Compliance Plan and Internal Audit Plan prior to the commencement of every financial year and monitors the implementation of these plans. The remit of the Audit Committee was also extended to include group risk management, and it is also referred to as the Audit and Risk Committee.

The Audit Committee is directly responsible and accountable to the Board. During the financial year under review, the Audit Committee held two (2) meetings, having been constituted following the admission of the Company's shares to the Official List of the Malta Stock Exchange plc with effect from 08 June 2021.

Members	**Committee meetings attended**
Joseph C. Schembri	2
Mark J. Bamber	2
Joseph M. Rizzo (Member since 7 December 2021)	1

The Audit Committee is chaired by Joseph C. Schembri, who is an auditor by profession, and is considered to be an independent non-executive member possessing the necessary competence in auditing and accounting as required in terms of the Capital Markets Rules. All the members that served on the Audit Committee were deemed by the Board of Directors to be Independent Non-Executive Directors, and the Board of Directors felt that as a whole the Audit Committee had the necessary skills, qualifications and experience in satisfaction of the Capital Markets Rules.

The terms of reference of the Audit Committee include, *inter alia* , its support to the Board of the Company in its responsibilities in dealing with issues of risk management, control and governance and associated assurance. The Board has set formal terms that establish the composition, role , function, the parameters of the Audit Committee's remit as well as the basis for the processes that it is required to comply with. The Terms of Reference of the Audit Committee, which were approved by the Malta Financial Services Authority, are modelled on the principles set out in the Capital Markets Rules themselves.

Briefly, the Audit Committee is expected to deal with and advise the Board on the following matters:

a) its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
b) monitoring the performance of the entity or entities borrowing funds (the subsidiaries) from the Company;
c) maintaining communications on such matters between the Board, management and the independent auditors;
d) facilitating the independence of the external audit process and addressing issues arising from the audit process; and
e) preserving the Company's assets by understanding the risk environment and determining how to deal with those risks.

In addition, the Audit Committee also has the role and function of scrutinising and evaluating any proposed transaction prior to be entered into by the Company and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Company. The Audit committee oversees the financial reporting of the Company and ensures the process takes place in a timely manner. The committee is free to question any information that may seem unclear.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee, which performs the functions of a remuneration committee and of a nomination committee (in each case in compliance with the requirements of the Corporate Governance Code of the Capital Markets Rules).

During the financial year under review, the Nominations and Remuneration Committee met three (3) times and was composed of Mark Bamber as Chairman, and Joseph C. Schembri as member.
Remuneration Function

The Remuneration and Nomination Committee monitors, reviews, and advises on the Company's remuneration policy as well as approves the remuneration packages of senior executives and management. The main activities of the Remuneration and Nomination Committee include devising appropriate policies and remuneration packages to attract, retain, and motivate Directors and senior management of a high caliber in order to well position the Company and LifeStar Health within the insurance market and its areas of business.

In the fulfilment of its remuneration matters oversight, the Committee monitors, reviews and advises on the Group's Remuneration Policy, as well as approves the remuneration packages of senior executives and Management.

Nominations Function

The Remuneration and Nominations Committee is also responsible for making recommendations for appointment to the Board and for reviewing in order to ensure that appointments to the Boards are conducted in a systematic, objective and consistent manner. It is also responsible for the review of performance of the Company's Board members and committees, the appointment of senior executives and management and the development of a succession plan for senior executives and management. Additionally, this committee monitors, reviews and advises on the Company's remuneration policy as well as approves the remuneration packages of senior executives and management.

Other Management Committees

Executive Committee (EXCO)

The Company's EXCO operates as a direct management committee under the authority of the Board and is responsible for the overall delivery of the Company's strategy. EXCO also acts as Product and Pricing Committee with the prime responsibility of approving and overseeing the implementation of new products, new terms for new and existing products and marketing campaigns. The EXCO is also tasked with the approval and oversight of the performance of all products and with ensuring that products, product designs and product distribution are aligned with their intended target market and with the identified customers' needs.

EXCO meets at least ten times a year and executes the first line management responsibilities. During the period under review the EXCO met twelve (12) times. The EXCO is composed of Cristina Casingena (CEO); Roberto Apap Bologna (CFO), Jonathan Camilleri (Chief Operations Officer), Adrian Mizzi (Chief Information Officer), Chris Chetcuti (Head of Sales), Jonathan Portelli (Life Operations Manager), Rebeca Alexiu (Product Manager), Enrico Depasquale (Compliance Manager); Maria Michaelides (Actuarial Function – Deloitte Cyprus) and Dimitris Dimitriou (Risk Manager – Deloitte Cyprus).

Asset and Liability Committee (ALCO)

ALCO's primary responsibilities are to report and advise the Board on all matters pertaining to the balance sheet (asset and liabilities) and investments of the Company's monies. ALCO is also responsible for managing balance sheets, associated risks and earnings (economic, IFRS) and capital levels to achieve performance objectives within prescribed risk parameters.

ALCO reviews and submits to the Board for approval the Company's investment policy on an annual basis and ensures that the investments of the Company are in compliance with the prudent person principle as directed by the article 132 of the Solvency II Directive (Directive 2009/138/EC).

ALCO monitors the investment performance of the Company on a regular basis and ensures that an appropriate governance framework is in place for the appointment and monitoring of the activity of external or internal asset managers. ALCO has the oversight responsibility of any outsourced investment management arrangement.

ALCO meets at least quarterly and executes the first line management responsibilities. During the period under review, the ALCO met five (5) times. The ALCO is composed of Cristina Casingena (CEO), Roberto Apap Bologna (CFO), Konrad Camilleri (Investment Manager), Keith Huber (Independent Investment Advisor), Enrico Depasquale (Compliance Officer), Dimitris Dimitriou (Risk Manager – Deloitte Cyprus), Maria Michaelides (Actuarial Function – Deloitte Cyprus).

Risk Management Committee (RMC)

RMC operates as a direct management committee under the authority of the Board and is responsible for the overall enterprise-wide management of all risk within the Company or impacting the Company.

RMC is responsible for the ongoing monitoring, assessment, reporting and management of the risk environment and the effectives of the risk management framework.

RMC meets at least quarterly and executes the second line of defense responsibilities. During the period under review the RMC met five (5) times. The RMC is composed of Cristina Casingena (CEO), Roberto Apap Bologna (CFO), Jonathan Camilleri (Chief Operations Officer), Dimitris Dimitriou (Risk Manager – Deloitte Cyprus), Maria Michaelides (Actuarial Function – Deloitte Cyprus) and Enrico Depasquale (Compliance Manager).

Internal controls

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

The Group encompasses different licensed activities regulated by the MFSA. These activities include the carrying on of long-term business of insurance under the Insurance Business Act (Cap. 403 of the Laws of Malta); and acting as an agent for sickness and accident insurance in terms of the Insurance Distribution Act (Cap. 487 of the Laws of Malta). The Board of Directors has continued to ensure that effective internal controls and processes are maintained to support sound operations, and the committees set up by the Company (EXCO, ALCO and RMC) further enhance internal controls and processes. Policies such as Risk Compliance Monitoring Programmes, Risk Management, Complaints, Data Protection, Internal Audit and Anti-Money Laundering Policies and Procedures have been adopted. The policies that have been adopted also include a Conflict of Interest Policy.

The Directors are aware that internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against normal business risks. During the financial year under review the Company operated a system of internal controls which provided reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

The Company has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and reviews by management, internal audit and the external auditors. The Internal Audit Department monitors and reviews the Group's compliance with policies, standards and best practice in accordance with an Internal Audit Plan approved by the Audit Committee. KPMG fulfil the functions of internal auditors of the Company.

Principle Nine and Ten: Relations with Shareholders and with the Market, and Institutional Shareholders

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood. During the period under review, the Company has maintained an effective communication with the market through a number of channels including Company announcements and Circulars.

The Company shall also communicate with its shareholders through the Company's Annual General Meeting ("AGM") to be held later in 2022, which will include resolutions such as the approval of the Annual Report and Audited Financial Statements for the year ended 31 December 2021, the election/re-election of Directors, the determination of the maximum aggregate emoluments that may be paid to Directors, the appointment of auditors and the authorisation of the Directors to set the auditors' remuneration, as well as any other resolution as may necessary in terms of law or as required by the Company. In terms of Rule 12.26L of the Capital Market Rules, an annual general meeting shall have the right to hold an advisory vote on the remuneration report of the most recent financial year. Both the Chairman of the Board and the Chairman of the Audit Committee will be available to answer shareholder questions, which may be put forward in terms of Rule 12.24 of the Capital Markets Rules.

Apart from the AGM, the Group communicates and shall communicate with its shareholders through the publication of its Annual Report and Financial Statements, the publication of interim results, updates and articles on the Group's website, the publication of Group announcements and press releases.

The Office of the Company Secretary maintains regular communication between the Company and its investors. Individual shareholders can raise matters relating to their shareholdings and the business of the Company at any time throughout the year, and are given the opportunity to ask questions at the AGM or to submit written questions in advance.

As provided by the Companies Act (Cap. 386), minority shareholders may convene Extraordinary General Meetings.

Principle Eleven: Conflicts of Interest

The Directors are fully aware of their responsibility always to act in the best interests of the Company and its shareholders as a whole irrespective of whoever appointed or elected them to serve on the Board.

On joining the Board and regularly thereafter, the Directors are informed of their obligations on dealing in securities of the Company within the parameters of law, including the Capital Markets Rules, and Directors follow the required notification procedures.

Directors' interest in the shareholding of the Company:

	Number of shares as at 31 December 2021
Prof. Paolo Catalfamo	Nil
Ms. Cristina Casingena	Nil
Mr. Joseph C. Schembri	Nil
Mr. Nicolas Hornby Taylor (deceased on 27 April 2021)	Nil
Mr. Mark J. Bamber (appointed on 23 April 2021)	Nil
Mr. Joseph M. Rizzo (appointed on 7 December 2021)	Nil

With the exception of Paolo Catalfamo, none of the Directors of the Company have any interest in the shares of the Company's subsidiaries or investees or any disclosable interest in any contracts or arrangements either subsisting at the end of the last financial year or entered into during this financial year. No other changes in the Directors' interest in the shareholding of the Company between year-end and 8 April 2022.

Paolo Catalfamo holds shares in the Company indirectly through his shareholding in Investar plc which is the Company's ultimate holding company as disclosed in note 30.

Principle Twelve: Corporate Social Responsibility

The Company seeks to adhere to sound Principles of Corporate Social Responsibility in its management practices, and is committed to enhance the quality of life of all stakeholders of the Company. The Board is mindful of the environment and its responsibility within the community in which it operates. In carrying on its business the Company is fully aware of and at the forefront in preserving the environment and continuously reviews its policies aimed at respecting the environment and encouraging social responsibility and accountability. During the financial year under review, the Group pursued its corporate social responsibility by supporting and contributing to a number of charitable causes.

Remuneration Report

Remuneration Committee

The remuneration functions of the Remuneration and Nominations Committee were performed by Mark Bamber as Chairman, and Joseph C. Schembri as member.

Remuneration policy

The Remuneration Policy of the Company is intended to provide an over-arching framework that establishes the principles and parameters to be applied in determining the remuneration to be paid to any member of the Board of Directors, and the senior executives. The policy describes the components of such remuneration and how this contributes to the Company's business strategy, in the context of its long term sustainable value creation. This remuneration policy is divided into five (5) parts distinguishing between directors, senior management, employees, intermediaries and service providers.

Remuneration payable to Directors

Fixed remuneration

The remuneration payable to Directors shall be fixed and will not have any incentive programmes and Directors will therefore not receive any performance-based remuneration. None of the Directors, in their capacity as Directors of the Company, is entitled to profit-sharing, share options or pension benefits.

In addition to fixed remuneration in respect of their position as members of the Board of Directors of the Company, individual Directors who are also appointed to chair, or to sit as members of, one or more committees or sub-committees of the Company, or its subsidiaries, are entitled to receive additional remuneration as may be determined by the Board of Directors from time to time. Any such additional remuneration shall, however, form part of the aggregate emoluments of the Directors as approved by the general meeting of the Company. The basis upon which such additional remuneration is paid shall take into account the skills, competencies and technical knowledge that members of such committees require and the respective functions, duties and responsibilities attaching to membership of such committees.

Other entitlements

The Company may also pay out fringe benefits, comprising of medical and life insurance.

Director Employment Service Contracts

As at the date hereof, Ms. Cristina Casingena is the only executive Director of the Company and occupies the role of Chief Executive Officer, having an employment service contract.

Remuneration payable to executives

- Managing Director: The Remuneration Committee will forward its proposal for the remuneration of the Managing Director to the Board of Directors (in the absence of the Managing Director), and the Board will endorse / amend / make recommendations as deemed fit. The remuneration of the Managing Director will consist of a salary and any performance-related bonuses or fringe benefits will be at the sole discretion of the Remuneration Committee with the final approval of the Board of Directors.

- Chief Executive Officer: The remuneration of the Chief Executive Officer will consist of a salary, and any performance related bonuses and any fringe benefits will be at the sole discretion of the Chairman and submitted for approval of the Remuneration and Nominations Committee. The Chairman (directly or through the Chief Finance Officer) will forward any recommendations for any changes to the remuneration of the Chief Executive Officers for the consideration of the Remuneration and Nominations Committee which will in turn review any such request and forward any request to the Board for the Board's final approval. [Presently the roles of Managing Director and Chief Executive Officer are occupied by Ms. Cristina Casingena].

- Head/Senior Manager: The remuneration of the Head / Senior Managers will be at the sole discretion of the Chairman and/or the Chief Executive Officer without the need to refer to the Remuneration and Nominations Committee or the Board of Directors subject that the remuneration does not exceed a yearly remuneration of Fifty Thousand Euros (€50,000). Any amount over this threshold will require the endorsement of the Remuneration Committee.

Senior executive service contracts

All senior executive contracts are of an indefinite duration and subject to the termination notice periods prescribed by law.

Remuneration Report

In terms of Rule 12.26K of the Capital Markets Rules, the Company is also required to draw up an annual remuneration report (the "Remuneration Report"), which report is to:

I. provide an overview of the remuneration, including benefits in whatever form, awarded or due to members of the Board of Directors and the CEO during the financial year under review; and
II. explain whether any deviations have been made from the Remuneration Policy of the Company.

In this respect, the Company is hereby producing its remuneration report following the approval and entry into effectiveness, in October 2020, of the Remuneration Policy described in the preceding sections.

Remuneration paid to Directors (including the CEO)

All remuneration for directors was in conformity with this policy. The remuneration paid to individual Directors during the year under review and 2020 was as follows:

Name	Position	2021	2020
Paolo Catalfamo:	Non-Executive Director and Chairman	€ 33,925	€ 5,000
Joseph C Schembri:	Independent Non-Executive Director	€ 7,065	€ 5,000
Joseph M Rizzo:	Independent Non-Executive Director	€ -	€ -
Mark J Bamber	Independent Non-Executive Director	€ 10,000	€ -
Nicolas Hornby Taylor	Independent Non-Executive Director	€ 1,250	€ 5,000

The total emoluments received by the Chief Executive Officer, who is also an Executive Director for the financial years 2021 and 2020 were as follows:

	2021		2020	
	Fixed	Variable	Fixed	Variable
	€	€	€	€
Ms. Cristina Casingena	110,958	-	110,958	-

The remuneration paid to the Directors covers both their role as directors of Company and their role as members of chairpersons or members of any sub-committees of the Company, as well as their position as directors of subsidiaries forming part of the Group.

It is the shareholders, in terms of the memorandum and articles of association of the company, who determine the maximum annual aggregate emoluments of the directors by resolution at the annual general meeting of the company. Remuneration payable to directors (in their capacity as directors) is reviewed as and when necessary and is not linked to the share price or the company's performance. These are benchmarked against market practice for major local companies of similar size and complexity.

The aggregate amount fixed for this purpose during the last annual general meeting of LifeStar Holding plc was €400,000. A maximum annual aggregate emoluments of the Directors of the Company shall be fixed at the upcoming annual general meeting.

The aggregate emoluments of the Directors (including the CEO) in respect of their role as directors of the Company and, where applicable, as members of sub-committees of the Board of Directors of the Company and non-executive directors of LifeStar Health Limited, amounted to €175,000. No variable remuneration is paid to Directors in their capacity as Directors of the Company. The Directors do not expect the abovementioned maximum aggregate remuneration limit of €400,000 to be exceeded during the financial year ending 31 December 2022.

The Remuneration Committee is satisfied that the fixed remuneration for the year under review is in line with the core principles of the Remuneration Policy applicable during the year under review, including giving due regard to market conditions and remuneration rates offered by comparable organisations for comparable roles.

Remuneration paid to Senior Management

Remuneration paid to Senior Management amounts to €569,405 and excludes the fringe benefit for health insurance and life cover as described above.

Decision-making with respect to the Remuneration Policy

Whereas the Board of Directors is responsible for determining the Remuneration Policy of the Company, the Remuneration and Nominations Committee, acting in its function as the Remuneration Committee, is, in turn, responsible for overseeing and monitoring its implementation and ongoing review thereof. This policy is to be reviewed annually by the Remuneration and Nominations Committee of the Company. The annual review will ensure that the policy remains relevant for the Company and that any improvements by way of amendments are indeed effected.

In evaluating whether it is necessary or beneficial to supplement or otherwise alter the Remuneration Policy of the Company, the Remuneration Committee have regard to, inter alia, best industry and market practice on remuneration, the remuneration policies adopted by companies operating in the same industry sectors, as well as legal and, or statutory rules, recommendations or guidelines on remuneration, including but not limited to the Code of Principles of Good Corporate Governance contained in Appendix 5.1 of the Capital Markets Rules of the Malta Financial Services Authority.

Whilst members of the Remuneration Committee may be present while his/her remuneration as a Director or other officer of the Company and, or of any other company forming part of the Group, is being discussed at a meeting of such Committee, any decision taken by the Committee in this respect shall be subject to the approval of the Board of Directors. At a meeting of the Board of Directors, no Director may be present while his/her remuneration as a Director or other officer of the Company and, or of any other company forming part of the Group, is being discussed

Other information on remuneration in terms of Appendix 12.1 of the Capital Markets Rules

In terms of the requirements within Appendix 12.1 of the Capital Market Rules, the following table presents the annual change of remuneration, of the company's performance, and of average remuneration on a full-time equivalent basis of the company's employees (other than directors) over the two most recent financial years. The Company's non-executive Directors, have been excluded from the table below since they have a fixed fee as described above.

	2021	**2020**	**Change**
	€	€	%
Annual aggregate employee remuneration	1,014,373	972,144	4.3
Employee remuneration (excluding CEO)	903,415	861,277	4.9
CEO remuneration	110,958	110,867	0.08
Company performance, profit after tax	1,177,384	312,702	276.5
Average employee remuneration (excluding CEO) – full-time equivalent	27,376	23,924	14.4

The contents of the Remuneration Report have been reviewed by the external auditor to ensure that the information required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets rules have been included.

Statement of comprehensive income

Technical account – long term business of insurance

		Consolidated		**Holding Company**	
For the year ended 31 December	**Notes**	**2021**	2020	**2021**	2020
		€	€	**€**	€
Earned premiums, net of reinsurance					
Gross premiums written	3	**12,757,784**	13,196,197	**12,757,784**	13,196,197
Outward reinsurance premiums		**(1,785,759)**	(1,647,695)	**(1,785,759)**	(1,647,695)
Earned premiums, net of reinsurance		**10,972,025**	11,548,502	**10,972,025**	11,548,502
Net investment income and fair value movements	5	**195,343**	1,579,269	**195,343**	1,579,269
Investment contract fee income		**1,804,755**	1,727,411	**1,804,755**	1,727,411
Total technical income		**12,972,123**	14,855,182	**12,972,123**	14,855,182
Benefits and claims incurred, net of reinsurance					
Benefits and claims paid					
- gross amount		**12,871,400**	11,309,114	**12,871,400**	11,309,114
- reinsurers' share		**(2,724,219)**	(955,621)	**(2,724,219)**	(955,621)
		10,147,181	10,353,493	**10,147,181**	10,353,493
Change in the provision for claims					
- gross amount		**16,747**	40,546	**16,747**	40,546
- reinsurers' share		**(12,116)**	(92,843)	**(12,116)**	(92,843)
	16	**4,631**	(52,297)	**4,631**	(52,297)
Benefits and claims incurred, net of reinsurance		**10,151,812**	10,301,196	**10,151,812**	10,301,196
Change in other technical provisions, net of reinsurance					
Insurance contracts					
- gross amount		**(4,399,921)**	2,064,389	**(4,399,921)**	2,064,389
- reinsurers' share		**1,106,303**	(3,204,311)	**1,106,303**	(3,204,311)
	16	**(3,293,618)**	(1,139,922)	**(3,293,618)**	(1,139,922)
Investment contracts with DPF - gross	16	**1,519,192**	2,417,954	**1,519,192**	2,417,954
Investment contracts without DPF - gross		**79,009**	90,047	**79,009**	90,047
Change in other technical provisions, net of reinsurance		**(1,695,417)**	1,368,079	**(1,695,417)**	1,368,079
Net operating expenses	3, 7	**4,853,004**	4,523,998	**4,853,004**	4,523,998
Total technical charges		**13,309,399**	16,193,273	**13,309,399**	16,193,273
Balance on the long-term business of insurance technical account		**(337,276)**	(1,338,091)	**(337,276)**	(1,338,091)

The accounting policies and explanatory notes form an integral part of the financial statements.

Statement of comprehensive income

Non-technical account

For the year ended 31 December	Notes	Consolidated **2021** €	Consolidated 2020 €	Holding Company **2021** €	Holding Company 2020 €
Balance on the long-term business of insurance technical account		**(337,276)**	(1,338,091)	**(337,276)**	(1,338,091)
Net investment income, fair value movements and other interest	5	**401,756**	676,834	**401,756**	676,833
Dividends from subsidiary		**-**	-	**1,373,374**	-
Commission and fees receivable	4	**1,813,548**	2,148,188	**-**	-
Commission payable		**(109,434)**	(83,025)	**-**	-
Finance costs	6	**(54,621)**	-	**(54,621)**	-
Other non-technical income		**338,438**	319,586	**320,288**	305,038
Other charges	7	**(1,405,347)**	(1,245,124)	**(258,648)**	(125,733)
Movement in provision for impairment of other receivables	17	**3,580**	75,843	**3,580**	75,843
Profit before tax		**650,644**	554,211	**1,448,453**	(406,110)
Tax credit/ (charge)	8	**(105,929)**	366,317	**(271,072)**	718,812
Profit for the year		**544,715**	920,528	**1,177,381**	312,702
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Increment in value of in-force business (net of deferred tax)		**1,387,795**	68,114	**1,387,795**	68,114
Revaluation of property, plant and equipment		**-**	269,117	**-**	269,117
Deferred tax on the revaluation of property, plant and equipment		**-**	(21,529)	**-**	(21,529)
		1,387,795	315,702	**1,387,795**	315,702
Items that will be reclassified subsequently to profit or loss					
Net gain (loss) on available-for-sale financial assets		**1,751**	(111,619)	**1,751**	(111,619)
Deferred tax on the revaluation of available-for-sale financial assets		**(613)**	39,067	**(613)**	39,067
		1,138	(72,552)	**1,138**	(72,552)
Other comprehensive income for the year, net of tax		**1,388,933**	243,150	**1,388,933**	243,150
Total comprehensive income for the year		**1,933,648**	1,163,678	**2,566,314**	555,852

The accounting policies and explanatory notes form an integral part of the financial statements.

Statement of financial position

As at 31 December	Notes	Consolidated **2021** €	Consolidated 2020 €	Holding Company **2021** €	Holding Company 2020 €
ASSETS					
Intangible assets	10	**14,151,541**	12,387,367	**13,840,003**	12,075,829
Right-of-use asset	11	**7,650**	13,769	**7,650**	13,769
Property, plant and equipment	12	**3,605,995**	2,071,923	**3,584,778**	2,069,445
Investment property	13	**16,208,894**	17,763,350	**16,208,894**	17,763,350
Investment in group undertakings	14	**-**	-	**1,048,218**	1,048,218
Other investments	15	**91,219,724**	83,632,062	**91,219,724**	83,632,062
Taxation receivable		**346,109**	233,115	**346,109**	-
Deferred tax asset		**-**	1,320	**-**	-
Reinsurers' share of technical provisions	16	**20,004,452**	20,749,175	**20,004,452**	20,749,175
Receivables:					
Other receivables	17	**12,517,220**	7,296,183	**13,007,573**	6,919,541
Prepayments and accrued income	17	**2,240,130**	2,013,302	**1,596,515**	1,080,621
Cash at bank and in hand	25	**11,494,900**	15,593,372	**9,886,690**	14,946,802
Asset held-for-sale	13	**190,002**	200,000	**190,002**	200,000
Total assets		**171,986,617**	161,954,938	**170,940,608**	160,498,812
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	18	**9,169,870**	9,169,870	**9,169,870**	9,169,870
Other reserves	20	**13,138,945**	11,874,368	**12,975,765**	11,711,188

Capital redemption reserve		**800,000**	800,000	**800,000**	800,000
Retained earnings		**9,055,084**	8,386,013	**8,680,246**	7,378,509
Total equity		**32,163,899**	30,230,251	**31,625,881**	29,059,567
Technical provisions:					
Insurance contracts	16	**64,026,640**	68,426,561	**64,026,640**	68,426,561
Investment contracts with DPF	16	**30,213,806**	28,694,612	**30,213,806**	28,694,612
Investment contracts without DPF		**34,395,648**	26,247,639	**34,395,648**	26,247,639
Provision for claims outstanding	16	**1,423,495**	1,057,285	**1,423,495**	1,057,285
Lease Liability	11	**13,391**	15,033	**13,391**	15,033
Taxation payable		**137,550**	30,571	**-**	30,571
Deferred tax liability	21	**1,669,703**	1,451,968	**1,668,480**	1,451,968
Debt securities in issue	22	**2,105,257**	-	**2,105,257**	-
Payables:					
Payables arising out of direct insurance operations	23	**4,825,602**	4,842,651	**4,666,059**	4,680,376
Payables due to immediate parent undertaking	23	**70,673**	224,000	**-**	-
Payables due to group undertaking	23	**-**	-	**-**	220,929
Other payables	23	**153,168**	97,592	**153,168**	95,493
Accruals and deferred income	23	**787,785**	636,775	**648,783**	518,778
Total liabilities		**139,822,718**	131,724,687	**139,314,727**	131,439,245
Total equity and liabilities		**171,986,617**	161,954,938	**170,940,608**	160,498,812

The accompanying notes are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2022. The financial statements were signed on behalf of the Board of Directors by Prof. Paolo Catalfamo (Director) and Mr Joseph C. Schembri (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Statement of changes in equity

For the year ended 31 December

			Consolidated		
	Share capital	Other reserves	Capital redemption reserve	Retained earnings	Total
	€	€	€	€	€
Balance as at 1 January 2021	**9,169,870**	**11,874,368**	**800,000**	**8,386,013**	**30,230,251**
Profit for the year	**-**	**-**	**-**	**544,715**	**544,715**
Other comprehensive income for 2021	**-**	**1,388,933**	**-**	**-**	**1,388,933**
Total comprehensive income for 2021	**-**	**1,388,933**	**-**	**544,715**	**1,933,648**
Transfer of deferred tax on reclassification of investment property to PPE	**-**	**(124,356)**	**-**	**124,356**	**-**
Balance as at 31 December 2021	**9,169,870**	**13,138,945**	**800,000**	**9,055,084**	**32,163,899**
Balance as at 1 January 2020	9,169,870	11,631,218	-	8,265,485	29,066,573
Profit for the year		-	-	920,528	920,528
Other comprehensive income for 2020	-	243,150	-	-	243,150
Total comprehensive income for 2020	-	243,150	-	920,528	1,163,678
Capital redemption reserve	-	-	800,000	(800,000)	-
Balance as at 31 December 2020	**9,169,870**	**11,874,368**	**800,000**	**8,386,013**	**30,230,251**

Statement of changes in equity - continued

For the year ended 31 December

			Holding Company		
	Share capital	Other reserves	Capital redemption reserve	Retained earnings	Total
	€	€	€	€	€
Balance as at 1 January 2021	**9,169,870**	**11,711,188**	**800,000**	**7,378,509**	**29,059,567**
Profit for the year	**-**	**-**	**-**	**1,177,381**	**1,177,381**
Other comprehensive income for 2021	**-**	**1,388,933**	**-**	**-**	**1,388,933**
Total comprehensive income for 2021	**-**	**1,388,933**	**-**	**1,177,381**	**2,566,314**
Transfer of deferred tax on reclassification of investment property to	**-**	**(124,356)**	**-**	**124,356**	**-**

PPE					
Balance as at 31 December 2021	**9,169,870**	**12,975,765**	**800,000**	**8,680,246**	**31,625,881**
Balance as at 1 January 2020	9,169,870	11,468,038	-	7,865,807	28,503,715
Profit for the year		-	-	312,702	312,702
Other comprehensive income for 2020	-	243,150	-	-	243,150
Total comprehensive income for 2020	-	243,150	-	312,702	555,852
Capital redemption reserve	-	-	800,000	(800,000)	-
Balance as at 31 December 2020	**9,169,870**	**11,711,188**	**800,000**	**7,378,509**	**29,059,567**

The accounting policies and explanatory notes form an integral part of the financial statements.

Statement of cash flows

		Consolidated		Holding Company	
For the year ended 31 December	**Notes**	**2021**	2020	**2021**	2020
Cash flow generated from operations	24	**5,050,148**	1,270,596	**4,301,841**	805,352
Dividends received		**434,815**	255,018	**434,815**	255,018
Interest received		**1,147,456**	1,176,682	**1,147,456**	1,176,682
Tax refund on tax at source		**442,623**	680,889	**206,969**	557,796
Tax paid on rental income		**(103,445)**	(91,069)	**(103,445)**	(91,069)
Net cash flows generated from operating activities		**6,971,597**	3,292,116	**5,987,636**	2,703,779
Cash flows used in investing activities					
Purchase of intangible assets	10	**(593,871)**	(348,013)	**(593,871)**	(346,067)
Purchase of property, plant and equipment	12	**(96,026)**	(63,523)	**(73,705)**	(63,523)
Purchase of investments at fair value through profit or loss	15	**(16,710,558)**	(12,445,278)	**(16,710,558)**	(12,445,278)
Purchase of investments at available-for-sale	15	**(655,128)**	(322,795)	**(655,128)**	(322,795)
Purchase of term deposits	15	**-**	(1,010,228)	**-**	(1,010,223)
Proceeds on disposal of investments at fair value through profit or loss	15	**8,126,304**	7,977,462	**8,126,304**	7,977,462
Proceeds on disposal of available-for-sale investments	15	**10,290**	473,818	**10,290**	473,818
Net proceeds from other investments - loans and receivables	15	**(8,354)**	1,941,931	**(8,354)**	1,941,931
Proceeds on disposal of term deposits	15	**910,223**	1,502,453	**910,223**	1,502,448
Net cash flows used in investing activities		**(9,017,120)**	(2,294,173)	**(8,994,799)**	(2,292,227)
Cash flows used in financing activities					
Payment of preference shares		**-**	(800,000)	**-**	(800,000)
Bond issue costs		**(345,445)**	-	**(345,445)**	
Advances to intermediate parent		**(1,707,504)**	-	**(1,707,504)**	-
Net cash flows used in financing activities		**(2,052,949)**	(800,000)	**(2,052,949)**	(800,000)
Net movement in cash and cash equivalents		**(4,098,472)**	197,943	**(5,060,112)**	(388,448)
Cash and cash equivalents as at the beginning of the year		**15,593,372**	15,395,429	**14,946,802**	15,335,250
Cash and cash equivalents as at the end of the year	25	**11,494,900**	15,593,372	**9,886,690**	14,946,802

The accounting policies and explanatory notes form an integral part of the financial statements.

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for those adopted for the first time during 2021.

The consolidated financial statements have been prepared from the financial statements of the companies comprising the group as detailed in notes to the consolidated financial statements.

1. Basis of preparation

The company was incorporated on 21 December 2001 as an insurance company. The registered address and principal place of business of the company is LifeStar, Testaferrata Street, Ta' Xbiex.
On 9 November 2020, Global Capital Life Insurance Limited was renamed and rebranded as LifeStar Insurance Limited, and on 27 April 2021 it converted its status from a private limited liability company to a public limited liability company.

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRS's), the Insurance Business Act (Cap. 403 of the Laws of Malta) and the Companies Act (Cap. 386). The financial statements are prepared under the historical cost convention, as modified by the fair valuation of investment property, financial assets and financial liabilities at fair value through profit or loss, and the value of in-force business.

The preparation of financial statements in conformity with EU IFRS's requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity are disclosed in Note 1 to these financial statements.

The Group's statement of financial position is presented in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Group's assets and liabilities provided within the notes to the financial statements.

LifeStar Insurance p.l.c.'s intermediate parent company (Note 29) prepares consolidated financial statements in accordance with the Companies Act (Cap. 386 of the Laws of Malta). LifeStar Insurance p.l.c. also prepares consolidated financial statements which include the results of the Group, which comprises the Group and its subsidiary as disclosed in Note 14.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

Appropriateness of going concern assumption in the preparation of the financial statements

The volatility in the financial markets had a significant impact on the Group's financial performance for the financial year ending 31 December 2021, and will continue to impact its performance going forward. Furthermore, an analysis was carried out on the credit rating of the main counterparties and no significant downgrades were noted since 31 December 2021. Such analysis was also extended to analyse the effect on the Solvency Capital Requirements (the "SCR") of the Group by reference to stressed scenarios in the latest ORSA report prepared by the Group. Taking into consideration the current laws and regulations and the result from the aforementioned stressed scenarios, the Group does not expect that the effects of COVID-19 will impact its ability to satisfy the regulatory solvency requirement. However, the Company continues to explore any and all ways possible to strengthen its capital base.

At a subsidiary level, the pandemic also impacted the business of the Group, due to a decrease in clients operating in the hospitality industry. Customers started undertaking certain medical interventions that were postponed from 2020. This resulted in lower revenues. Consequently, the Directors do not anticipate a material impact on the going concern status of the Group stemming from the COVID-19 pandemic.

Having concluded this assessment the Directors expect that the Group will be able to sustain its operations over the next twelve months and in the foreseeable future and consider the going concern assumption in the preparation of the Group's financial statements as appropriate as at the date of authorisation for issue of these financial statements.

Standards, interpretations and amendments to published standards as endorsed by the EU that are effective in the current year

The following accounting pronouncements became effective from 1 January 2021 and have therefore been adopted:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

The adoption of these pronouncements did not result in substantial changes to the Group's accounting policies and did not have a significant impact on the Group's financial results or position and therefore no additional disclosures have not been made.

Standards, interpretations and amendments to published standards as endorsed by the EU that were effective before 2020 for which the Group elected for the temporary exemption

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

The new expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 is generally effective for years beginning on or after 1 January 2018. However in September 2016, the IASB issued amendments to IFRS 4 which provide optional relief to eligible insurers in respect of IFRS 9. The options permit entities whose predominant activity is issuing insurance contracts within the scope of IFRS 4, a temporary exemption to defer the implementation of IFRS 9.

Entities that apply the optional temporary relief were initially required to adopt IFRS 9 on annual periods beginning on or after 1 January 2021. However on 14 November 2018, the IASB deferred both the effective date of IFRS 17 Insurance Contracts and the expiry date for the optional relief in respect of IFRS 9 by one year. On 17 March 2020, the IASB deferred again both the effective date of IFRS 17 Insurance Contracts and the expiry date for the optional relief in respect of IFRS 9 by a further 1 year. Therefore, entities that apply the optional temporary relief will be required to adopt IFRS 9 on 1 January 2023 which aligns with the new effective date of IFRS 17.

The Group evaluated its liabilities at 31 December 2015, the prescribed date of assessment under the optional temporary relief provisions and concluded that all of the liabilities are predominantly connected with insurance. More than 90% of the Group's liabilities at 31 December 2015 are liabilities arising from contracts within the scope of IFRS 4. As at the same date the Group's predominant activities were also established to be insurance related as evidenced through revenues reported in the Annual Report of that year.

Further to the above, the Group has not previously applied any version of IFRS 9. Therefore the Group is an eligible insurer that qualifies for optional relief from the application of IFRS 9. As at 1 January 2018, the Group has elected to apply the optional temporary relief under IFRS 4 that permits the deferral of the adoption of IFRS 9 for eligible insurers. The Group will continue to apply IAS 39 until 1 January 2023.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning on or after 1 January 2021. The Group has not early adopted these revisions to the requirements of IFRSs and the Group's Directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

IFRS 17 – Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023.

The Group's Directors are assessing the potential impact, if any, of the above IFRSs on the financial statements of the Group in the period of initial application.

2. Basis of consolidation

On acquisition of a portfolio of long term contracts, the net present value of the shareholders' interest in the expected after-tax cash flows of the in-force business is capitalised in the statement of financial position as an asset. The value of in-force business is subsequently determined by the Directors on an annual basis, based on the advice of the approved actuary. The valuation represents the discounted value of projected future transfers to shareholders from policies in force at the year end, after making provision for taxation. In determining this valuation, assumptions relating to future mortality, persistence and levels of expenses are based on experience of the type of business concerned. Gross investment returns are assumed to vary depending on the mix of investments held and expected market conditions. All movements in the in-force business valuation are credited or debited to other reserves.

3. Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

4. Acquisition of subsidiaries

The acquisition of subsidiaries that are not under common control is accounted for by applying the acquisition method. The consideration is measured as the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred, except for costs to issue debt or equity securities.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date, except as specifically required by other International Financial Reporting Standards as adopted by the EU. A contingent liability assumed in a business combination is recognised at the acquisition date if there is a present obligation that arises from past events and its fair value can be measured reliably.

The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, in preparing these consolidated financial statements, appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by group entities. Intra-group balances, transactions, income and expenses are eliminated on consolidation.

5. Intangible assets

(a) Value of in-force business

On acquisition of a portfolio of long term contracts, the net present value of the shareholders' interest in the expected after-tax cash flows of the in-force business is capitalised in the statement of financial position as an asset. The value of in-force business is subsequently determined by the Directors on an annual basis, based on the advice of the approved actuary. The valuation represents the discounted value of projected future transfers to shareholders from policies in force at the year end, after making provision for taxation. In determining this valuation, assumptions relating to future mortality, persistence and levels of expenses are based on experience of the type of business concerned. Gross investment returns are assumed to vary depending on the mix of investments held and expected market conditions. All movements in the in-force business valuation are credited or debited to other reserves.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (between five and thirteen years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(c) Goodwill

Goodwill arising in a business combination that is accounted for using the acquisition method is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of (a) the aggregate of: (i) the consideration transferred; (ii) the amount of any non-controlling interests in the acquiree; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Any gain on a bargain purchase, after reassessment, is recognised immediately in profit or loss.

6. Property, plant and equipment

Property, plant and equipment comprising land and buildings and office furniture, fittings and equipment are initially recorded at cost, and are subsequently shown at cost less depreciation, with the exception of land which is shown at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the 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 profit or loss during the financial period in which they are incurred.

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

	%
Buildings	2-20
Office furniture, fittings and equipment	20-25

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each report period. Gains and losses on disposals of plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

7. Investment property

Freehold and leasehold properties treated as investments principally comprise buildings that are held for long term rental yields or capital appreciation or both, and that are not occupied by the Group. Investment property is initially measured at cost including related transaction costs. Investment property is subsequently carried at fair value, representing open market value determined annually by external valuers or by virtue of a directors' valuation. It is the Group's policy to engage the services of an external expert valuer every two years at a minimum. 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 this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount 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 costs are charged to the profit and loss account during the financial period in which they are incurred.

Unrealised gains and losses arising from changes in fair value (net of deferred taxation) are initially recognised in profit or loss.

8. Other financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are off-set and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(i) Trade receivables

Trade receivables are classified with current assets and are stated at their nominal value.

(ii) Investments

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The directors determine the appropriate classification of the Group's financial assets at initial recognition, and re-evaluate such designation at every reporting date.

(d) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A non-derivative financial asset is classified into this category at inception if acquired principally for the purpose of selling in the near-term, if it forms part of a portfolio of financial assets that are managed together and for which there is evidence of short term profit-taking, if the financial asset is part of a group of financial assets that is managed on a portfolio basis and whose performance is evaluated and reported internally to the Group's key management personnel on a fair value basis in accordance with a documented financial assets strategy or if this designation eliminates an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

(e) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than those that upon initial recognition are designated as at fair value through profit or loss, those that are designated as available-for-sale financial assets and those that meet the definition of loans and receivables are classified as held-to-maturity investments. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method, less impairment. Amoritsed costs are calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income.

(f) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell in the short term or that it has designated as fair value through profit or loss or as available-for-sale financial assets. They include, inter alia, debtors and interest-bearing deposits and advances.

(g) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are either designated in this category by the Group or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

All purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. All financial assets are initially recognised at fair value, plus in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where they have been transferred and the transfer qualifies for derecognition.

Financial assets at fair value through profit or loss are subsequently re-measured at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognized in the profit and loss.

Available-for-sale financial assets are measured at their fair value. Gains and losses arising from a change in fair value are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest calculated using the effective interest method is recognised in profit or loss.

Loans and receivables are carried at amortised cost using the EIR method, less any provision for impairment.

The fair value of quoted financial assets is based on quoted market prices at the end of the reporting period. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are not designated as at fair value through profit or loss. The fair value of investments in equity instruments that do not have a quoted price in an active market for an identical instrument is reliably measurable if (a) the variability in the range of reasonable fair value measurements is not significant for that instrument; or (b) the probabilities of the various estimates within the range can be reasonably assessed and used when measuring fair value. Investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured are measured at cost.

(iii) Trade payables

Trade payables are classified with current liabilities and are stated at their amortised cost using the EIR method.

(iv) Shares issued by the Group

Ordinary shares issued by the Group are classified as equity instruments.

9. Impairment of assets

(a) Impairment of financial assets at amortised cost and available-for-sale investments

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

(i) significant financial difficulty of the issuer or debtors;
(ii) a breach of contract, such as a default or delinquency in payments;
(iii) it is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; and
(iv) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

In addition to the above loss events, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered and/or a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. For financial assets at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment loss. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment and is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an available-for-sale investment in an equity instrument are not reversed through profit or loss. Impairment losses recognised in profit or loss for an available-for-sale investment in a debt instrument are reversed through profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

(b) Impairment of other financial assets

At the end of each reporting period, the carrying amount of other financial assets is reviewed to determine whether there is an indication of impairment and if any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is the amount by which the amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment losses and reversals are recognised in profit or loss.

(c) 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, principally comprise property, plant and equipment and computer software. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Impairment losses and reversals are recognised in profit or loss.

10. Insurance contracts and investment contracts with DPF

(a) Classification

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and investment contracts contain a DPF ("Discretionary participation feature"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are based on realised and/or unrealised investment returns on underlying assets held by the Group.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus), and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders, also considering the advice of the approved actuary.

(b) Recognition and measurement

Insurance contracts and investment contracts with DPF are categorised depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

These contracts are short duration life insurance contracts. They protect the Group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insured event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits under these insurance contracts.

(ii) Long-term contracts

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<u>Insurance contracts without DPF</u>

These contracts insure events associated with human life (mainly for death) over a long and fixed duration. The guaranteed and fixed element for these contracts relates to the sum assured, i.e. the benefit payable on death.

Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission, and are inclusive of policy fees receivable.

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<u>Insurance contracts with DPF</u>

In addition to the guaranteed amount payable on death, these products combine a savings element whereby a portion of the premium receivable, and declared returns, are accumulated for the benefit of the policyholder. Annual returns may combine a guaranteed rate of return and a discretionary element. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission, and are inclusive of policy fees receivable.

<u>Investment contracts with DPF</u>

These long-term contracts are substantially savings products since they do not transfer significant insurance risk. Annual returns may combine a guaranteed rate of return and a discretionary element.

The Group does not recognise the guaranteed element separately from the DPF for any of the contracts that it issues. As permitted by IFRS 4, it continues to apply accounting policies existing prior to this standard in respect of such contracts, further summarised as follows:

(i) Premiums are recognised as revenue when they are paid and allocated to the respective policy account value. Premiums are shown before deduction of commission, and are inclusive of policy fees receivable.

(ii) Maturity claims are charged against revenue when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the liability. Death claims and all other claims are accounted for when notified. Claims payable include related internal and external claims handling costs.

(iii) Bonuses charged to the long-term business technical account in a given year comprise:

(a) new reversionary bonuses declared in respect of that year, which are provided within the calculation of the respective liability;
(b) terminal bonuses paid out to policyholders on maturity and included within claims paid; and
(c) terminal bonuses accrued at the Group's discretion, and included within the respective liability.

(iv) Life insurance and investment contracts with DPF liabilities

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A liability for long term contractual benefits that are expected to be incurred in the future is recorded when premiums are recognised. This liability is determined by the approved actuary following his annual investigation of the financial condition of the Group's long-term business as required under the Insurance Business Act (Cap. 403 of the Laws of Malta). It is calculated in accordance with the relevant legislation governing the determination of liabilities for the purposes of statutory solvency. The calculation uses a prospective valuation method, unless a retrospective calculation results in a higher liability, and makes explicit provision for vested reversionary bonuses. Provision is also made, explicitly or implicitly, for future reversionary bonuses. The prospective method is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, maintenance expenses and investment income that are established at the time the contract is issued, subject to solvency restrictions set out in the Insurance Business Act (Cap. 403 of the Laws of Malta). The retrospective method is based on the insurance premium credited to the policyholder's account, together with explicit provision for vested bonuses accruing as at the end of the reporting period, and adjustment for mortality risk and other benefits.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities, net of related DAC, are adequate by using an existing liability adequacy test performed in accordance with IFRS 4 requirements and the Insurance Business Act (Cap. 403 of the Laws of Malta). The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

Aggregation levels and the level of prudence applied in the test are consistent with IFRS 4 requirements and the Insurance Business Act (Cap. 403 of the Laws of Malta). To the extent that the test involves discounting of cash flows, the interest rate applied may be prescribed regulations by the Insurance Business Act (Cap. 403 of the Laws of Malta) or may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the statement of profit or loss, initially by impairing DAC and, subsequently, by establishing an additional insurance liability for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing are reversed in future years if the impairment no longer exists.

This long-term liability is recalculated at the end of each reporting period. The above method of calculation satisfies the minimum liability adequacy test required by IFRS 4. The liability in respect of short-term insurance contracts is based on statistical analysis for the claims incurred but not reported, estimates of the expected ultimate cost of more complex claims that may be effected by external factors (such as court decisions), and further includes the portion of premiums received on in-force contracts that relate to unexpired risks at the end of the reporting period.

(c) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts in accounting policy 10(a) are classified as reinsurance contracts held. Contracts that do not meet the classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurers' share of technical provisions or receivables from reinsurers (unless netted off against amounts payable to reinsurers). These assets consist of short term balances due from reinsurers (classified within receivables), as well as longer term receivables (classified as reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Group gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in accounting policy 9(a).

(d) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss in a similar manner to the process described above for reinsurance contracts held (also see accounting policy 9(a).

11. Investment contracts without DPF

The Group issues investment contracts without DPF. Premium arising on these contracts is classified as a financial liability – investment contracts without DPF. Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets, and are designated at inception as at fair value through profit or loss. The fair value of a unit linked financial liability is determined using the current unit values that reflect the fair values of the financial assets linked to the financial liability multiplied by the number of units attributed to the contract holder at the end of the reporting period. If the investment contract is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender, where applicable. Other benefits payable are also accrued as appropriate.

12. Assets held for sale

The Group classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

13. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and time deposits maturing within three months from the end of the reporting period.

14. Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the directors in the case of interim dividends or are approved by the shareholders in the case of final dividends.

15. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

16. Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue also includes interest, dividend and rental income and is recognised as follows:

a) Rendering of services

Premium recognition, dealing with insurance contracts and investments contracts with DPF is described in accounting policy 10. Revenue arising from the issue of investment contracts without DPF is recognised in the accounting period in which the services are rendered.

b) Insurance agency commissions

Insurance agency commissions earned on policies sold are taken to the income statement in full, irrespective of the period covered by the policy.

c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

d) Interest income

Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method.

17. Investment return

Investment return includes dividend income, net fair value movements on financial assets at fair value through profit or loss (including interest income from financial assets classified as fair value through profit or loss), interest income from financial assets not classified as fair value through profit or loss, rental receivable, net fair value movements on investment property and is net of investment expenses, charges, and interest.

The investment return is allocated between the insurance technical account and the non-technical account on the basis of the investment return as recommended by the approved actuary.

18. Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date 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 profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was measured. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

19. Leases

(i) Group as a lessor

Lessor accounting remains similar to treatment under IAS 17 meaning that lessors continue to classify leases as finance or operating leases.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rental income' – Note 5.

(ii) Group as a lessee

A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Right-of-use asset

The Group recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset of the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group presents right-of-use asset that do not meet the definition of investment property as 'Right-of-use assets'.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Estimating the incremental borrowing rate

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

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

- fixed payments (including payments which are essentially fixed), minus any incentive to lease to be paid;
- the price for exercising a purchase option which the lessee is reasonably certain to exercise; and
- payments for early cancellation.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

20. Employee benefits

The Group contributes 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.

21. Taxation

Current tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current tax is also dealt with in other comprehensive income or in equity, as appropriate. Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items which are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax 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. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

Notes to the financial statements

1. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised), unless further described below.

(a) Value of in-force business

The value of in-force business is a projection of future Shareholders' profit expected from insurance policies in force at the year end, appropriately discounted and adjusted for the effect of taxation. This valuation requires the use of assumptions relating to future mortality, persistence, levels of expenses and investment returns over the longer term (see accounting policy 5(a)). Details of key assumptions and sensitivity for this intangible asset are provided in Note 10 to the financial statements.

(b) Technical provisions

The Group's technical provisions at year end are determined in accordance with accounting policy 8. Details of key assumptions and sensitivities to the valuation are disclosed in Note 16 to the financial statements.

(c) Fair valuation of investment property

The determination of the fair value of investment property at the year-end requires the use of significant management estimates. Details of key assumptions are disclosed in Note 13 to the financial statements.

2. Management of insurance and financial risk

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location.

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, resulting in earlier or more claims than expected.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. Investment contracts with DPF ("Discretionary participation feature") carry negligible insurance risk.

The Group manages these risks through its underwriting strategy and reinsurance agreements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Group's underwriting procedures with premiums varied to reflect the health condition and lifestyle of the applicants.

The Group has retention limits on any single life assured for term business or risk premium business. The Group reinsures the excess of the insured benefits over approved retention limits under a treaty reinsurance arrangement. Short term insurance contracts are also protected through a combination of selective quota share and surplus reinsurance. Further, the Group has a "CAT XL" reinsurance arrangement to cover its exposure in the case of an event affecting more than three lives.

In general, all large sums assured are facultatively reinsured on terms that substantially limit the Group's maximum net exposure. The Directors consider that all other business is adequately protected through treaty reinsurance with a reasonable spread of benefits payable according to the age of the insured, and the size of the sum assured. The Group is largely exposed to insurance risk in one geographical area, Malta. Single event exposure is capped through the "CAT XL" reinsurance arrangement as referred above.

(b) Lapse and surrender rates

Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

(c) Policy Maintenance Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

(d) Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back consistent with the long–term asset allocation strategy. These estimates are based on current as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

(e) Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

(f) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour. The Group uses appropriate base tables of standard mortality according to the type of contract being written. The Group does not take credit for future lapses in determining the liability for long term contracts in accordance with the insurance rules regulating its calculation.

Financial risk

The Group is exposed to financial risk through its financial assets and liabilities, reinsurance assets, and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts with DPF. The most important components of financial risk are market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

These risks partly arise from open positions in interest rate, currency, debt and equity products, all of which are exposed to general and specific market movements. The Group manages these positions through adherence to an investment policy. The policy adopted is modelled to take into account actuarial recommendations, and is developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts with DPF. The principal technique underlying the Group's framework is to broadly match assets to the liabilities arising from insurance and investment contracts with DPF by reference to the type of benefits payable to contract holders, and the recommended portfolio mix as advised by the approved actuary.

The Group's investment policy is formally approved by the Board of Directors. Portfolio review processes and investment decisions are generally delegated to a dedicated Sub-Investment Committee or the Chief Executive Officer. Transactions in excess of pre-established parameters are subject to Board approval. The procedures consider, inter alia, a recommended portfolio structure, authorisation parameters, asset and counterparty limits and currency restrictions. Management reports to the Investment Committee on a regular basis. The Committee meets regularly to consider, *inter alia* , investment prospects, liquidity, the performance of the portfolio and the overall framework of the Group's investment strategy. Solvency considerations as regulated by the relevant Authority are also taken into account as appropriate.

Market risk

(a) Cash flow and fair value interest rate risk

The Group is exposed to the risk of fluctuating market interest rates. Assets/liabilities with variable rates expose the Group to cash flow interest rate risk. Assets/liabilities with fixed rates that are measured at fair value expose the Group to fair value interest rate risk.

The total assets and liabilities subject to interest rate risk are the following:

	Consolidated		**Separate**	
	2021	2020	**2021**	2020
	€	€	**€**	€
Assets				
Assets at floating interest rates	**11,494,900**	15,593,372	**9,886,690**	14,946,802
Assets at fixed interest rates	**29,374,880**	30,404,165	**29,374,880**	30,404,165
	40,869,780	45,997,537	**39,261,570**	45,350,967
Liabilities				
Technical provisions	**94,240,446**	97,121,173	**94,240,446**	97,121,173

Interest rate risk is monitored by the Board on an ongoing basis. This risk is mitigated through the distribution of fixed interest investments over a range of maturity dates, and the definition of an investment policy as described earlier, which limits the amount of investment in any one asset or towards any one counterparty. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by adjusting or restructuring its investment or financing structure and by maintaining an appropriate mix between fixed and floating rate instruments. As at the end of this reporting period, the Directors considered that no hedging arrangements were necessary to address interest rate risk.

Insurance and investment contracts with DPF have benefit payments that are fixed and guaranteed at the inception of the contract (for example, sum assured), or as bonuses are declared. The financial component of these benefits is usually a guaranteed fixed interest rate set at the inception of the contract, or the supplemental benefits payable. The Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

The supplemental benefits payable to holders of such contracts are based substantially on historic and current rates of return on fixed income securities held as well as the Group's expectations for future investment returns. The impact of interest rate risk is mitigated by the presence of the DPF. Guaranteed benefits increase as supplemental benefits are declared and allocated to contract holders.

All insurance and investment contracts with a DPF feature can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. This surrender value is either lower than or at least equal to the carrying amount of the contract liabilities as a result of the application of surrender penalties set out in the contracts. The Group is not required to, and does not, measure this embedded derivative at fair value.

The sensitivity for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Group's interest rate risk arises primarily on fixed-income financial assets held to cover policyholder liabilities. Interest-bearing assets or liabilities attributable to the Shareholders are not significant, or they mainly mature in the short term, and as a result the Group's income and operating cash flows are substantially independent of changes in market interest rates in this regard. An indication of the sensitivity of insurance results to a variation of investment return on policyholders' assets is provided in Note 9 to the financial statements in relation to the value of in-force business. Further sensitivity to investment return variations in relation to technical provisions is provided in Note 15 to the financial statements.

Should the carrying amounts of assets at fixed interest rates at the end of the reporting period increase/decrease by 10%, with all other variables held constant, the impact on the Group's pre-tax profit would be €2,937,488 (+/- €3,040,416 in 2020).

(b) Price risk

The Group is exposed to market price risk arising from the uncertainty about the future prices of investments held that are classified in the statement of financial position as at fair value through profit or loss and as available-for-sale. This risk is mitigated through the adherence to an investment policy geared towards diversification as described earlier.

The total assets subject to equity price risk are the following:

	Consolidated and separate	
	2021	2020
	€	€
Other Investments (Note 15)	**26,322,906**	22,832,018

The sensitivity analysis for price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market. The Group is principally exposed to price risk in respect of equity investments. Approximately 26% (2020: 35%) of equity securities held at fair value through profit or loss in Note 15 relate to holdings in four local banks. The remaining equity securities held at fair value through profit or loss are mainly held in equities in the Telecommunication Services, Property and Information Technology sectors.

The sensitivity analysis measures the change in the fair value of the instruments for a hypothetical change of 10% in the market price. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. Should market prices at the end of the reporting period increase/decrease by 10%, with all other variables held constant, the impact on the Group's pre-tax profit would be +/- €2,632,291 (2020: +/- €2,283,202 *).* This sensitivity analysis is based on a change in an assumption while holding all other assumptions constant and does not consider, for example, the mitigating impact of the DPF element on policyholder liabilities for contracts with a DPF.

(c) Currency risk

The Company's and Group's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Euro. As at 31 December 2021, the Company's and Group's exposure to foreign currency investments (principally comprising a mix of US Dollar and UK pound) represented 8.0% (2020: 6.9%) of the Group's total investments excluding the term deposits.

7.9% (2020: 11.9%) of the Group's cash and cash equivalents and term deposits, at 31 December 2021, are denominated in foreign currency (principally comprising a mix of US Dollar and UK pound). The Group's corresponding proportion of cash and cash equivalents and term deposits which are denominated in foreign currency is 6.8% (2020: 11.4%).

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

For financial instruments held or issued, a sensitivity analysis technique that measures the change in the fair value and the cash flows of the Group's financial instruments at the reporting date for hypothetical changes in exchange rates has been used. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

Should exchange rates at the end of the reporting period differ by +/-10% (2020: +/-10%), with all other variables held constant, the impact on the Company's and the Group's pre-tax profit would be +/- €806,349 (2020: +/- €457,000).

Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Financial assets that potentially subject the Group to concentrations of credit risk consist principally of:

- other investments;
- reinsurers' share of technical provisions;
- amounts due from insurance policy holders and intermediaries;
- cash and cash equivalents; and
- amounts due from group undertakings.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or group of counterparties. Limits on the level of credit risk by category are defined within the Group's investment policy as described earlier. This policy also considers regulatory restrictions on asset and counterparty exposures. Further detail on the content of the Group's investment portfolio is provided in Note 15 to these financial statements.

The Group is exposed to credit risk in respect of receivables from group undertakings. Management assesses the respective group undertaking's ability to repay balances due to the Group periodically and makes provisions for balances which it believes may not be recoverable.

Credit risk in respect of other receivables is not deemed to be significant after considering the range of underlying receivables, and their creditworthiness. Receivables are stated net of impairment. Further detail in this regard is provided in Note 17 to the financial statements.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis and by reviewing their financial strength prior to finalisation of any contract. The Company's reinsurer retained its Standard & Poor's rating of AAA to AA+ bracket as at 31 December 2021.

The following table illustrates the assets that expose the Group to credit risk as at the end of the reporting period and includes the Standard & Poor's, Moody's and ARC composite rating for debt securities at fair value through profit or loss, when available, and the default rating for deposits with banks and cash and cash equivalents, when available.

Assets bearing credit risk at the end of the reporting period are analysed as follows:

			Consolidated As at 31 December 2021		
	AAA to AA	**A**	**BBB to B**	**Below B to unrated**	**Total**
	€	**€**	**€**	**€**	**€**
Investments					
Debt securities at fair value through profit or loss	2,061,068	5,933,846	10,235,536	5,756,255	23,986,705
	2,061,068	5,933,846	10,235,536	5,756,255	23,986,705

Loans and receivables					
Loans secured on policies	-	-	-	36,295	36,295
Other loans and receivables	-	3,288,174	-	-	3,288,174
Trade and other receivables	-	-	-	853,376	853,376
Amounts due from group undertakings	-	-	-	11,663,844	11,663,844
Term Deposits	-	-	-	2,100,000	2,100,000
Cash and cash equivalents	-	-	10,682,220	812,680	11,494,900
		3,288,174	10,682,220	15,466,195	29,436,589
Reinsurance share of technical provisions	20,004,452	-	-	-	20,004,452
Total assets bearing credit risk	22,065,520	9,222,020	20,917,756	21,222,450	73,427,746

Consolidated
As at 31 December 2020

	AAA to AA €	A €	BBB to B €	Below B to unrated €	Total €
Investments					
Debt securities at fair value through profit or loss	2,164,582	6,263,730	18,024,340	941,285	27,393,937
	2,164,582	6,263,730	18,024,340	941,285	27,393,937
Loans and receivables					
Loans secured on policies	-	-	-	39,090	39,090
Other loans and receivables	-	3,084,845	-	-	3,084,845
Trade and other receivables	-	-	-	533,207	533,207
Amounts due from group undertakings	-	-	-	6,762,976	6,762,976
Term Deposits	-	-	-	3,010,223	3,010,223
Cash and cash equivalents	-	-	13,135,671	2,457,701	15,593,372
	-	3,084,845	13,135,671	12,803,197	28,318,732
Reinsurance share of technical provisions	20,749,175	-	-	-	20,749,175
Total assets bearing credit risk	**22,913,757**	**9,348,575**	**31,160,011**	**13,744,482**	**77,166,825**

Holding company
As at 31 December 2021

	AAA to AA €	A €	BBB to B €	Below B to unrated €	Total €
Investments					
Debt securities at fair value through profit or loss	2,061,068	5,933,846	10,235,536	5,756,255	23,986,705
	2,061,068	5,933,846	10,235,536	5,756,255	23,986,705
Loans and receivables					
Loans secured on policies	-	-	-	36,295	36,295
Other loans and receivables	-	3,288,174	-	-	3,288,174
Trade and other receivables	-	-	-	760,723	760,723
Amounts due from group undertakings	-	-	-	12,246,852	12,246,852
Term Deposits	-	-	-	2,100,000	2,100,000
Cash and cash equivalents	-	-	9,074,010	812,680	9,886,690
		3,288,174	9,074,010	15,956,550	28,318,734
Reinsurance share of technical provisions	20,004,452	-	-	-	20,004,452
Total assets bearing credit risk	22,065,520	9,222,020	19,309,546	21,712,805	72,309,891

Holding company
As at 31 December 2020

	AAA to AA €	A €	BBB to B €	Below B to unrated €	Total €
Investments					
Debt securities at fair value through profit or loss	2,164,582	6,263,730	18,024,340	941,285	27,393,937
	2,164,582	6,263,730	18,024,340	941,285	27,393,937
Loans and receivables					
Loans secured on policies	-	-	-	39,090	39,090
Other loans and receivables	-	3,084,845	-	-	3,084,845
Trade and other receivables	-	-	-	341,109	341,109
Amounts due from group undertakings	-	-	-	6,578,431	6,578,431
Term Deposits	-	-	-	3,010,223	3,010,223
Cash and cash equivalents	-	-	12,489,101	2,457,701	14,946,802
	-	3,084,845	12,489,101	12,426,554	28,000,500
Reinsurance share of technical provisions	20,749,174	-	-	-	20,749,174
Total assets bearing credit risk	**22,913,756**	**9,348,575**	**30,513,441**	**13,367,839**	**76,143,611**

The tables below analyses the Group's financial assets into relevant maturity groupings based on the remaining period between the end of the reporting period and the maturity date. The expected cash outflows for insurance and investment contracts do not consider the impact of early surrenders. Resilience and closure reserves are not included in the figures below.

	Consolidated and separate					
	Expected discounted cash inflows					
	Less than one year €	Between one and five years €	Between five and ten years €	Between 10 and 20 years €	Over 20 years €	Total €
As at 31 December 2021						
Reinsurance share of Technical provisions	**97,698**	**65,769**	**676,334**	**3,698,188**	**15,466,463**	**20,004,452**
As at 31 December 2020						
Reinsurance share of Technical provisions	1,037,459	4,772,312	2,697,392	4,357,326	7,884,686	20,749,175

Unrated financial assets principally comprise locally traded corporate bonds on the Malta Stock Exchange, amounts due from group companies, trade and other receivables, loans secured on policies and certain deposits with local bank institutions for which no international rating is available.

As at 31 December 2021 and 2020 the Group had an exposure with the Government of Malta through investments in debt securities. In 2021 these were equivalent to 6.5% (2020: 7.4%) of the Group's total investments.

Liquidity risk

Liquidity is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group adopts a prudent liquidity risk management approach by maintaining a sufficient proportion of its assets in cash and marketable securities through the ability to close out market positions. Senior management is updated on a regular basis on the cash position of the Group illustrating, inter alia, actual cash balance net of operational commitments falling due in the short term as well as investment commitments falling due in the medium and long term.

The Group is exposed to daily calls on its available cash resources in order to meet its obligations, including claims arising from contracts in issue by the Company. Other financial liabilities which expose the Group to liquidity risk mainly comprise trade and other payables. Liquidity is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period between the end of the reporting period and the maturity date. The expected cash outflows for insurance and investment contracts do not consider the impact of early surrenders. Resilience and closure reserves are not included in the figures below.

	Consolidated and separate					
	Expected discounted cash inflows					
	Less than one year €	Between one and five years €	Between five and ten years €	Between 10 and 20 years €	Over 20 years €	Total €
As at 31 December 2021						
Technical provisions	14,257,208	28,529,074	13,967,431	16,992,733	56,313,143	130,059,589
As at 31 December 2020						
Technical provisions	**6,877,195**	**27,802,157**	**16,735,537**	**24,695,346**	**48,315,862**	**124,426,097**

Regulatory compliance risk

The risk of non-compliance with legal and regulatory requirements as well as supervisory expectations which may result in administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Company's activities. By ensuring that these rules are observed, the Company works to protect its customers, shareholders, counterparties and employees. This is conducted in alignment with the Company's strategy as operating a business model based on prudence, sound governance and integrity.

3. Particulars of business

The Company writes long term and linked long term insurance business:

(i) Gross premiums written

Gross premium income is made up of direct insurance business and is further analysed between:

	Consolidated and separate	
	Periodic premiums	**Single premiums**

	2021 €	2020 €	2021 €	2020 €
Gross premium income	**6,647,138**	6,740,305	**6,110,646**	6,455,892

	2021 €	2020 €
Comprising:		
Individual business	**12,316,462**	12,795,994
Group contracts	**441,322**	400,203
	12,757,784	13,196,197

Periodic and single premiums credited to liabilities in Note 16 in relation to linked products classified as investment contracts without DPF was as follows:

	Consolidated and separate			
	Periodic premiums		Single premiums	
	2021 €	2020 €	2021 €	2020 €
Investment contracts	**9,537,978**	6,984,346	**-**	-

All long-term contracts of insurance are concluded in or from Malta.

(ii) Reinsurance premiums outwards

The reinsurance premiums which represents the aggregate of all items relating to reinsurance outwards, mainly attributable to insurance contracts, amounted to a charge of € 1,785,759 (2020: €1,647,695) to the long term business technical account for the year ended 31 December 2021.

(iii) Analysis between insurance and investment contracts

	Consolidated and separate	
	2021 €	2020 €
Gross premiums written		
Insurance contracts	**6,647,138**	6,740,305
Investment contracts with DPF	**6,110,646**	6,455,892
	12,757,784	13,196,197

	2021 €	2020 €
Claims incurred, net of reinsurance		
Insurance contracts	**4,988,091**	6,372,973
Investment contracts with DPF	**4,905,071**	3,802,490
Transfer from administrative expenses (Note 7)	**258,648**	125,733
	10,151,810	10,301,196

(iv) Net operating expenses

	Consolidated and separate	
	2021 €	2020 €
Acquisition costs	**74,436**	333,093
Administrative expenses	**4,855,291**	4,667,508
Reinsurance commissions and profit participation	**(76,723)**	(476,603)
	4,853,004	4,523,998

Total commissions for direct business accounted for in the financial year amounted to € 2,259,833 (2020: €2,129,822).

(v) Bonuses and rebates, net of reinsurance

Reversionary bonuses declared in the year amounted to € 88 2,196 (2020: €980,789).

4. Commissions and fees receivable

Revenue represents the commissions receivable by LifeStar Health in respect of premia written relating to business generated during the year.

This includes profit commission earned during the year, which is determined on the basis of the estimated performance of business underwritten during the same period. This basis may change significantly once the insurance principal finalises its profit for the underwriting year under review. In view of this, the actual profit commission might be different from the estimated profit commission calculated as at the end of the reporting period.

	Consolidated	
	2021	2020
	€	€
Commission and fees receivable	**1,813,548**	**2,148,188**

5. Investment return, fair value movements and other interest

	Consolidated and separate	
	2021	2020
	€	€
Investment income		
Rental income from investment property	**548,332**	689,630
Dividends received from:		
- investments at fair value through profit or loss	**431,598**	226,813
- available-for-sale investments	**3,217**	18,254
Interest receivable from:		
- other loans and receivables	**316,349**	313,826
- related companies	**318,038**	-
- investments at fair value through profit or loss	**983,843**	1,096,270
- available-for-sale investments	**-**	1,244
Other income	**102,748**	90,871
	2,704,125	2,436,908
Investment charges and expenses		
Investment management charges	**(41,810)**	(47,182)
Loans & receivables written off	**-**	-
Reversal of impairment/ (impairment loss) on non-quoted equity	**-**	205,237
	(41,810)	158,055
Movement in fair value		
Net fair value gain on investment property	**(10,000)**	2,055,651
Net fair value gain/ (loss) on investment – bonds	**(664,335)**	(472,553)
Net fair value gain/ (loss) on investment – equity and collective investment schemes	**(1,390,881)**	(1,921,958)
	(2,065,216)	(338,860)
Total investment return	**597,099**	2,256,103
Allocated as follows:		
Technical profit and loss account	**195,343**	1,579,269
Non-technical profit and loss account	**401,756**	676,834
	597,099	2,256,103

6. Finance costs

	Consolidated and separate	
	2021	2020
	€	€
Interest on bonds	**54,621**	-
Allocated as follows:		
Non-technical account	**54,621**	-

7. Expenses by nature

	Consolidated		Holding Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Professional fees	**720,860**	505,696	**692,916**	422,999
Management fees (Note 26)	**308,515**	310,000	**308,515**	310,000
Amortisation of computer software (Note 10)	**217,492**	234,366	**217,492**	234,366
IT related expenses	**390,848**	271,838	**285,610**	189,750
Commission and direct marketing costs	**2,259,833**	2,129,822	**2,259,833**	2,129,822
Depreciation of plant and machinery (Note 12)	**116,411**	71,053	**112,828**	64,154
Other expenses	**332,516**	298,993	**76,855**	105,104
Amortisation of bond issue costs	**19,402**	-	**19,402**	-
Bank charges	**87,452**	100,678	**87,452**	100,677
Licences and insurance	**152,608**	137,753	**152,608**	137,753
Office expense	**61,865**	86,664	**61,865**	86,664
Wages and salaries recharged from group undertaking	**1,758,790**	1,658,025	**1,084,973**	987,144
Lease expenses (Note 11)	**90,411**	89,967	**9,954**	7,031
	6,517,003	5,894,855	**5,370,303**	4,775,464

Allocated as follows:
Technical account

- benefits and claims incurred	**258,651**	125,733	**258,651**	125,733
- net operating expenses	**4,853,004**	4,523,998	**4,853,004**	4,523,998
Non-technical account	**1,405,348**	1,245,124	**258,648**	125,733
	6,517,003	5,894,855	**5,370,303**	4,775,464

Auditor's remuneration for the current financial year amounted to € 71,500 (2020: €56,000). Other fees payable ,to the auditor comprise € Nil (2020: €25,000) for other assurance services, €26,500 (2020: €9,000) for non-assurance services and €2,425 (2020: €2,300) for tax services.

8. Tax (credit)/ charge

	Consolidated		Holding Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current tax	**(112,513)**	327,445	**55,173**	103,445
Deferred tax charge/ (credit) (Note 21)	**218,442**	(693,762)	**215,899**	(822,257)
Tax (credit)/ charge	**105,929**	(366,317)	**271,072**	(718,812)

Income tax recognised in other comprehensive income is as follows:

	Consolidated and separate	
	2021	2020
	€	€
Deferred tax		
Revaluations of property, plant and equipment	**-**	21,529
Revaluations of available-for-sale financial assets	**613**	(39,067)

The tax on the Group's (loss) / profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Consolidated		Holding Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
(Loss) / Profit before tax	**650,644**	554,211	**1,448,453**	(406,110)
Theoretical tax charge at 35%	**227,725**	193,974	**506,959**	(142,139)
Tax effect of:				
Income taxed at lower rates	**(93)**	(137,926)	**(93)**	(137,926)
Adjustment for income not subject to tax	**(112,103)**	(106,763)	**(112,103)**	(106,763)
Group loss claimed	**-**	-	**-**	-
Disallowable expenses for tax purposes	**8,390**	22,879	**8,390**	14,448
Adjustment relating to prior year taxation	**7,735**	126,039	**-**	126,039
Adjustment for tax rates differences on investment property revaluation	**-**	(551,496)	**-**	(551,496)
Dividends received from the untaxed account and FTA	**(4,108)**	-	**(111,415)**	-
Unrelieved foreign tax	**14,829**	-	**14,829**	
Other	**(36,446)**	86,976	**(35,495)**	79,025
Tax credit / (charge)	**105,929**	(366,317)	**271,072**	(718,812)

9. Directors' emoluments

All directors' emoluments are recharged by the intermediate parent company.

	Consolidated		Holding Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Directors fee	**128,425**	25,000	**70,600**	15,000

10. Intangible assets

	Consolidated			
	Goodwill	Value of in-force business	Computer software	Total
	€	€	€	€
Year ended 31 December 2021				
Opening carrying amount	311,538	10,541,919	1,533,910	12,387,367
Increment in value in force business (Note 20)	-	1,387,795	-	1,387,795
Additions	-	-	593,871	593,871
Amortisation charge (Note 7)	-	-	(217,492)	(217,492)
Closing carrying amount	311,538	11,929,714	1,910,289	14,151,541

At 31 December 2021				
Cost or valuation	311,538	11,929,714	3,416,046	15,657,298
Accumulated amortisation	-	-	(1,505,757)	(1,505,757)
Carrying amount	**311,538**	**11,929,714**	**1,910,289**	**14,151,541**
Year ended 31 December 2020				
Opening carrying amount	311,538	10,473,805	1,422,209	12,207,552
Increment in value in force business (Note 20)	-	68,114	-	68,114
Additions	-	-	346,067	346,067
Amortisation charge (Note 7)	-	-	(234,366)	(234,366)
Closing carrying amount	311,538	10,541,919	1,533,910	12,387,367
At 31 December 2020				
Cost or valuation	311,538	10,541,919	2,822,175	13,675,632
Accumulated amortisation	-	-	(1,288,265)	(1,288,265)
Carrying amount	**311,538**	**10,541,919**	**1,533,910**	**12,387,367**

		Holding Company	
	Value of in-force business €	**Computer software €**	**Total €**
Year ended 31 December 2021			
Opening carrying amount	10,541,919	1,533,910	12,075,829
Increment in value in force business (Note 20)	1,387,795	-	1,387,795
Additions	-	593,871	593,871
Amortisation charge (Note 7)	-	(217,492)	(217,492)
Closing carrying amount	11,929,714	1,910,289	13,840,003
At 31 December 2021			
Cost or valuation	11,929,714	3,416,046	15,345,760
Accumulated amortisation	-	(1,505,757)	(1,505,757)
Carrying amount	**11,929,714**	**1,910,289**	**13,840,003**
Year ended 31 December 2020			
Opening carrying amount	10,473,805	1,422,209	11,896,014
Increment in value in force business (Note 20)	68,114	-	68,114
Additions	-	346,067	346,067
Amortisation charge (Note 7)	-	(234,366)	(234,366)
Closing carrying amount	10,541,919	1,533,910	12,075,829
At 31 December 2020			
Cost or valuation	10,541,919	2,822,175	13,364,094
Accumulated amortisation	-	(1,288,265)	(1,288,265)
Carrying amount	**10,541,919**	**1,533,910**	**12,075,829**

Computer software relates to the Group's policy administration system. The carrying amount of the software €1,910,289 (2020: €1,533,910) will be fully amortised in 10 years. Amortisation charge of €217,492 (2020: €234,366) has been charged and included in the technical account.

Value of in-force business – assumptions, changes in assumptions and sensitivity

The value of in-force business ("VOIFB") represents the net present value of projected future transfers to Shareholders from policies in force at the year end, after making provision for deferred taxation. The value of in-force business is determined by the Directors on an annual basis, based on the advice of the approved actuary.

The assumption parameters of the valuation are based on a combination of the Group's experience and market data. Due to the long-term nature of the underlining business, the cash flow projection period for each policy is set to its maturity date. The valuation is based on a discount rate of 5.25% (2020: 5.25%) and a growth rate of 3.6% to 4.3% (2020: 3.2% to 4%) depending on the type of policy.

The valuation assumes a margin of 1% (2020: 1%) between the weighted average projected investment return and the discount factor applied. The calculation also assumes lapse rates varying from 0.5% to 20% (2020: 0% to 27%), and expenses are implicitly inflated.

Sensitivity of the main assumptions underlying the valuation is applied as follows:

- a 10% increase in the assumption for policy maintenance expenses reduces the VOIFB by €1,223,490 (2020: €1,183,686);
- a decrease in the projected investment return by 10% reduces the VOIFB by €949,524 (2020: €969,289); and
- an increase in the discount factor by 10% reduces the VOIFB by €679,973 (2020: €617,233).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant.

11. Leases

(a) Leases as the lessee (IFRS 16)

The Group leases property which generally run for a period of two years with the option to renew. Lease payments are subsequently renegotiated to reflect market rates.

(i) Right-of-use assets

Right-of-use asset related to leased properties that do not meet the definition of investment property are presented as a separate line item on the face of the Statement of Financial Position.

	Consolidated and separate	
	2021	2020
	€	€
Balance on 1 January	**13,769**	19,889
Accumulated Depreciation	**(6,119)**	(6,120)
Balance on 31 December	**7,650**	13,769

(ii) Amounts recognized in profit or loss

	Consolidated and separate	
	2021	2020
	€	€
Depreciation of right-of-use asset	**6,119**	6,120
Interest expense on lease liabilities	**123**	911

There were no operating lease agreements considered as short term leases.

(iii) Amounts recognized in statement of cash flows

	Consolidated and separate	
	2021	2020
	€	€
Total cash outflows for leases	**6,933**	6,679

(iv) Lease liability

The net value of the lease liability as at 31 December 2021 was €13,391 (2020: €15,033).

(b) Leases as the lessor (IFRS 16)

The Group leases out certain property. Note 13 sets out information about investment property. The Group has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments receivable, showing the undiscounted lease payments to be received after the reporting date.

2020 – Operating leases under IFRS 16

	Consolidated and separate	
	2021	2020
	€	€
Less than one year	**292,227**	650,016
One to two years	**-**	292,227
Two to three years	**-**	-
Three to four years	**-**	-
	292,227	942,243

12. Property, plant and equipment

	Consolidated			**Holding Company**		
	Land and building	**Office furniture, fittings and equipment**	**Total**	**Land and building**	**Office furniture, fittings and equipment**	**Total**
	€	**€**	**€**	**€**	**€**	**€**

Year ended 31 December 2021						
Opening net book amount	2,024,791	47,133	2,071,924	2,024,791	44,654	2,069,445
Additions	26,100	69,926	96,026	26,100	47,605	73,705
Reclassified from investment property	1,554,456	-	1,554,456	1,554,456	-	1,554,456
Depreciation charge	(81,674)	(34,737)	(116,411)	(81,674)	(31,154)	(112,828)
Net book amount	3,523,673	82,322	3,605,995	3,523,673	61,105	3,584,778
At 31 December 2021						
Cost	4,004,242	1,659,937	5,664,179	4,004,242	1,571,563	5,575,805
Accumulated depreciation	(480,568)	(1,577,615)	(2,058,183)	(480,568)	(1,510,459)	(1,991,027)
Net book amount	**3,523,674**	**82,322**	**3,605,996**	**3,523,674**	**61,104**	**3,584,778**
Year ended 31 December 2020						
Opening net book amount	1,935,654	42,685	1,978,339	1,935,654	35,254	1,970,908
Additions	27,827	37,642	65,469	27,827	35,696	63,523
Revaluation for the year	269,117	-	269,117	269,117	-	269,117
Reclassified to investment property	(169,949)	-	(169,949)	(169,949)	-	(169,949)
Depreciation charge	(37,858)	(33,195)	(71,053)	(37,858)	(26,296)	(64,154)
Net book amount	2,024,791	47,132	2,071,923	2,024,791	44,654	2,069,445
At 31 December 2020						
Cost	2,423,686	1,590,008	4,013,694	2,423,686	1,523,956	3,947,642
Accumulated depreciation	(398,895)	(1,542,876)	(1,941,771)	(398,895)	(1,479,302)	(1,878,197)
Net book amount	**2,024,791**	**47,132**	**2,071,923**	**2,024,791**	**44,654**	**2,069,445**

€1,747,494 (2020: €1,468,486) worth of office furniture, fittings and equipment assets are fully depreciated and is still in use.

During the year, the Group and the Company have not revalued investment property. During 2020, the Group and the Company have revalued the investment property. Further detail is set out in Note 13.

13. Investment property and assets held for sale

	Consolidated and separate
	€
Year ended 31 December 2021	
Opening net book amount	**17,763,350**
Reclassification to property, plant and equipment	**(1,554,456)**
Increase in fair value	**-**
Closing net book amount	**16,208,894**
At 31 December 2021	
Cost	**4,461,066**
Accumulated fair value gains	**11,747,828**
Net book amount	**16,208,894**
Year ended 31 December 2020	
Opening net book amount	15,537,750
Reclassified from property, plant and equipment	169,949
Increase in fair value	2,055,651
Closing net book amount	17,763,350
At 31 December 2020	
Cost	6,015,522
Accumulated fair value gains	11,747,828
Net book amount	17,763,350

Details about the Group's investment properties, including those classified as assets held-for-sale, and information about the fair value hierarchy at 31 December 2021 and 2020 are as follows:

	Consolidated and separate			
	Fair value measurement at end of the reporting period using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	**€**
2021				
Investment property:				
Local property	-	-	16,208,894	16,208,894
Foreign property	-	-	190,002	190,002

Total	**-**	**-**	**16,398,896**	**16,398,896**

	Consolidated and separate			
	Fair value measurement at end of the reporting period using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	**€**
2020				
Investment property:				
Local property	-	-	17,763,350	17,763,350
Foreign property	-	-	200,000	200,000
Total	**-**	**-**	**17,963,350**	**17,963,350**

In estimating the fair value of the properties, the highest and best use of the properties is their current use. In accordance with the Group's accounting policy, the valuation of investment properties is assessed by the Board of Directors at the end of every reporting period.

During 2021 and 2020 the Group revalued its investment property on the basis of valuations obtained from an independent professionally qualified valuer. The fair value movements in relation to investment property during 2020 were credited to profit or loss and are presented within 'Investment return and fair value movements' (refer Note 5). Fair value movements in relation to property classified for "own use" were credited to Other Comprehensive Income. No revaluations have been done in 2021.

Subsequent to the end of the current financial period, the foreign property previously reclassified to asset held-for-sale has been sold for €190,000 and as a result, the value of this property was reduced by €10,000 as disclosed in Note 5.

The table below includes further information about the Group's Level 3 fair value measurements for local properties:

2021 /2020	**Significant unobservable input EUR**	**Narrative sensitivity EUR**
Local properties	Rental value per square metre, ranging from €90 to €280 (2019: €90 to €280)	The higher the price per square metre, the higher the fair value
	Rent growth of 1.6% (2019: 1.6%) per annum	The higher the rent growth, the higher the fair value
	Discount rate of 5.55% (2019: 5.7%)	The higher the discount rate, the lower the fair value
Foreign property	Value per square metre of €3,500	The higher the price per square metre, the higher the fair value

Details about the Group's investment properties classified as Level 3 at 31 December 2021 and 2020 are as follows:

	Consolidated and separate	
	Local property	**Total**
	€	**€**
Year ended 31 December 2021		
At the beginning of the year	17,763,350	17,763,350
Reclassification	(1,554,456)	(1,554,456)
Additions	-	-
Fair value gains	-	-
At end of year	**16,208,894**	**16,208,894**

	Consolidated and separate	
	Local property	**Total**
	€	**€**
Year ended 31 December 2020		
At the beginning of the year	15,537,750	15,537,750
Reclassified from property, plant and equipment	169,949	169,949
Fair value gains	2,055,651	2,055,651
At end of year	**17,763,350**	**17,763,350**

Operating leases relate to the investment property owned by the Group with lease terms of between 1 to 5 years. The lessee does not have an option to purchase the property at the expiry of the lease period. The rental income earned, under operating leases, amounted to €548,332 (2020: €689,630).

14. Investments in group undertakings

	Consolidated and separate 2021 €	2020 €
Cost		
Year ended 31 December	**1,048,218**	1,048,218

The Group as at 31 December 2021 has direct investment in the following group undertakings:

Group undertakings	Registered office	Class of shares held	Percentage of shares held 2021	2020
LifeStar Health Limited	Testaferrata Street Ta Xbiex	Ordinary 'A'	**100%**	100%

The principal activity of LifeStar Health Limited is to carry on business of an agent in all classes of health insurance, in terms of the Insurance Intermediaries Act (Cap. 487 of the Laws of Malta).

LifeStar Health Limited has also issued non-profit participating 'B' shares to other subscribers. The subscribers of such 'B' shares are not entitled to a share of profits generated by LifeStar Health Limited, and hence the Group is deemed to have 100% of ownership interest. The distribution of dividends by LifeStar Health Limited is restricted by the own funds requirements of the Insurance Intermediaries Act (Cap. 487 of the Laws of Malta).

	Separate 2021 €	2020 €
Capital and reserves		
LifeStar Health Limited	**1,434,241**	2,069,639

15. Other investments

The Group's investments are summarised by measurement category in the table below:

	Consolidated and separate 2021 €	2020 €
Fair value through profit or loss	**82,499,812**	74,930,424
Available-for-sale investments	**1,838,107**	1,205,377
Investments in equity measured at cost	**1,457,336**	1,362,102
Loans and receivables	**3,324,469**	3,123,936
Term deposits	**2,100,000**	3,010,223
Total investments	**91,219,724**	83,632,062

(a) Investments at fair value through profit or loss

	Consolidated and separate 2021 €	2020 €
Equity securities and units in unit trusts:		
Listed shares	**19,033,513**	21,387,136
Collective investment schemes	**6,011,080**	749,837
	25,044,593	22,136,973
Assets held to cover linked liabilities:		
Collective investment schemes	**33,468,514**	25,399,514
Debt securities - fixed interest rate:		
Government bonds	**13,012,962**	16,220,768
Corporate bonds	**10,973,743**	11,173,169
	23,986,705	27,393,937
Total investments at fair value through profit or loss	**82,499,812**	74,930,424

Technical provisions for linked liabilities amounted to €34,395,648 (2020: €26,247,639) as at 31 December 2021. They are included in the liability for investment contracts without DPF in Note 16. Their expected recovery is back to back with the respective technical provision for linked liabilities which maturity table is disclosed in Note 2.

Maturity of fixed income debt securities classified as fair value through profit or loss.

	Consolidated and separate 2021 €	2020 €
Within 1 year	**844,139**	3,231,655

Between 1 and 2 years	**757,320**	778,711
Between 2 and 5 years	**9,336,814**	6,091,952
Over 5 years	**13,048,432**	17,291,619
	23,986,705	27,393,937

	Consolidated and separate	
	%	%
Weighted average effective interest rate at the balance sheet date	**4**	5

All other securities classified at fair value through profit or loss are non-current in nature.

The movements in investments classified as fair value through profit or loss are summarised as follows:

	Consolidated and separate	
	2021	2020
	€	€
Year ended 31 December		
Balance at 1 January	**74,930,424**	67,144,191
Additions	**16,710,558**	12,445,278
Disposals	**(8,126,304)**	(7,977,462)
Net fair value and foreign exchange movements	**(1,014,866)**	3,318,417
Balance at 31 December	**82,499,812**	74,930,424
At 31 December		
Cost	**72,747,482**	64,163,228
Accumulated fair value and foreign exchange gains	**9,752,330**	10,767,196
Net book amount	**82,499,812**	74,930,424

The table below analyses debt securities classified at fair value through profit or loss by sector:

	Consolidated and separate	
	2021	2020
	€	€
Banks	**1,566,991**	1,662,092
Energy	**803,342**	1,984,835
Government	**13,012,962**	16,220,768
Other	**8,603,410**	7,526,242
	23,986,705	27,393,937

(b) Available-for-sale investments

	Consolidated and separate	
	2021	2020
	€	€
Equity securities	**1,838,107**	1,205,377
Total investments at available-for-sale	**1,838,107**	1,205,377

The movements in investments classified as available-for-sale are summarised as follows:

	Consolidated and separate	
	2021	2020
Year ended 31 December		
Balance at 1 January	**1,205,377**	1,489,946
Additions	**655,128**	322,795
Disposals	**(10,290)**	(473,818)
Foreign currency movement	**(12,108)**	(21,927)
Net fair value movement	**-**	(111,619)
Balance at 31 December	**1,838,107**	1,205,377
At 31 December		
Cost	**1,970,773**	1,325,935
Accumulated fair value and foreign currency movements	**(132,666)**	(120,558)
Net book amount	**1,838,107**	1,205,377

(c) Investments in equity measured at cost

	Consolidated and separate	
	2021	2020
Equity securities	**1,457,336**	1,362,102

The movements in investments classified as equity measured at cost are summarised as follows:

	Consolidated and separate	
	2021	2020
	€	€
Year ended 31 December		
Balance at 1 January	**1,362,102**	1,222,445
Additions	**-**	-
Reversal of impairment loss	**-**	205,237
Foreign currency movement	**95,234**	(65,580)
Balance at 31 December	**1,457,336**	1,362,102

The ultimate shareholder of LifeStar Insurance p.l.c. is a director of the foreign investment classified as investment in equity measured at cost, with a carrying amount as at year end of €1,457,336 (2020: €1,362,102). This investment is in a start-up fintech company and given the embryonic stage of the company and of the industry itself, the Directors believe that the variability in the range of the reasonable fair value measurement is significant and the probabilities of the various estimates cannot be reasonably assessed. In view of this, the Group has not measured this investment at fair value and its carrying amount is equivalent to price paid at settlement date to acquire this instrument net of any impairment losses.

(d) Loans and receivables

	Consolidated and separate	
	2021	2020
	€	€
Loans secured on policies	**36,295**	39,090
Other loans and receivables	**3,288,174**	3,084,846
	3,324,469	3,123,936

Loans secured on policies are substantially non-current in nature. Other loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell in the short term. They are charged with interest at the rate of 12% (2020: 12%) per annum. The movements of loans and receivables are summarised as follows:

	Consolidated and separate	
	2021	2020
	€	€
Year ended 31 December		
Balance at 1 January	**3,123,936**	5,266,651
Additions	**8,354**	-
Disposals	**-**	(1,941,931)
Amortisation of premium	**-**	(6,164)
Reversal of the provision for impairment / (provision for impairment)	**192,179**	(194,620)
Balance at 31 December	**3,324,469**	3,123,936

(e) Term Deposits

Bank term deposits earn average interest of 1.3% per annum (2020: 1.3%). As at year end, their carrying amount approximated to its fair value.

16. Technical provisions – insurance contracts and investment

	Consolidated and separate	
	2021	2020
	€	€
Insurance contracts	**65,327,606**	69,378,062
Investment contracts with DPF	**30,336,335**	28,800,396
	95,663,941	98,178,458
Investment contracts without DPF	**34,395,648**	26,247,639
Total gross technical provisions	**130,059,589**	124,426,097

Insurance contracts are further analysed as follows:

	Consolidated and separate	
	2021	2020
	€	€
Gross technical provisions - insurance contracts		
Short term insurance contracts		
- claims outstanding	**-**	44,858
- other provisions	**182,024**	201,115
Long term insurance contracts		

- claims outstanding	**1,300,966**	906,643
- long term business provision	**63,844,616**	68,225,446
	65,327,606	69,378,062

	Consolidated and separate	
	2021	2020
	€	€
Reinsurers' share of technical provisions - insurance contracts		
Short term insurance contracts		
- claims outstanding	**-**	(31,400)
- other provisions	**(98,652)**	(93,706)
Long term insurance contracts		
- claims outstanding	**(739,606)**	(346,624)
- long term business provision	**(19,166,194)**	(20,277,445)
	(20,004,452)	(20,749,175)

	Consolidated and separate	
	2021	2020
	€	€
Net technical provisions - insurance contracts		
Short term insurance contracts		
claims outstanding	**-**	13,458
other provisions	**83,372**	107,409
Long term insurance contracts		
claims outstanding	**561,360**	560,019
long term business provision	**44,678,422**	47,948,002
	45,323,154	48,628,888

The movements in technical provisions relating to insurance contracts and investment contracts with DPF net of reinsurance are analysed below:

	Consolidated and separate		
	Insurance contracts	**Investment contracts with DPF**	**Total**
	€	**€**	**€**
Year ended 31 December 2021			
At beginning of year	48,628,888	28,800,396	77,429,284
Charged to technical account			
- change in the provision for claims	(12,116)	16,747	4,631
- change in other technical provisions	(3,293,618)	1,519,192	(1,774,426)
At end of year	**45,323,154**	**30,336,335**	**75,659,489**

	Consolidated and separate		
	Insurance contracts	**Investment contracts with DPF**	**Total**
	€	**€**	**€**
Year ended 31 December 2020			
At beginning of year	49,861,653	26,341,896	76,203,549
Charged to technical account			
- change in the provision for claims	(92,843)	40,546	(52,297)
- change in other technical provisions	(1,139,922)	2,417,954	1,278,032
At end of year	**48,628,888**	**28,800,396**	**77,429,284**

Claims outstanding are further analysed as follows:

	Consolidated and separate	
	2021	2020
	€	€
Claim outstanding		
Short term insurance contracts	**-**	44,858
Long term insurance contracts	**1,300,966**	906,643
Investment contracts with DPF	**122,529**	105,784
	1,423,495	1,057,285

Claims outstanding are expected to be settled within 12 months from the balance sheet date and therefore are current in nature.

Long term contracts – assumptions, changes in assumptions and sensitivity

(a) Assumptions

For long term contracts, estimates are determined by reference to a number of variables, including amongst others the expected future deaths (mortality), investment return, policy maintenance expenses, lapse and discount rate. The assumptions that have the greatest effect on the Statement of Financial Position and Statement of Comprehensive Income are Mortality and investment return.

Mortality estimates are based on standard mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. A weighted average rate of investment return is applied, reflecting current investment yields, adjusted by a margin of contingency. Allowance is made for policy maintenance expenses at a rate determined by reference to the insurance Group's cost base. The calculation assumes the continuation of existing tax legislation and rates.

(b) Changes in assumptions

The mortality assumption has been revised to incorporate mortality improvements up to the valuation date. This has led to a significant reduction of the mortality assumption which is reflective of the mortality experience of the company over the past 10 years.

Sensitivity analysis

The following table presents the sensitivity of the value of liabilities variable that will trigger an adjustment and the liability disclosed in this note to movements in the assumptions used in the estimation of liabilities for long term contracts. The table below indicates the level of the respective adjustment that would be required.

	Consolidated and separate	
	2021	2020
	€	€
10% loading applied to mortality assumptions - Gross	**5,560,836**	5,334,879
10% loading applied to mortality assumptions - Net	**786,990**	857,658
Lowering of investment return by 25 basis points	**631,237**	699,788

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

17. Receivables, prepayments and accrued income

	Consolidated		**Holding Company**	
	2021	2020	**2021**	2020
	€	€	**€**	€
Receivables arising out of direct insurance operations:				
- due from policyholders (Note i)	**297,858**	142,927	**297,858**	142,927
Other loans and receivables:				
- receivables from intermediate parent (Note ii)	**6,785,817**	2,164,471	**6,785,817**	2,164,471
- receivables from other related parties (Note iii)	**4,878,027**	4,598,505	**5,461,035**	4,413,961
Other receivables (Note iv)	**555,518**	390,280	**462,863**	198,182
	12,517,220	7,296,183	**13,007,573**	6,919,541

	Consolidated		**Holding Company**	
	2021	2020	**2021**	2020
	€	€	**€**	€
Prepayments and accrued income:				
- prepayments	**279,532**	226,573	**208,358**	163,238
- accrued income	**1,960,598**	1,786,729	**1,388,157**	917,383
	2,240,130	2,013,302	**1,596,515**	1,080,621

Note i: Interest-bearing automatic premium loans are classified as investments in Note 15 to the financial statements.

Note ii: Amounts due from intermediate parent are secured, bearing interest at 3% or 4.5% and expected to be repaid between 5 and 10 years' time. The carrying amount is stated net of a provision of €255,891 (2020: €255,891).

The loans in question have been approved by the Malta Financial Services Authority.

The Directors are confident that such balances will be recovered within the stipulated time frame above. A proposal on the repayment in full of these loans is currently in discussions with the MFSA.

Note iii: Amounts due from other related parties are secured and bear interest at 3% or 4.5% and as at 31 December 2021 the Directors expect these to be repaid in 5 and 10 years' time in accordance with the agreements. The carrying amount is stated net of a provision of €129,383 (2020: €129,383). Such balance has been carried forward prior to 1 January 2017.

Note iv: Other receivables are unsecured, interest-free and repayable on demand. They are stated net of provision for impairment of €8,051 (2020: €11,631). The movement of €3,580 (2020: €75,843) is included in the statement of comprehensive income non-technical. Other receivables include due from related parties amounting to €55,189 (2020: nil).

Amounts due from intermediate parent and other related parties are non-current in nature, whilst the rest of the amounts are current in nature.

18. Share capital

	Consolidated and separate 2021	
	Authorised	**Issued and Called up**
	€	**€**
353,411,942 ordinary shares of €0.141478 each, 64,814,817 of which were issued and called up	50,000,000	9,169,870
	50,000,000	**9,169,870**

	Consolidated and separate 2020	
	Authorised	**Issued and Called up**
	€	**€**
5,000,000 ordinary shares of €2.329373 each, 3,936,625 of which were issued and called up	11,646,865	9,169,870
	11,646,865	9,169,870

Consequent to a resolution of the shareholders taken on 26 April 2021, the Company increased and re-denominated its entire authorized share capital from 4,656,560 ordinary shares and 343,440 redeemable preference shares of €2.329373 each to 353,411,942 ordinary shares of €0.1414779585 each. It was also resolved to re-designate the redeemable preference shares to ordinary shares as aforementioned.

On 4 May 2021 the Company issued an offer for sale of 18,518,519 ordinary shares in the Company at an offer price of €0.54 per share ('the Share Offer') and the offer of 6,570,000, ordinary shares in the Company to its shareholders in exchange for their ordinary shares in LifeStar Holding p.l.c. at an exchange ratio of 1 LifeStar Holding p.l.c. share to 1 share in the Company ('the Exchange Offer). Of the Share Offer, 10,854,000 shares (for a total value of €5,861,160) were received by the Company, whilst 5,897,951 shares from the Exchange offer (for a total value of €3,184,894) were received by the Company.

Retained Earnings

As noted in Note 17, amounts due from the intermediate parent are unsecured, interest-free and expected to be repaid in three years' time. The carrying amount has been adjusted for the time-value of money and is stated net of provision of €255,891 (2020: €255,891).

Capital Management

The Group's objectives when managing capital are:

- to comply with the insurance capital requirements required by the Maltese insurance regulator, the MFSA;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurate with the level of risk.

In order to maintain or adjust the capital structure, the Group may issue new shares or capitalise contributions received from its shareholders.

As of 1 January 2016, the Solvency II Directive (2009/138/EC) came into force with new regulatory requirements that ascertain the level of capital required on the basis of the risks the Company undertakes. Solvency II also outlines how the Own Funds shall be derived by converting the statement of financial position from an IFRS perspective to one where assets and liabilities are measured in line with their underlying economic value.

The Directors are actively involved in the implementation of the Solvency II rules and these are highly embedded in the Company's operations and regular monitoring of the Solvency Capital Requirement ("SCR") is considered crucial.

The Company is required to hold regulatory capital for its long term insurance business in compliance with the Solvency II Directive. The Solvency II Directive stipulates the Minimum Capital Requirement ("MCR") and the SCR that the Company is required to hold. The MCR and SCR must be maintained at all times throughout the year.

Based on the audited SCR calculations as at 31 December 2021, the Company has complied with the capital and solvency requirements as stipulated in the rules issued by the MFSA. Going forward, the Company is also expected to continue meeting the Solvency II requirements, based on the projected SCR calculations included in the 2021 ORSA report. In the case of any solvency gap, the Directors have put in place a capital plan aimed to ensure that the Company will have adequate 'Own Funds' to meet the required SCR.

19. Dividends paid and declared

No dividend was paid or declared during the year (2020: €Nil) to ordinary shareholders.

20. Other reserves

	Consolidated			
	Value of in-force business €	Other unrealised gains €	Property revaluation reserve €	Total €
Year ended 31 December 2021				
At beginning of year	10,146,857	417,462	1,310,049	11,874,368
Increment in value in-force business transferred from retained earnings (Note 10)	1,387,795	-	-	1,387,795
Revaluation of property (Note 12)	-	-	-	-
Transfer of deferred tax on reclassification of property	-	-	(124,356)	(124,356)
Net gain on available-for-sale financial assets (Note 15)	-	1,751	-	1,751
Deferred tax movement on available-for-sale financial asset	-	(613)	-	(613)
At end of year	**11,534,652**	**418,600**	**1,185,693**	**13,138,945**

	Consolidated			
	Value of in-force business €	Other unrealised gains €	Property revaluation reserve €	Total €
Year ended 31 December 2020				
At beginning of year	10,078,743	490,014	1,062,461	11,631,218
Increment in value in-force business transferred from retained earnings (Note 10)	68,114	-	-	68,114
Revaluation of property (Note 12)	-	-	269,117	269,117
Deferred tax movement on revaluation of property	-	-	(21,529)	(21,529)
Net loss on available-for-sale financial assets (Note 15)	-	(111,619)	-	(111,619)
Deferred tax movement on available-for-sale financial asset	-	39,067	-	39,067
At end of year	**10,146,857**	**417,462**	**1,310,049**	**11,874,368**

	Holding Company			
	Value of in-force business €	Other unrealised gains €	Property revaluation reserve €	Total €
Year ended 31 December 2021				
At beginning of year	10,146,857	254,282	1,310,049	11,711,188
Increment in value in-force business transferred from retained earnings (Note 10)	1,387,795	-	-	1,387,795
Revaluation of property (Note 12)	-	-	-	-
Transfer of deferred tax on reclassification of property	-	-	(124,356)	(124,356)
Net gain on available-for-sale financial assets (Note 15)	-	1,751	-	1,751
Deferred tax movement on available-for-sale financial asset	-	(613)	-	(613)
At end of year	**11,534,652**	**255,420**	**1,185,693**	**12,975,765**

	Holding Company			
	Value of in-force business €	Other unrealised gains €	Property revaluation reserve €	Total €
Year ended 31 December 2020				
At beginning of year	10,078,743	326,834	1,062,461	11,468,038
Increment in value in-force business transferred from retained earnings (Note 10)	68,114	-	-	68,114
Revaluation of property (Note 12)	-	-	269,117	269,117
Deferred tax movement on revaluation of property	-	-	(21,529)	(21,529)
Net loss on available-for-sale financial assets (Note 15)	-	(111,619)	-	(111,619)
Deferred tax movement on available-for-sale financial asset	-	39,067	-	39,067

At end of year	**10,146,857**	**254,282**	**1,310,049**	**11,711,188**

The above reserves are not distributable.

The value of in-force business represents the shareholders' value of the active portfolio of the insurance business as at year-end.

The other unrealised gains represents the difference between the fair value of the investments classified as available-for-sale assets and the amortised cost.

The property revaluation reserve represents the difference between the carrying amount of the property and its fair value at the date when the Directors reassessed its use from an owner-occupied one to a property held to earn rentals or for capital appreciation.

21. Deferred income tax

Deferred taxes are calculated on temporary differences under the balance sheet liability method using a principal tax rate ranging between 8% and 35% (2020: 8% and 35%). In particular temporary differences on investment properties situated in Malta that have been owned by the Group since 1 January 2004 are calculated under the liability method using a principal tax rate of 8% of the carrying amount, while investment properties situated in Malta that had been acquired by the Group before 1 January 2004 are calculated under the liability method using a principal tax rate of 10% of the carrying amount. Deferred tax on temporary differences on investment properties situated outside Malta has been calculated based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off a current tax asset against a current tax liability and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The movement on the deferred tax asset account is as follows:

	Consolidated	
	2021	**2020**
	€	**€**
Year ended 31 December		
At beginning of year	**1,320**	129,815
Deferred tax (credit)/ charge	**(1,320)**	(128,495)
At end of year	**-**	**1,320**

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2020: 35%).

The movement in deferred tax asset for the current period can be summarized as follows:

		Consolidated 2021	
	At beginning of the year	**Charged to income statement**	**At end of year**
	€	**€**	**€**
Unabsorbed Group loss relief	1,604	(1,604)	-
Accelerated tax depreciation	(284)	284	-
	1,320	**(1,320)**	**-**

The movement in deferred tax asset for the comparative period can be summarized as follows:

		Consolidated 2020	
	At beginning of the year	**Charged to income statement**	**At end of year**
	€	**€**	**€**
Unabsorbed Group loss relief	129,990	(128,386)	1,604
Accelerated tax depreciation	(175)	(109)	(284)
	129,815	(128,495)	1,320

The movement on the deferred tax liability account is as follows:

	Consolidated		Separate	
Year ended 31 December	**2021**	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
At the beginning of the year	**1,451,968**	2,291,763	**1,451,968**	2,291,763
Credited to other comprehensive income (Note 8)	**613**	(17,538)	**613**	(17,538)
Credited to profit and loss account (Note 8)	**217,122**	(822,257)	**215,899**	(822,257)
At end of year	**1,669,703**	1,451,968	**1,668,480**	1,451,968

Deferred taxation at the year end comprises the following temporary differences

	Consolidated		Separate	
Year ended 31 December	**2021**	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Fair value gains on investments	**(129,062)**	964,143	**(129,062)**	964,143
Property taxable at 8% or 10%	**1,343,554**	1,467,911	**1,343,554**	1,467,911
Temporary differences on:				
- property, plant and equipment	**342,456**	405,686	**342,456**	405,686
- leases unutilized under IFRS 16	**119**	(123)	**119**	(123)
- unutilized tax losses and capital allowances	**(10,126)**	(1,634,315)	**(10,126)**	(1,634,315)
- other	**122,762**	248,666	**121,539**	248,666
Net deferred income tax liability	**1,669,703**	**1,451,968**	**1,668,480**	**1,451,968**

The directors consider that the above temporary differences are substantially non-current in nature.

22. Debt securities in issue

	Consolidated		Separate	
Year ended 31 December	**2021**	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
4% Unsecured Subordinated Bonds Due 2026 – 2031	**2,105,257**	-	**2,105,257**	-
	2,105,257	**-**	**2,105,257**	**-**

In May 2021, the company issued 100,000 4% unsecured subordinated bonds of a nominal value of €100 per bond. A total of 24,313 Subordinated Bonds (for a total value of €2,431,300) were received by the Company.

The bonds are redeemable at their nominal value on 2 June 2031, unless redeemed early on any interest payment date in the year 2026 and 2031.

Interest on the bonds is due and payable annually on 2 June of each year.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is net of direct issue costs of €345,453 (2020: nil) which are being amortised over the life of the bonds. The market value of debt securities on the last trading day before the statement of financial position date was €2,431,000 (2020: nil).

23. Payables, accruals and deferred income

	Consolidated		Holding Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Payables arising out of insurance operations:				
- due to reinsurers	**2,758,943**	2,952,190	**2,758,943**	2,952,190
- other payables	**2,066,659**	1,890,461	**1,907,116**	1,728,186
	4,825,602	4,842,651	**4,666,059**	4,680,376
Other payables (Note i)	**153,168**	97,592	**153,168**	95,493
Amounts due to subsidiary undertaking (Note ii)	**-**	-	**-**	220,929
Amounts owed to group undertakings (Note ii)	**70,673**	224,000	**-**	-
At end of year	**5,049,443**	5,164,243	**4,819,226**	4,996,798
Accruals and deferred income				
- Accruals	**683,169**	582,938	**544,167**	464,941
- Bond interest accrued	**54,621**	-	**54,621**	-
- Deferred income	**49,995**	53,837	**49,995**	53,837
At end of year	**787,785**	636,775	**648,783**	518,778

(i) Other payables are unsecured, non-interest bearing and fall due within the next twelve months.

(ii) Amounts owed to group and subsidiary undertakings are unsecured and bear no interest. These balances are repayable on demand.

24. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Consolidated		Holding Company	
	2021	2020	**2021**	2020
Cash flows generated from operating activities				
(Loss) / Profit before tax	**650,644**	554,211	**1,448,453**	(406,110)

Adjustments for:				
Amortisation on computer software (Note 10)	**217,492**	234,366	**217,492**	234,366
Intangible asset written off (Note 10)	**-**	-	**-**	-
Depreciation (Note 12)	**116,411**	71,053	**112,828**	64,154
Depreciation of right of use (Note 11)	**6,119**	6,120	**6,119**	6,120
Lease payments against lease liabilities (Note 11)	**123**	911	**123**	911
Interest income	**(1,618,230)**	(1,411,340)	**(1,618,230)**	(1,411,340)
Interest Incurred	**54,621**	-	**54,621**	-
Dividend income	**(434,815)**	(245,066)	**(434,815)**	(245,066)
Dividend from subsidiary	**-**	-	**(1,373,374)**	-
Net fair value & FX movement on FVTPL investments (Note 15)	**1,014,866**	(3,318,417)	**1,014,866**	(3,318,417)
Net fair value movement on investment property (Note 13)	**-**	(2,055,651)	**-**	(2,055,651)
Impairment on other equity measured at cost (Note 15)	**-**	(205,237)	**-**	(205,237)
Impairment of assets held for sale	**9,998**	-	**9,998**	-
Provision for impairment on receivables	**(3,581)**	(75,843)	**(3,580)**	(75,843)
Foreign Exchange movement on AFS (Note 15)	**12,108**	1,927	**12,108**	21,927
Foreign Exchange movement on other equity measured at cost (Note 15)	**(95,234)**	65,580	**(95,234)**	65,580
Amortisation of Premium – Loans and Receivables (Note 15)	**-**	6,164	**-**	6,164
Provision for impairment – Loans and Receivables (Note 15)	**(192,179)**	194,620	**(192,179)**	194,620
Amortisation of bond issue costs	**19,402**	-	**19,402**	-
Increase in net technical provisions (Note 16)	**6,378,215**	8,710,796	**6,378,215**	8,710,796
Other fair value movements	**1,751**	-	**1,751**	-
Operating gain before working capital movements	**6,137,711**	2,554,194	**5,558,564**	1,586,974
Movement in trade and other receivables	**(1,067,386)**	(1,354,499)	**(1,338,712)**	(939,233)
Movement in trade and other payables	**(20,177)**	70,901	**81,989**	157,611
Cash flows generated from operations	**5,050,148**	1,270,596	**4,301,841**	805,352

25. Cash and cash equivalents

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	Consolidated		Holding Company	
	2021	2020	**2021**	2020
Cash at bank and on hand	**11,494,900**	15,593,372	**9,886,690**	14,946,802

Cash at bank earns interest on current deposits at floating rates.

26. Fair values of financial assets and financial liabilities

The following table presents the assets measured in the statements of financial position at fair value by level of the following fair value measurement hierarchy at 31 December 2021 and 31 December 2020:

- 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)

	Consolidated and separate Fair value measurement at end of the reporting period using:		
	Level 1 **€**	**Level 2** **€**	**Total** **€**
2021			
Assets			
Other Investments:			
Financial assets at fair value through profit or loss	49,031,298	33,468,514	82,499,812
Available-for-sale investments	1,838,107	-	1,838,107
Total	**50,869,405**	**33,468,514**	**84,337,919**
Liabilities			
Unit linked financial instruments	-	34,395,648	34,395,648

Consolidated and separate

	Fair value measurement at end of the reporting period using:		
	Level 1	**Level 2**	**Total**
	€	**€**	**€**
2020			
Assets			
Other Investments:			
Financial assets at fair value through profit or loss	49,530,909	25,399,515	74,930,424
Available-for-sale investments	1,205,377	-	1,205,377
Total	50,736,286	25,399,515	76,135,801
Liabilities			
Unit linked financial instruments	-	26,247,639	26,247,639

At 31 December 2021 and 2020 the carrying amounts of financial assets and current financial liabilities approximated their fair values except for investment contracts with DPF and certain equity financial instruments classified as available-for-sale which is measured at cost amounting to €1,457,336 (2020: €1,451,593). It is impracticable to determine the fair value of equity investment and the investment contracts with DPF due to the lack of a reliable basis to measure the future discretionary return that is a material feature of these contracts.

Fair value measurements classified as Level 1 include listed equities, debt securities, units in unit trusts and collective investments schemes.

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

27. Related party transactions

All companies forming part of the LifeStar Group are considered by the directors to be related parties as these companies are also ultimately owned by LifeStar Holding p.l.c. Related parties that do not form part of the consolidated group include entities related by way of common directors and ultimate shareholders.

The following transactions were carried out by the Group with related parties:

(a) Management fees:

	Consolidated and separate	
	2021	2020
	€	€
Management fees charged by a related undertaking	**310,000**	310,000

Key management personnel during 2021 and 2020 comprised of the Board of Directors and the Managing Director of the Group. Total remuneration paid by the Group to its key management personnel amounted to €163,198 (2020: €120,867).

Amounts owed by or to group undertakings and other related parties are disclosed in Notes 14, 15, 17 and 23 to these financial statements.

The following financial assets were held by the Group in related entities as at 31 December:

	Consolidated and separate	
	2021	2020
	€	€
Taliti Sub Funds - SICAV PLC	**2,000,000**	**-**

The above disclosures do not include investments in related collective investment schemes held to cover linked liabilities.

The compensation to directors in 2021 and 2020 is disclosed in Note 9 to the financial statements.

28. Contingent Liability

During 2020, the Company gave a guarantee in favour of Bank of Valletta for the amount of €3 million, to secure, jointly and severally with other related parties, a bank loan of the same amount granted by that bank to LifeStar Holding p.l.c.

At 31 December 2021, the balance outstanding on the loan in the books of LiefStar Holding p.l.c. amounted to €2,525,632.

The directors assessed the impact of this guarantee and concluded that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and have therefore treated this as a contingent liability.

29. Litigation and regulatory matters

Subsequent to the reporting period, on 4 April 2022, the Company instituted a lawsuit before the First Hall Civil Court against the Malta Financial Services Authority (the "Authority"), Mazars Consulting Limited ("Mazars") and Mr Keith Cutajar, a sub-contractor of Mazars.

The Company has taken such judicial action to safeguard its legal right to communications which are privileged at law. This action follows the appointment of Mazars, on 26 November 2021, as an inspector in connection with an investigation by the Authority relating to the Company's business and operations, and, inter alia, the powers conferred on Mazars by the Authority, on 25 January 2022, in relation to the Company's information and documents, including its privileged communications.

While the Company continues to co-operate with the Authority and Mazars in relation to the investigation the Company, based on legal advice, considers its right to privileged communications to be significantly prejudiced by the Authority's actions. Accordingly, the Company intends to pursue all remedies available to it at law in this regard.

The Authority's investigation is still on-going and no findings have as yet been communicated to the Company. The Company considers that it has acted in compliance with its legal and regulatory obligations at all times and contests any inference of material breach of its compliance obligations.

Nevertheless, it remains inherently difficult to predict the outcome of any such judicial proceedings and regulatory investigation. There are many factors that may affect the range of outcomes, and the resulting impact, of these matters. As a result, it is not possible to predict or quantify a range of possible outcomes, or the timing thereof, at this early stage.

The Directors recognise the fact that the Company may be subject to reputational, legal and compliance risk due to the extent and complexity of its operations and its regulatory obligations. Given the increased levels of regulatory scrutiny experienced in recent years across the financial services industry, the level of inherent legal and compliance risk faced by the Company is expected to continue to remain high for the foreseeable future.

The Company employs a range of policies and practices to mitigate such inherent risks and ensure they remain within its risk tolerance limits. Furthermore, the Company remains committed to adhere to its legal and regulatory obligations to meet its compliance requirements on an on-going basis and at all times.

30. Statutory information

LifeStar Insurance p.l.c. is a public limited liability Group incorporated in Malta with registration number C29086. On 9 November 2020, Global Capital Life Insurance Limited was renamed and rebranded as LifeStar Insurance Limited. On 27 April 2021, the Company changed its status to a public limited liability company. The registered address of the Group is Testaferrata Street, Ta' Xbiex. The parent company of LifeStar Insurance p.l.c. is LifeStar Holding p.l.c, a company registered in Malta, with its registered address at Testaferrata Street, Ta' Xbiex.

At year end, the directors considered the ultimate controlling party to be Prof. Paolo Catalfamo who owns 99.99% (2020: 99.99%) of the issued share capital of Investar p.l.c., which is the single major shareholder owning directly 52.60% (2020: 52.60%) of the Company's intermediate parent company, LifeStar Holding p.l.c, and indirectly – through shares held by GlobalCapital Financial Management Limited (C 30053) as nominee – in the Company's intermediate parent company, LifeStar Holding p.l.c, a further 24.67%.

Consolidated financial statements prepared by LifeStar Holding p.l.c. may be obtained from the Group's registered office.

Independent auditor's report

To the shareholders of Lifestar Insurance p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lifestar Insurance p .l.c. (the "Company") and of the Group of which it is the parent, which comprise the statements of financial position as at 31 December 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2021, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) , and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act") and the Insurance Business Act, 1998, Cap. 403 (the "Insurance Business Act").

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

Basis for opinion

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

In conducting our audit we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. The non-audit services that we have provided to the Company and the Group during the year ended 31 December 2021 are disclosed in note 7 to the financial statements.

Emphasis of matter

We draw attention to note 29 of the financial statements, which makes reference to an ongoing investigation by the Malta Financial Services Authority relating to the Company's business and operations. The outcome of the regulatory investigation cannot be predicted at this stage and there are many factors that may affect the range of outcomes, and the resulting impact, of these matters. Our opinion is not modified in respect of this matter.

Key audit matters

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

We summarise below the key audit matters, together with our response by way of the audit procedures we performed to address those matters in our audit.

Valuation of technical provisions and value of in-force business

Key audit matter

At 31 December 2021, the Group's technical provisions on insurance and investment contracts underwritten, amounted to €130.1 million and represented 93% of total liabilities at that date. These are described and disclosed in section 10 of the accounting policies and notes 1 and 16 to the financial statements.

The technical provisions comprise the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used. These technical provisions are mainly based on assumptions with respect to mortality, maintenance expenses and investment income.

The Group's value of in-force business (VOIFB), detailed in section 5 of the accounting policies and notes 1 and 10 to the financial statements, amounted to € 11.9 million at balance sheet date.

The VOIFB represents the discounted value of projected future shareholders' profits expected from policies in force at the end of the reporting period, after providing for taxation, and is based on assumptions as to mortality, maintenance expenses and investment income.

The valuation of the technical provisions and VOIFB is determined by the Group's appointed actuary on an annual basis and is approved by the board of directors.

We focused on these areas because of the significance of the balances of technical provisions and VOIFB recognised at balance sheet date. Moreover, the measurement of these items is complex and involves significant judgement.

How the key audit matter was addressed in our audit

As part of our audit procedures over the valuation of technical provisions and VOIFB we obtained an understanding of the design and operation of the key controls over the Group's valuation of technical provisions and VOIFB and inspected relevant documentation including the actuarial function report. We assessed the competence, capability and objectivity of the actuaries appointed by the Group and obtained an understanding the work performed by the actuaries.

We reconciled the balances of technical provisions and VOIFB calculated by the actuaries to the respective amounts disclosed in the financial statements and performed test of details to assess the completeness and integrity of the data provided to the appointed actuary for the purpose of determining technical provisions and VOIFB by reconciling to the premiums and claims lists as extracted from the insurance system, and by inspecting a sample of underlying policy documentation. We also involved our actuarial specialist team to assist with evaluating the appropriateness of the assumptions applied by the Group's appointed actuary in the calculation of the VOIFB and independently recalculated the technical provisions as at year end with the assistance of our actuarial specialists to assess the reasonableness and adequacy of the balance of the reserves as at year end.

We have also assessed the relevance and adequacy of disclosures relating to the Group's valuation of technical provisions and VOIFB presented in notes 10 and 16 to the financial statements respectively.

We have no key observations to report, specific to this matter.

Fair value of investment properties

Key audit matter

The carrying amounts of the Group's investment properties carried at fair value as at 31 December 2021 amounts to € 16.2 million. Management determined the fair values through internal assessments made by the directors by reference to external independent valuations made during the period. The fair value of investment properties was significant in our audit because the amounts are material to the financial statements of the Group.

The method used to determine the fair value of investment properties is fully described in note 13 to the financial statements.

How the key audit matter was addressed in our audit

We evaluated the suitability and appropriateness of the valuation methodology applied by management and reviewed and challenged the methodology applied and the underlying assumptions used by the independent valuation expert. We also assessed the competency and objectivity of the independent valuation experts appointed by the directors. We also communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions.

We also assessed the adequacy of the disclosures made in note 13 to the financial statements
relating to these properties.

We have no key observations to report, specific to this matter.

Recoverability of related party loans

Key audit matter

At balance sheet date, the Group had loans and receivables from the Company's immediate parent company and other related companies amounting to €6.8 million and €4.9 million respectively. The accounting policy relating to impairment of these assets is described in section 9 of the accounting policies and the amounts are disclosed in note 17 to the financial statements. The loans and receivables have increased significantly during the year under review and are principally due from asset holding companies, which is why we have given additional attention to this area

How the key audit matter was addressed in our audit

We agreed the loans and receivables to the agreements covering the amounts involved and we assessed the financial position of the companies from which the amounts are due, including the valuations of those companies' underlying assets. As part of these procedures, we have also reviewed the loan repayment plans which the immediate parent company prepared and the underlying assumptions.

We also assessed the adequacy of the disclosures made in note 17 to the financial statements
relating to these properties.

We have no key observations to report, specific to this matter.

Valuation of investments

Key audit matter

The carrying amounts of the Group's investments at 31 December 2021 amounted to € 91.2 million. These are described and disclosed in section 8 of the accounting policies and note 15 to the financial statements. These investments represent 53% of the total assets of the Group, and include a number of holdings which are unlisted and which therefore require a degree of judgement to be exercised when assessing their valuation.

How the key audit matter was addressed in our audit

We ensured that the value of listed investments is based on quoted prices obtained from independent sources.

For unlisted investments we evaluated the appropriateness of the valuation methodology applied by management and reviewed and challenged the methodology applied and the underlying assumptions. Where applicable we also assessed the values of any assets underlying the investments. We also communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions.

We also assessed the adequacy of the disclosures made in note 15 to the financial statements relating to these investments.

We have no key observations to report, specific to this matter.

Other information

The directors are responsible for the other information. The other information comprises (i) the Chairman's Statement, (ii) the CEO's Statement – LifeStar Insurance plc, (iii) the Managing Director's Report - LifeStar Health Limited (iv) the Directors' report and (v) Corporate Governance – Statement of Compliance which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, including the Directors' report.

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

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the Act, and in the case of the Remuneration report included in the Corporate Governance – Statement of Compliance, whether this has been prepared in accordance with Chapter 12 of the Capital Market Rules issued by the Malta Financial Services Authority (the "Capital Market Rules") .

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

- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Directors' report has been prepared in accordance with the Act, and
- The Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules.

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

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

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

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

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for

one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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 Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's or the Group's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express and 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.

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

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

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

Reports on other legal and regulatory requirements

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

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Report and Consolidated Financial Statements of Harvest Technology p.l.c. 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 Report and 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 Report and Consolidated Financial Statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Report and Consolidated Financial Statements , in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Report and Consolidated Financial Statements and performing validations to determine whether the Annual Report and Consolidated Financial Statements have been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Report and Consolidated Financial Statements 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.
- 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 Report and Consolidated Financial Statements 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 require the 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 Company, to include a report on the Statement of Compliance prepared by the directors.

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

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

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

Other matters on which we are required to report by exception

We also have responsibilities

- under the Companies Act, Cap 386 to report to you if, in our opinion:
  - adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us
  - the financial statements are not in agreement with the accounting records and returns
  - we have not received all the information and explanations we require for our audit
  - certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- in terms of Capital Market Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Auditor tenure

We were first appointed as auditors of the Company and the Group on 9 October 2020. Our appointment has been renewed annually by a shareholders' resolution representing a total period of uninterrupted engagement appointment of two years.

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

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Mark Bugeja
Partner

8 April 2022