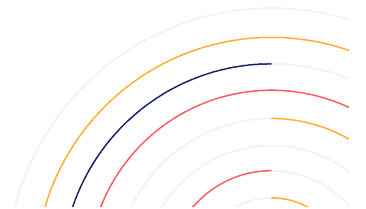


LifeStar Insurance plc

Interim Report and Interim Condensed Consolidated Financial Statements (unaudited)

30 June 2021



Interim Directors' Report

The following statements relate to the consolidated position of LifeStar Insurance plc (the "Company") and its immediate subsidiary LifeStar Health Limited ("LifeStar Health").

The consolidated loss after tax for the six months ended 30 June 2021 totalled €1,391,259, compared to the prior period consolidated loss after taxation of €2,728,962.

The life insurance business saw its gross written premium increase to €6.6 million, representing a 5% uplift over the same period last year. The Company saw its loss before taxation reduce by 47% to €2,300,130 (same period year last year the loss before tax amounted to €4,348,143). The total income on the technical account saw a marginal uplift on the previous year after taking into account the adverse unrealised movement in investments of €2,600,000 that was mainly driven through local equities and government bonds. Value of In-Force business also grew during these six months by €704,000 meaning that the Company has continued to write very profitable business.

LifeStar Health's business commission income from normal operations decreased by 6% when compared to the first six months of 2020 due to the contraction in business in certain sectors. Profit commission reduced due to the increased claims being experienced due to the postponement of certain interventions in 2020. Costs, excluding group recharges, remained flat on last year. Recharges within the LifeStar Group of which the Company and LifeStar Health form part, decreased by 13% when compared to the same period last year. The composite effect being that the health insurance business registered a profit before tax of €412,432, compared to a profit of €567,290 in 2020.

These first six months were once again impacted by COVID-19 and its variant. Malta undertook a co-ordinated intense drive to vaccinate as many people as possible. The population was largely very responsive with the vast majority being vaccinated.

Achieving long term financial stability

Over the past months the Directors have given special attention to alternative strategies to permanently resolve various legacy issues which continue to negatively impact the LifeStar group and the Company, together with their stakeholders. In this regard, between January and June 2021, a partial sale of the equity holding held by LifeStar Holding plc in the Company was successfully concluded. During these six months the shares of the Company were admitted to the official list of the Malta Stock Exchange. The Directors have also issued a new 4% Subordinated Bond at Company level. The Directors intend to continue to operate in line with the Group's current business and strategic plans.

COVID-19 has also proved a challenge for the Directors, with business continuing to increase though at a slightly lower rate as Malta passed through a second semi-lockdown. The Directors are confident that the Group has sufficient resources and has implemented the necessary mitigating measures to continue improving its results in the current market conditions.

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


By order of the Board



Paolo Catalfamo

Chairman

30 August 2021



Joseph C. Schembri

Director

Directors' Statement pursuant to the Capital Markets Rule 5.75.3

Issued by the Malta Financial Services Authority

We confirm that to the best of our knowledge:


- = The condensed interim financial information give a true and fair view of the financial position of the Group as at 30 June 2021 and of its financial performance and its cash flows for the period ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).
- = The Interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.

Signed on behalf of the Board by:



Paolo Catalfamo
Chairman

30 August 2021



Joseph C. Schembri
Director

Condensed Consolidated Statement of Comprehensive income
for the period ended 30 June 2021



	Group	
	01 January to 30 June 2021 (unaudited) €	01 January to 30 June 2020 (unaudited) €
Commission and fees receivable	894,511	1,085,826
Balance on the long term business of insurance technical account before tax	(1,489,331)	(2,566,626)
Administrative expenses	(889,373)	(1,594,003)
Commission payable and direct marketing costs	(52,379)	(84,190)
Operating loss	(1,536,572)	(3,158,993)
Net investment return, net of allocation to the insurance technical account	(351,124)	(373,540)
Loss for the period before tax	(1,887,696)	(3,532,532)
Tax credit/(expense)	(198,736)	511,890
Loss for the period	(2,086,433)	(3,020,643)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>	704,475	301,016
Increment in Value of In-force	0	0
Net loss on available-for-sale financial assets, net of tax	(9,301)	(9,335)
Total comprehensive loss for the period	(1,391,259)	(2,728,962)
Loss per share (cents)	(0c2)	(0c4)

Condensed Consolidated Statement of Financial Position
at 30 June 2021



	Group	
	30 June 2021 (unaudited) €	31 December 2020 (audited) €
ASSETS		
Intangible assets	13,569,402	12,387,367
Right of use asset	10,709	13,769
Property, plant and equipment	2,085,656	2,071,923
Investment property	17,763,353	17,763,350
Other investments	86,806,944	80,621,844
Reinsurer's share of technical provisions	25,597,135	20,749,175
Deferred tax asset	1,320	1,320
Taxation receivable	0	233,114
Trade and other receivables	14,259,520	9,309,474
Deposits with banks and credit institution	2,000,000	3,010,228
Cash and cash equivalents	12,023,117	15,593,372
Asset held for sale	200,000	200,000
Total assets	174,317,157	161,954,937
EQUITY AND LIABILITIES		
Capital and reserves	28,838,991	30,230,250
Technical provisions	134,129,620	124,426,097
4% LifeStar Subordinated Bond	2,431,300	0
Lease Liability	13,450	15,033
Taxation payable	168,488	30,571
Deferred tax liability	1,453,909	1,451,968
Trade and other payables	7,281,400	5,801,018
Total equity and liabilities	174,317,157	161,954,937

These unaudited interim condensed consolidated financial statements have been approved by the Board of Directors on 30 August 2021, and signed on its behalf by:

Paolo Catalfamo
Chairman

Joseph C. Schembri
Director

Condensed Consolidated Statement of Cash Flows
for the period ended 30 June 2021



	Group	
	01 January to 30 June 2021 (unaudited) €	01 January to 30 June 2020 (unaudited) €
Net cash (used in)/from operating activities	(969,563)	(1,465,579)
Net cash from/(used in) investing activities	(2,600,692)	1,663,522
Net cash from financing activities	-	-
Movement in cash and cash equivalents	(3,570,255)	197,943
Cash and cash equivalents at beginning of period	15,593,372	15,395,429
Decrease in cash and cash equivalents	(3,570,255)	197,943
Cash and cash equivalents at end of period	12,023,117	15,593,372

Condensed Consolidated Statement of Changes in Equity
for the period ended 30 June 2021
(unaudited)

	Group					Total
	Share capital	Share premium account	Other reserves	Capital Redemption reserve	Accumulated losses	
	€	€	€	€	€	€
Balance at 1 January 2021	9,169,870	-	11,874,368	800,000	8,386,012	30,230,250
Loss for the financial period	-	-	-	-	(1,381,958)	(1,381,958)
Net movement in available-for-sale investments	-	-	(9,301)	-	-	(9,301)
Total comprehensive loss for the period	-	-	(9,301)	-	(1,381,958)	(1,391,259)
Increase in value of in-force business, transferred to other reserves	-	-	704,475	-	(704,475)	-
Balance at 30 June 2021	9,169,870	-	12,569,542	800,000	6,299,579	28,838,991
Balance at 1 January 2020	9,169,870	-	11,631,218	-	8,265,484	29,066,572
Profit for the financial period	-	-	-	-	(3,020,643)	(3,020,643)
Net movement in available-for-sale investments	-	-	(9,335)	-	-	(9,335)
Total comprehensive income for the period	-	-	(9,335)	-	(3,020,643)	(3,029,978)
Increase in value of in-force business, transferred to other reserves	-	-	301,016	-	(301,016)	-
Balance at 30 June 2020	9,169,870	-	11,922,899	-	4,943,825	26,036,594

Segmental Information
for the period ended 30 June 2021
(unaudited)

	Group			
	Business of insurance €	Agency and brokerage services €	Adjustments €	Group €
Period ended 30 June 2021				
Revenue from external customers	6,886,698	773,343	-	7,660,041
Intersegment revenues	-	-	-	-
Segment profit/(loss)	(1,235,456)	412,432	105,743	(717,282)
Net investment loss				(351,124)
Loss before tax				(1,068,406)
As at 30 June 2021				
Total assets	172,569,307	2,584,162		175,153,469
Unallocated assets				(836,312)
				174,317,157
Total liabilities	145,119,831	246,457	(655,218)	144,711,070
Unallocated liabilities				767,096
				145,478,166
Period ended 30 June 2020				
Revenue from external customers	6,576,786	801,754	-	7,378,540
Intersegment revenues	4,622	-	-	4,622
Segment profit/(loss)	(3,793,860)	567,290	361,966	(2,864,604)
Net investment income				-
Other corporate expenses				-
Profit before tax				(2,864,604)
As at 31 December 2020				
Total assets	152,872,162	2,008,260	-	154,880,422
Unallocated assets				7,074,515
				161,954,937
Total liabilities	131,218,316	120,097	-	131,338,413
Unallocated liabilities				386,274
				131,724,687

**Fair Value Measurement
at 30 June 2021
(unaudited)**

Financial assets

	Level 1	Level 2	Level 3	Total
	€	€	€	€
Fair value through profit or loss				
Debt securities	27,404,319	-	-	27,404,319
Equities	17,659,515	-	-	17,659,515
Collective investment schemes	2,831,201	-	-	2,831,201
Available for sale				
Equities	1,744,792	-	-	1,744,792
Collective investment schemes held to cover linked liabilities	-	29,685,176	-	29,685,176
<u>Investment property</u>	-	-	17,963,353	
Financial liabilities at amortised cost				
Amounts due to shareholders	-	-	-	-
4% LSI Subordinated Bond	-	-	-	-
Bank loan	-	(2,431,300)	-	(2,431,300)
Unit linked financial instruments	-	(30,559,601)	-	(30,559,601)
Balance at 30 June 2021	49,639,827	(3,305,725)	17,963,353	46,334,102

(audited)

	Level 1	Level 2	Level 3	Total
	€	€	€	€
Fair value through profit or loss				
Debt securities	27,393,937	-	-	27,393,937
Equities	21,387,136	-	-	21,387,136
Collective investment schemes	749,836	-	-	749,836
Available for sale				
Equities	1,205,377	-	-	1,205,377
Collective investment schemes held to cover linked liabilities	-	25,399,515	-	25,399,515
Investment property	-	-	17,963,350	17,963,350
Financial liabilities at amortised cost				
Amounts due to shareholders	-	-	-	-
5% bonds 2021	-	-	-	-
Bank loan	-	-	-	-
Unit linked financial instruments	-	(26,247,639)	-	(26,247,639)
Balance at 31 December 2020	50,736,286	(848,124)	17,963,350	67,851,512

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

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

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 30 June 2021.

At 30 June 2021 and 31 December 2020 the carrying amounts of financial assets and current financial liabilities approximated their fair values except for investment contracts with DPF and unlisted equity financial instruments classified as available-for-sale amounting to €1,744,792 (31 December 2020: €1,205,377). The aforementioned equity instruments are measured at cost as it is impracticable to determine the fair value given the nature of such investments. Moreover, for the investment contracts with DPF there is no reliable basis to measure the future discretionary term which is a material feature of these contracts.

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

Other Considerations on Financial Assets

Unrealised fair value movements during the period under review resulted in and adverse movement of €2,606,386. The following are the main classes of investments leading to this movement:

Adverse movement in equities € 1,986,303

Adverse movements in fixed income securities €685,211

Favourable movement in funds and unquoted investments €65,128

Investment property

There were no additions or disposals during the current reporting period. As at period end, the value of investment property is stated as disclosed in the 31 December 2020 annual financial statements. Details about the fair valuation of investment property are provided in Note 14 to the audited annual financial statements for the year ended 31 December 2020.

Notes to the Condensed Consolidated Financial Statements

- a) This half-yearly report is published pursuant to chapter 5 of the Malta Financial Services Authority Capital Markets Rules and the Prevention of Financial Markets Abuse Act, 2005. The condensed set of consolidated interim financial statements attached to this report has been extracted from LifeStar Insurance p.l.c.'s unaudited management accounts and LifeStar Health Ltd unaudited management accounts for the six months ended 30 June 2021.
- b) The condensed interim financial statements for the half year ended 30 June 2021 have been extracted from the unaudited management accounts of the Group and have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. These financial statements have not been audited nor reviewed by the Group's independent auditors. The consolidated condensed financial information does not include all the notes of the type normally included in the annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.
- c) Over the past months the Directors have given special attention to alternative strategies to permanently resolve various legacy issues which continue to negatively impact the LifeStar Group and the Company, together with their stakeholders. In this regards between January and June 2021 the partial sale of the equity holding held by LifeStar Holding plc in the Company was completed. The Directors have also issued new 4% Subordinated Bonds at Company level. COVID-19 has also proved a challenge for the Directors, business has continued to increase though at a slightly lower rate as Malta passed through a second semi-lockdown. The Directors are confident that the Group has sufficient resources and skills to weather this storm.
- d) The interim financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties, financial assets classified at fair value through profit and loss, available-for-sale investments, value of in-force business and investment contracts without DPF. The same accounting policies, presentation and methods of computation have been followed in these interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2020.
- e) The Group's operations consist of the provision of investments, advisory and insurance intermediary services in terms of the Investment Services Act, 1994 and the Insurance Intermediaries Act, 2006, the carrying on of long term business of insurance under the Insurance Business Act, 1998. The Group's turnover is primarily generated in and from Malta.
- f) The Group had no commitments for capital related expenditure as at 30 June 2021 and 31 December 2020.
- g) The net unrealised loss on financial instruments recognised in the interim condensed consolidated statement of comprehensive income for the period ended 30 June 2021 amounted to €2,606,386 (30 June 2020: loss of €2,332,240).
- h) Earnings per share is based on the net result for the period divided by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue during the period amounted to 64,814,817 shares.
- i) During 2020 the Company has provided a guarantee of €3,000,000 in favour of Bank of Valletta plc ("BOV"), to secure, jointly and severally with other related parties, a bank loan of the same amount granted by BOV to LifeStar Holding p.l.c. 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.
- j) During the six months ended 30 June 2021, property, plant and equipment include additions of €12,540 (year ended 31 December 2020: €73,409) and disposals of nil (2020: nil) and intangible assets include additions of €173,325 (year ended 31 December 2020: €345,977) and disposals of nil (2020: nil).
- k) Included in the 'Balance on the long term business of insurance technical account before tax' of the condensed statement of comprehensive income is the net movement in the life reserve amounting to a decrease of €255,795 (30 June 2020 an increase of €1,514,771) and the net movement in the claims outstanding amounting to an increase of €946,294 (30 June 2020 an increase of €414,973). The estimates and key assumptions used to arrive at the value of the Life Reserve and the Value of In-Force Business remained the same as those applied as at 31 December 2020.