HSF Health Plan (Malta) Limited

Annual report and financial statements
31 December 2022

C 93406

HSF Health Plan (Malta) Limited

Annual report and financial statements
Year ended 31 December 2022

Contents

HSF Health Plan (Malta) Limited

General information

Registration

HSF Health Plan (Malta) Limited is registered in Malta as a limited liability company under the Companies Act, (Cap. 386) with registration number C 93406. The company was incorporated on 1 October 2019.

Directors

Paul Jackson
Sharon Phelan
David Thomas
Neil Finlayson
Paul Clare
Lynn Tomlinson - Chair
Mark Davies
Vincent Micallef
Sean Agius
Sandra Harmon (resigned on 7 January 2022)
Raymond Micallef (appointed on 26 January 2022)

Company secretary

Anna Maria Zammit

Registered office

Vision Exchange Building,
Triq It - Territorjals
Zone 1, Central Business District
Birkirkara, CBD 1070
Malta

Auditor

Mazars Malta
The Watercourse, Level 2,
Mdina road, Zone 2, Central business district,
Birkirkara CBD2010
Malta

Directors Report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities

HSF health pan (Malta) Limited has four main objectives:

1. To provide policyholders with a wide range of sustainable health benefits that represents excellent value for money.
2. To provide claims administration services to its sister companies based in the UK & Republic of Ireland.
3. To generate long-term investment growth from its investment portfolio.
4. To pay most profits and investment surplus to its parent charity company, The Hospital Saturday Fund, by way of dividend payments. In turn the charity upholds the aims of The Hospital Saturday Fund's founders and its own objectives by donating to medical charities, hospitals, hospices, and individuals with medical needs or medical training needs.

Review of business activities

The Directors were satisfied with the results achieved in 2022, set against the backdrop of trying to establish a new and innovative product offering, in a mature and well-established health insurance market in Malta. This was only the second full year of trading for HSF health plan (Malta) Ltd after initially receiving its insurance license in February 2021, followed by a period of establishing the business and its presence in the market in Malta. During the year, the impact of the Covid-19 Pandemic was still being felt, which contributed to less face-to-face engagement opportunities to showcase the HSF health plan (Malta) Ltd product offering. HSF health plan (Malta) Ltd has worked closely with its locally appointed marketing agency, to promote the product via social media. Other outreach activity has resulted in a number of positive corporate leads being generated, to set the conditions to attract increased volumes of corporate customers in 2023.

The Directors are therefore content with the position of the company at year end.

There were 72 insurance policies at the end of the year.

Principal risks

The Risk & Compliance Committee’s primary responsibility is to monitor the Company’s risk exposure in all areas including risk appetite, which covers several areas within the company, this includes the functional areas of Operations, Finance, Human Resources and Sales & Marketing. It advises the Board on risk management and maintains adherence to company and wider policy, whilst having responsibility to review the effectiveness of the functional areas.

The Company has produced, regularly reviewed, and maintained departmental risk registers to accurately reflect the key areas of both current and emerging risks across the business, which are kept under constant review by key appointed internal stakeholders and discussed by the relevant Committees and Board to manage and mitigate these risks. The Board are satisfied with the risk management policies and procedures that are currently in place.

The current principal risk to the Company is the risk of a fall in value of investments, this is a risk which is being closely monitored following the situation which has unfolded in Ukraine.

HSF Health Plan (Malta) Limited

Directors Report

Future developments

In 2023, it is expected that the Company will capitalize on the new business opportunities for its insurance products following the first new account which was on-boarded in January 2022, with a further 8 corporate customers joining during the year. A number of trade associations and human resources conference providers have also been joined during 2022, which will facilitate greater interest in HSF health plan (Malta) Ltd, leading to more corporate customers joining in 2023. There will also be regular reviews of the products and offerings, to ensure these are fit for the current market.

In addition to this, given the results of 2022, the parent charity, The Hospital Saturday Fund is looking to expand its grant making and begin to start supporting medical charities and projects in Malta.

Post balance sheet events

There have been no post balance sheet events.

Results and dividends

Despite the global difficulties that impacted the overall performance of the investment portfolio, Coupled with the work undertaken during the year to establish a presence in the Malta health insurance market, The Directors were content with the results achieved of losses of €933,310 (2021: Profit of €545,430). There has been no dividends declared and these profits will currently be retained within the Company.

On behalf of the Board of Directors on 2 March 2023

Paul Jackson
Director

Raymond Micallef
Director

Statement of directors' responsibilities
Year ended 31 December 2022

Company law requires the directors to prepare the financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Companywill continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Note	**2022**	2021
		EUR	EUR
TECHNICAL ACCOUNT GENERAL BUSINESS			
Earned premiums			
Gross written premiums		5,529	-
Change in the gross provision for unearned premium		(115)	-
Earned premiums		5,414	-
Claims paid		(167)	-
Balance on the technical account for general business		**5,247**	**-**
NON-TECHNICAL ACCOUNT			
Revenue	5	300,000	275,000
(Loss) / gain on financial assets	6	(819,239)	642,462
Administrative expenses	7	(401,148)	(347,391)
Investment expenses		(18,170)	(24,641)
(Loss) / Profit before tax		**(933,310)**	**545,430**
Income tax charge / (expense)	15	247,871	(194,432)
Total comprehensive income for the year		**(685,439)**	**350,998**

The notes on pages 9 to 26 form an integral part of these financial statements.

HSF Health Plan (Malta) Limited

Statement of financial position
As at 31 December 2022

	Note	**2022**	2021
		EUR	EUR
			Restated
ASSETS			
Financial assets	9	**3,025,096**	3,989,681
Trade and other receivables	10	**5,315**	90,706
Cash and cash equivalent	11	**864,598**	231,244
Deferred tax asset	16	**53,439**	-
TOTAL ASSETS		**3,948,448**	4,311,631
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	**3,500,000**	3,500,000
Capital Contribution		**750,000**	-
Other reserves		**(185,416)**	604,293
Retained earnings		**(167,331)**	(271,601)
		3,897,253	3,832,692
LIABILITIES			
Trade and other payables	13	**50,973**	283,257
Technical Provisions	14	**222**	-
Deferred tax liability	16	**-**	195,682
TOTAL EQUITY AND LIABILITIES		**3,948,448**	4,311,631

The notes on pages 9 to 26 form an integral part of these financial statements. These financial statements were approved and authorised for issue by the board of directors on the 2 March 2023 and signed on its behalf by:

Paul Jackson
Director

Raymond Micallef
Director

HSF Health Plan (Malta) Limited

Statement of changes in equity
For the year ended 31 December 2022

	Share Capital EUR	Capital Contribution EUR	Other Reserves EUR	Retained Earnings EUR *Restated*	Total EUR
Balance at 1 January 2021	**1,200**	**-**	**-**	**(18,306)**	**(17,106)**
Issue of share capital	3,498,800	-	-	-	3,498,800
Other reserves – UGL on Investments	-	-	604,293	-	604,293
Total comprehensive income for the year	-	-	-	(253,295)	(253,295)
Balance at 31 December 2021	**3,500,000**	**-**	**604,293**	**(271,601)**	**3,832,692**
Change in equity for the period					
Capital contribution	-	750,000	-	-	750,000
Other reserves – UGL on Investments	-	-	(789,709)	-	(789,709)
Total comprehensive income for the year	-	-	-	104,270	104,270
Balance at 31 December 2022	**3,500,000**	**750,000**	**(185,416)**	**(167,331)**	**3,897,253**

The notes on pages 9 to 26 form an integral part of these financial statements.

HSF Health Plan (Malta) Limited

Statement of cash flows
for the year ended 31 December 2022

	Note	**2022 EUR**	2021 EUR
Cash flows from operating activities			
(Loss)/Profit after taxation		**(685,439)**	350,998
Movement in working capital:			
Decrease/(Increase) in trade and other receivables		**31,952**	(77,306)
(Decrease)/Increase in trade and other current payable		**(427,744)**	448,433
Unrealised losses/(gains) on other financial investments		**789,709**	(604,293)
Realised losses/(gains) on other financial investments		**77,064**	(4,427)
Income from other financial investments and cash		**(47,534)**	(33,742)
Cash (used)/generated from operations		**(261,992)**	79,663
Cash flows from financing activities			
Proceeds from capital contribution		**750,000**	3,498,800
Income from other financial investments		**47,534**	33,742
Proceeds from sale of other financial investments		**783,961**	320,966
Purchase of other financial investments		**(686,149)**	(3,701,927)
Net cash generated in financing activities		**895,346**	151,581
Net movement in cash and cash equivalents		**633,354**	231,244
Cash and cash equivalents at the beginning of the period		**231,244**	-
Cash and cash equivalents at the end of the period	11	**864,598**	231,244

The notes on pages 9 to 26 form an integral part of these financial statements.

1. Basis of preparation

1.1 Basis of measurement and statement of compliance

The financial statements of HSF Health Plan (Malta) Limited ("the Company") have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and comply with the Companies Act, Cap. 386 of the Laws of Malta. They are prepared under the historical cost convention as modified by the revaluation of financial instruments measured at fair value through profit and loss.

The financial statements have been prepared on a going concern basis.

The significant accounting policies adopted are set out below.

1.2 Functional and presentation currency

(i) Functional and presentation currency

The financial statements are presented in Euro ("EUR"), which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of profit or loss and other comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2. Significant accounting policies

2.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2. Significant accounting policies (continued)

2.1 Revenue (continued)

The stage of completion of the contract when all of the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Insurance Premium Income

Earned premiums represent premium income from policyholders for the year including amounts due on 31 December and subsequently received.

Provision is made for premiums received, but not earned at the balance sheet date.

All premiums arise in Malta

Net gain or loss on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at FVPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the first-in, first-out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established. Dividend income relating to exchange traded equity securities is recognised in the statement of comprehensive income on the ex-dividend date.

2.2 Cash and cash equivalents

Cash and cash equivalents consist of cash deposits held at call with banks.

2. Significant accounting policies (continued)

2.3 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that the tax arises from a transaction or event which is recognised directly in equity, in which case it is recognised in equity.

Current tax is based on the taxable profit for the period, as determined in accordance with tax laws, and measured using tax rates, which have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Company recognises a deferred tax liability in respect of all taxable temporary differences and a deferred tax asset in respect of all deductible temporary differences except to the extent that such deferred tax liability arises from the initial recognition of goodwill or the deferred tax asset/liability arises from the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (loss). Recognition of a deferred tax asset is however limited to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Company re- assesses any unrecognised deferred tax asset at each statement of financial position date to determine whether future taxable profit has become probable that allows the deferred tax asset to be recovered.

2.3 Related parties

Related parties are defined as related if one party empowers another party to exercise the control or significant influence over the other party in making financial and operating decisions.

Related parties to the company are defined as shareholders, employees, members of the management board, their close relatives, and companies that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the company except if it is impossible for one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

2. Significant accounting policies (continued)

2.4 Financial instruments (continued)

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans from related parties.

Debt instruments (other than those wholly repayable or receivable within one year) including other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future

cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost. unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets/liabilities at fair value through profit or loss

Classification

The Company classifies its financial assets/liabilities in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- Those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets/liabilities and the contractual terms of the cash flows.

For assets/liabilities measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity investments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI).

The company reclassifies debt investments when and only when its business model for managing those assets changes.

2. Significant accounting policies (continued)

2.5 Financial instruments (continued)

The company classifies the following financial assets at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI
- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI

Recognition and derecognition

Purchases or sales of financial assets/liabilities that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Receivables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market, other than those that the company has designated as fair value through profit or loss. After initial recognition, receivables are measured at amortised cost using the effective interest rate method. The Company includes in this category short-term receivables.

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

a. the Company has transferred substantially all the risks and rewards of the asset, or
b. the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

2. Significant accounting policies (continued)

2.5 Financial instruments (continued)

Measurement

At initial recognition, the company measures a financial asset/liability at its fair value plus, in the case of a financial asset/liability not at fair value through profit or loss (FVPL), transaction costs are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets/liabilities carried at FVPL are expenses in profit or loss.

Financial assets/liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in net gain/(loss) on financial assets and liabilities at fair value through profit or loss as applicable.

Impairment

IFRS 9: A new provisioning approach was introduced by the Standard;

The Company asses, on a forward-looking basis, the expected credit losses associated with its debt instruments at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The impact on the adoption of IFRS 9 on receivables was not considered to be material. The adoption of IFRS 9 did not being about any other impacts.

Impairment of financial assets

As cash at bank balances are demand deposits, that are held with reliable (rated BBB, A, and BBB+). The estimated 12 month expected credit losses in terms of IFRS 9 was not considered to be material.

While other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment losses were not considered to be material.

2. Significant accounting policies (continued)

2.5 Financial instruments (continued)

Offsetting of financial instruments

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or counterparty.

2.6 Cost and expenses

Cost of sale relates to the amortization of risk premiums, reserves, and risk fees on insurance policies based on the term of the policy.

Expenses are generally recognised when the services are used, or the expenses arise. These are incurred in the direction and general administration of the day-to-day operations of the Company.

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through income. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in the Statement of Comprehensive Income as an expense. Fees, commission and other expenses are recognized in profit or loss on an accrual basis.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The company requires management to make significant judgements and estimates in the preparation of the financial statements. The items in the financial statements where these judgements and estimates have been made include as follows:

- Technical provisions – one area of judgement and estimate in the accounts is the technical provisions, as it can take up to six months after the year end before establishing the ultimate cost of claims incurred but not yet recognised to the Company and the final outcome could be better or worse than the provisions. The Directors use a calculation based on claims trends from the previous year to estimate the provisions required at the year end.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

- Impairment of available-for-sale financial assets – The determination of when an investment is other-than-temporary impaired requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

4. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial period except as follows:

Initial Application of an International Financial Reporting Standard

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2022:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) (effective on 1 January 2022)

The amendments to IFRS 3 include an update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework, an addition to IFRS 3 as a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and an addition to IFRS 3 of an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments to IAS 37 specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

4. Changes in accounting policies and disclosures (continued)

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

- Annual improvements 2018 – 2020 will introduce the following changes (effective on 1 January 2022)

  - IFRS 1*, First time adoption of IFRS:* The change applies to a subsidiary that adopted IFRS's at a later date than its parent and uses the exemption in paragraph D16(a) to measure assets and liabilities at the carrying amounts that are included in the parents consolidated financial statements. The amendment permits that such a subsidiary may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

  - IFRS 9*, Financial Instruments:* IFRS 9 requires that an entity derecognises a financial liability and recognises a new financial liability when there is an exchange between an existing borrower and lender of debt instruments with substantially different terms. The terms are substantially different if the discounted present value of the remaining cash flows under the new terms are at least 10 percent different from the discounted present value of the remaining cash flows or the original financial liability. The amendment clarifies that only fees paid and received between the entity and the lender may be included in the calculations to determine whether there is a 10 percent difference. The amendment is applied prospectively.

  - IFRS 16, *Leases*: The amendment removes an illustrative example that includes a reimbursement relating to leasehold improvements since the example des not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.

  - IAS 41, Agriculture: The amendment removed the requirement to exclude cash flows for taxation when measuring fair value and aligning the requirements with IFRS 13, *Fair Value Measurements*. The amendment is applied prospectively.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

4. Changes in accounting policies and disclosures (continued)

Standards, interpretations and amendments to published standards as adopted by the EU in issue but not yet effective for financial periods beginning on 1 January 2022:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective on 1 January 2023)

Previously, an entity was required to disclose in its financial statements its significant accounting policies, with the amendments an entity will now be required to disclose its material accounting policies.

Paragraphs are added to explain how an entity identifies material accounting policies along with added examples to explain when accounting policy information is likely to become material, focusing on concepts such as that accounting policy information becomes material because of its nature, even if the related amounts are immaterial.

Additionally, IFRS Practice Statement 2 has been amended through added guidance and examples to explain and illustrate the application of the 'four-step materiality process' to accounting policy information in aim of supporting the amendments to IAS 1.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective on 1 January 2023)

The amendments to IAS 8 focus entirely on accounting estimates with the definition of a change in accounting estimates being replaced with a definition of accounting estimates. Accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty".

Accounting estimates arise when accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error and that the effects of a change in an input or a measurement method used to derive an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective on 1 January 2023) and

4. Changes in accounting policies and disclosures (continued)

- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) (effective date 1 January 2023)

IFRS 17 Insurance Contracts replaced IFRS 4 Insurance Contracts. The Standard establishes 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.

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company. The Company is currently in the process of implementing IFRS17 and has been working with external advisors to ensure this is being implemented correctly and proportionately given the simplicity and very short-term nature of the insurance products the company sells. The company expects to have IFRS 17 implemented during the 2023 year ahead of the first reporting period requirement.

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective on 1 January 2023)

The amendments narrow the scope of the recognition exemption in paragraph 15 of IAS 24 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the company.

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020), Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020) and Non-Current Liabilities with Covenants (issued on 31 October 2020)

- Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback (issued on 22 September 2022

The Directors are assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Company in the period of initial application.

5. Revenue

	2022	2021
	EUR	EUR
Service charge	**300,000**	275,000

6. (Losses) / Gains on financial assets

	2022	2021
	EUR	EUR
Dividend income from financial assets	**47,534**	33,742
Realised fair value (losses) / gain on disposal	**(77,064)**	4,427
Unrealised fair value movement	**(789,709)**	604,293
	(819,239)	642,462

7. Administrative expenses

	2022	2021
	EUR	EUR
Staff Costs	**184,933**	176,550
Legal & Professional Fees	**7,611**	9,552
Rent	**24,201**	24,019
Audit Fee	**26,100**	10,500
Accounting Fee	**12,956**	1,064
Insurance Managers Fees	**80,000**	71,051
Sundry Operating Expenses	**65,346**	54,655
	401,148	347,391

8. Staff Costs

	2022	2021
	EUR	EUR
Wages and salaries	**163,720**	91,000
Social security costs	**5,613**	4,950
Secondment costs	**15,600**	80,600
	184,933	176,550
The average number of persons employed:	**2**	2

9. Financial Assets

	2022 EUR	2021 EUR
At market value		
Equities (listed)	**2,101,820**	2,850,923
Exchange-Traded Funds (listed)	**531,798**	700,248
Other (listed)	**391,478**	438,510
	3,025,096	3,989,681

The historical cost of other financial investments as at 31 December 2022 was €3,236,214 (2021: €3,385,388)

	2022 EUR	2021 EUR
Reconciliation of movement in the year		
Market value at 1 January 2022	**3,989,681**	-
Additions	**686,149**	3,701,927
Disposals	**(861,025)**	(316,539)
Fair value movement	**(789,709)**	604,293
Market value at 31 December 2022	**3,025,096**	3,989,681

10. Trade and other receivables

	2022 EUR	2021 EUR
Prepayments	**-**	2,200
Deposits	**-**	-
Other receivables	**-**	87,256
Tax refundable	**5,315**	1,250
	5,315	90,706

11. Cash and cash equivalents

	2022 €	2021 €
Cash at bank	**864,599**	231,244

The carrying amount disclosed above reasonably approximate fair value at the reporting date.

12. Share capital

	2022 EUR	2021 EUR
Authorised		
10,000,000 Ordinary shares of EUR 1 each	**10,000,000**	10,000,000
Issued and fully paid up		
3,500,000 Ordinary shares of EUR 1 each	**3,500,000**	3,500,000

13. Trade and other payables

	2022 EUR	2021 EUR
Payables to related party	**30,973**	262,320
Accruals	**20,000**	20,937
	50,973	283,257

Amount due to related parties are unsecured, interest-free and repayable on demand.

14. Technical Provisions

Claims Provision	2022 EUR	2021 EUR
Claims provision brought forward (including IBNR)	**-**	-
Payments during the year in respect of those provisions	**-**	-
Adjustment to prior year's provision	**-**	-
Movement in provision during the year	**107**	-
Net loss provision carried forward in respect of outstanding claims	**107**	-

Unearned Premium Provision	2022 EUR	2021 EUR
Unearned premium provision brought forward	**-**	-
Premiums during the year in respect of those provisions	**-**	-
Movement in provision during the year	**115**	-
Net loss provision carried forward in respect of unearned premiums	**115**	-

15. Income Tax Expense

	2022 EUR	2021 EUR
Deferred tax expense	**247,871**	(194,432)

16. Taxation

	2022 EUR	2021 EUR
(Loss)/Profit on ordinary activities before tax	**(933,310)**	545,430
Corporation tax at the standard rate of 35%	**(326,659)**	190,901
Effects of:		
Non-allowable expenses		-
Investment Charges	**39,226**	8,624
Dividend and distribution income	**(1,041)**	1,902
Fair value movement on bonds (derecognised)	**22,698**	(5,745)
Fair value movement of equities (derecognised)	**18,205**	-
Tax refundable	**-**	(1,250)
Prior year adjustment	**(300)**	-
	(247,871)	194,432

17. Deferred tax asset/(liability)

As at reporting date, the Company had a deferred tax asset of EUR 53,439 (2021: EUR 194,432 liability). Deferred income taxes are calculated on the temporary differences from unrealized gains/(losses) on the fair value movement of the Investments held at yearend.

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

	2022 EUR	2021 EUR
At the beginning of the year	**194,432**	-
Movement recorded during the year	**(247,87)**	194,432
	(53,439)	194,432

18. Related party disclosures

During the period, the Company's operational expenses have been paid for by a related party. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

The transaction value as well as the balance as of period end incurred by the related party is disclosed in note 13.

19. Financial risk management

The exposures to risk and the way risks arise, together with the company's objectives, policies, and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies, and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

At the end of the year, the company's main financial assets on the statement of financial position comprised of trade and other receivables while the main financial liabilities consisted of trade and other payables. At year end, there were no assets and liabilities which were not recognised in the statement of financial position.

Credit and counterparty risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash at banks and receivables. The Company controls its credit risk through strict monitoring procedures and regular coordination with its customers, with the result that the Company's exposure credit risk is not significant.

Credit risk arises from cash and cash equivalents, contractual cash flows of investments carried at fair value through profit or loss (FVPL), as well as credit exposures to customers, including outstanding receivables. Below is a table showing the breakdown of assets by credit rating utilizing S&P Long-term Issuer Ratings for the ratings at the year ending 31 December 2022

At 31 December 2022

	Unrated	A to AAA rated	B to BBB rated	Total
	EUR	EUR	EUR	EUR
Financial Assets	1,128,967	1,382,683	513,446	3,025,096
Trade and other receivables	5,315	-	-	5,315
Cash and cash equivalent	217,965	-	646,633	864,598
Deferred tax asset	53,439	-	-	53,439
	1,405,686	1,382,683	1,160,079	3,948,448

Impairment of financial assets

The Company's deposits and other receivables are the only financial assets that are subject to the expected credit loss model. However, the expected credit losses, as determined by the directors, were not considered to be material.

19. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's objectives to manage its liquidity profile are:

- to ensure that adequate funding is available at all times;
- to meet commitments as they arise without incurring unnecessary costs;
- to be able to access funding when needed at the least possible cost; and
- to maintain an adequate time spread of refinancing maturities.

The company closely monitors its cash flows to be able to finance its operations and capital expenditures and pay its obligations as and when they fall due. The following tables sets out the contractual maturities (representing the contractual undiscounted cash-flows) of financial liabilities:

At 31 December 2022

	Up to 1 month EUR	Up to 1 year EUR	On demand EUR
Due to related party	-	-	29,256
Accrued expenditure	1,717	20,000	-
	1,717	20,000	29,256

Currency risk

Foreign currency risk, as defined by IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The company currently does not hold monetary assets denominated in currencies other than the EUR, the functional currency.

At 31 December 2022

	GBP Exposure EUR	USD Exposure EUR	SEK Exposure EUR	CHF Exposure EUR	CAD Exposure EUR
Currency Exposure	793,972	1,195,621	23,995	31,037	76,680
	793,972	1,195,621	23,995	31,037	76,680

19. Financial risk management (continued)

Fair values

The Company is required to categorise fair values into different levels of the fair value hierarchy, by reference to the observability and significance of the inputs to the fair value measurement.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset not based on observable market data

As at 31 December 2022, the Company's financial assets designated at fair value through profit or loss and fair value through other comprehensive income are categorised as Level 1.

Capital risk management

The company's policy is to maintain a strong capital base to support its business plans and comply with all regulatory requirements on an ongoing basis whilst assessing the impact of shareholder returns on its capital employed.

The company's objectives when managing capital are:

- to comply with the insurance capital requirements required by the Maltese insurance regulator;
- to safeguard the company'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 commensurately with the level of risk.

In order to maintain or adjust the capital structure, the company may issue new shares or capitalise contributions received from its shareholders. The company is required to hold regulatory capital for its general insurance business in compliance with the Insurance Rules issued by the MFSA. These capital requirements must be maintained at all times throughout the period. The company monitors the level of own funds on a regular basis. Any transaction that may potentially affect the company's own funds and solvency position are immediately reported to its directors and shareholders for resolution.

The Company's Minimum Capital Requirement Absolute Floor stands at EUR 2,700,000 as per paragraph 5.6.4 of Chapter 5 ('Valuation of assets and liabilities rules') of Part B of the Insurance Rules.

Based on management calculations to date, the company is sufficiently capitalised and was compliant at all times with the regulatory capital requirements as stipulated by the MFSA which are in line with the Solvency II requirements.

20. Comparative Figures

The equity elements were restated to comply with the current year presentation. The change in presentation provides a fairer analysis of the equity. The impact on comparatives is presented below:

Statement of financial position

	2021 EUR	Change EUR	2021 EUR (Restated)
Other reserves	**-**	604,293	**604,293**
Retained earnings	**332,692**	(604,293)	**(271,601)**

Statement of changes in equity

	2021 EUR	Change EUR	2021 EUR (Restated)
Other reserves – UGL on Investments	**-**	604,293	**604,293**
Total comprehensive income for the year	**350,998**	(604,293)	**(253,295)**
Retained earnings	**332,692**	(604,293)	**(271,601)**

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Independent auditor's report

To the Shareholders of HSF Health Plan (Malta) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HSF Health Plan (Malta) Limited (the Company), set out on pages 3 to 27, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386) and the Insurance Distribution Act, Cap. 487.

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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

In view of the fact, that the company has very limited trading activity during the year, there are no key audit matters to report.

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Other Information

The directors are responsible for the other information. The other information comprises the directors' report. Our opinion on the financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information 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 Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

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

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS's, and for such internal control as the directors determined 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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.

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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 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, future events or conditions may cause the company to cease 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.

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

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

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Independent auditor's report
To the Shareholders of HSF Health Plan (Malta) Limited (continued)

Report on Other Legal and Regulatory Requirements (continued)

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

Additionally, the financial statements have been properly prepared in accordance with the requirements of the Insurance Business Act (Cap. 403), 1998.

Use of audit report

This report is made solely to the company's members as a body in accordance with the requirements of the Companies Act CAP 386 of the laws of Malta. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an audit's report and for no other purpose. To the full extent permitted by law we do not accept to anyone other that the company's members as a body for our audit work, for this report or for the opinions we have formed.

Appointment

We were appointed by the shareholders as auditors of HSF Health Plan (Malta) Limited on 18 April 2021, as for the period ended 31 December 2020 and have operated as statutory auditor ever since that date. The period of total uninterrupted engagement is three years.

Consistency with the additional report to those charged with Governance

Our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act);

Non-audit services

We have not provided any of the prohibited services as set out in the accountancy profession act.

This copy of the audit report has been signed by
Paul Giglio (Partner) for and on behalf of

Mazars Malta
Certified Public Accountants
Birkirkara
Malta

2 March 2023