IDA Insurance Limited

Annual Report and Financial Statements

31 December 2020

IDA Insurance Limited

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IDA Insurance Limited

Directors, Officer and Other Information

Directors:	Dr. Ramiro Cali-Corleo Dr. Alessandro Marroni Ms. Filomena De Angelis Dr. Matthew Bianchi Ms. Laura Marroni Mr. Raymond Mercieca	
Secretary:	Ganado Services Limited 171, Old Bakery Street Valletta Malta	
Registered office:	DAN Building Sir Ugo Mifsud Street Ta' Xbiex Malta	
Country of incorporation:	Malta	
Company registration number:	C 36602	
Auditor:	Deloitte Audit Limited Deloitte Place Triq L-Intornjatur Central Business District, CBD 3050 Malta	
Bankers:	Bank of Valletta p.l.c. Naxxar Road San Gwann Malta	Zurcher Kantonalbank Bahnhofstrasse 9 Zurich Switzerland
	Credit Suisse Via Canova 15 6901 Lugano Switzerland	
Legal advisor:	GANADO Advocates 171, Old Bakery Street Valletta Malta	

IDA Insurance Limited

Directors' Report

For the Year Ended 31 December 2020

The Directors present the annual report and the audited financial statements of IDA Insurance Limited (the "Company") for the financial period from 1 January 2020 to 31 December 2020.

Principal activities
The Company's principal activity is to underwrite scuba diving risks for the leisure diving industry. The Company offers accident, liability and legal defence policies to clients through its online portal. It was registered on 8 July 2005 and licensed to act as a general business insurer on 24 October 2007.

Review of Business
During the period under review from 1 January 2020 to 31 December 2020, the Company registered a loss after tax amounting to EUR 56,788 (18 months ending 31 December 2019: profit after tax of EUR 494,667). This year the financial period of the Company was 12 months compared to the previous year which was 18 months.

Direct premiums written by the Company during the year amounted to EUR 4,151,875 (18 months ending 31 December 2019: EUR 8,624,969). Reinsurance acceptance business during the same period amounted to EUR 156,251 (18 months ending 31 December 2019: EUR 459,382).

Claims performance net of reinsurance for the year amounted to EUR 1,285,896 compared to EUR 1,575,220 for the 18 months ending 31 December 2019.

The Company's net investment income earned during the period amounted to EUR 7,625 (18 months ending 31 December 2019: EUR 247,574). Operating expenses increased proportionately over the comparative period.

The Shareholders' Funds of the Company stood at EUR 6,315,557 (18 months ending 31 December 2019: EUR 6,328,030).

The Company monitors its capital level on a regular basis. The Company complied with the capital requirements during the period under review. No changes were made in the Company's approach to capital management during the period ended 31 December 2020.

Going forward, the Company is expected to continue meeting the Solvency II regulatory capital requirements based on the latest unaudited Solvency Capital Requirement (SCR) calculations as at 31 December 2020 and those resulting from the 2020 Own Risk and Solvency Assessment.

Result and dividends

The result for the period ended 31 December 2020 is shown in the Statement of Profit or Loss and Other Comprehensive Income on page 7 and 8. The Company did not pay an interim dividend during the financial years ended 2020 and 2019. The Directors do not recommend the payment of a final dividend.

COVID-19 impact

The spread of COVID-19 has severely impacted many local economies around the globe through the year. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to the diving community.

The COVID-19 pandemic has resulted in a reduction in premiums written by the Company which were mostly limited to the months in which all diving activities were suspended. The Directors expect that the reduction in written premiums would be rectified as soon an adequate number of people/countries become immune to the virus, which is expected to be achieved by use of the vaccine. Clients will renew their policies as soon as diving and travelling activities can be carried out with more ease. As at the date of this report, the Company has not incurred significant claims (medical expenses) arising from COVID-19. The policies written by the company have now been updated to exclude Pandemic Diseases, prior to this such claims were being covered subject that the insured travelled abroad before the Governments issued travel warnings. Such cases have been noted as minimal; moreover, it has been noted that the claims incurred from the impacted period reduced due to the restriction in diving activities.

The Directors therefore consider that whilst the Company's profitability have been impacted during 2020 and is expected to be impacted during 2021; when combined with the Company's overall liquidity and solvency position, the Company continues to be a going concern.

Post-balance sheet events

The Company has the intent to purchase VING Insurance Brokers Ltd ("VING") from is parent company being DAN Europe Foundation ("DAN") by mid-year of 2021, for which it has already obtained the "no objection" from the MFSA and such acquisition has also been approved by the Board of Directors of the Company. It shall also be noted that the consideration for the acquisition of VING is expected to be at EUR 1 Million and shall be set off against receivables that the Company currently hold from its parent company DAN.

Future business development

The Board has considered the Company's operational performance and position as at year end, as well as business plans for the upcoming years, having also considered the impact of COVID-19 based on current information as described above. The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, the Board continues to adopt the going concern basis.

Compliance
The Board is committed to ensuring that the Company has robust governance and compliance arrangements in place. The Board regularly reviews its policies and risk management framework which, in conjunction with its parent company, continually develops the Own Risk and Solvency Assessment (ORSA).

Principal risks and uncertainties
The Company maintains a robust system of governance which is commensurate to the nature, scale and complexity of the Company's activities and its risk profile. The mainstay of the system of governance is the risk management system, which is designed to ensure that all the material risks are identified, managed and mitigated.

The Company's main risk is in respect of the business of writing insurance as this is the principal activity. 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, such risk is random, unknown and unpredictable.

Other risks relate to credit risk, currency risk, interest rate risk, liquidity risk and price risk.

The Company's main risks are further disclosed in Note 6 to the notes to these financial statements dealing with insurance and financial risk management.

Directors
The Directors who served during the period were:

Dr. Ramiro Cali-Corleo
Dr. Alessandro Marroni
Ms. Filomena De Angelis
Dr. Matthew Bianchi
Ms. Laura Marroni
Mr. Ray Mercieca

In accordance with the Company's articles of association, all the Directors are to remain in office until such time they resign or are otherwise removed.

Statement of Directors' Responsibility for the Financial Statements

The Directors are required by the Maltese Companies Act (Cap. 386) and the Insurance Business Act (Cap. 403) to prepare financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU, which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss for the year then ended. In preparing the financial statements, the Directors are responsible to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business as a going concern.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Maltese Companies Act (Cap. 386) and the Insurance Business Act (Cap. 403). 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.

In addition, the Directors are responsible for ensuring that the Company complies at all times with all the relevant provisions of the Insurance Business Act (Cap. 403).

Auditors

The auditors, Deloitte Audit Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf on 6th April by:

Dr Ramiro Cali-Corleo	*Dr Alessandro Marroni*
Managing Director	*Director*

Registered office:
DAN Building
Sir Ugo Mifsud Street
Ta' Xbiex
Malta

IDA Insurance Limited

Statement of Profit or Loss and Other Comprehensive Income – Technical Account

	Notes	Period from 1 Jan 2020 to 31 Dec 2020 EUR	Period from 1 Jul 2018 to 31 Dec 2019 EUR
Earned premiums, net of reinsurance			
Gross premiums written	17	**4,151,875**	8,624,969
Outward reinsurance premiums	17	**(2,091,705)**	(4,398,704)
Inward reinsurance premium	17	**156,251**	459,382
Net premiums written		**2,216,421**	4,685,647
Change in gross provision for unearned premiums		**903,407**	(4,998)
Change in provision for unearned premiums. Reinsurer's share		**(373,065)**	(39,280)
		530,342	(44,278)
Earned premiums, net of reinsurance		**2,746,763**	4,641,369
Profit commission		**163,959**	261,330
Allocated investment return transferred from the non-technical account	7	**971**	126,520
Total technical income		**2,911,693**	5,029,219
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		**2,462,187**	3,658,099
- Reinsurer's share		**(1,092,140)**	(1,641,369)
		1,370,047	2,016,730
Change in the provision for claims			
- Gross amount		**(276,558)**	(794,851)
- Reinsurer's share		**192,407**	353,341
		(84,151)	(441,510)
Claims incurred, net of reinsurance		**1,285,896**	1,575,220
Net operating expenses	8	**1,509,041**	2,363,820
Total technical charges		**2,794,937**	3,939,040
Balance on the technical account for general business (page 8)		**116,756**	1,090,179

The accounting policies and explanatory notes on pages 12 to 51 form an integral part of the financial statements.

IDA Insurance Limited

Statement of Profit or Loss and Other Comprehensive Income – Non-Technical Account

	Notes	Period from 1 Jan 2020 to 31 Dec 2020 EUR	Period from 1 Jul 2018 to 31 Dec 2019 EUR
Balance on technical account for general business (page 7)		**116,756**	1,090,179
Investment income	7	**101,592**	296,323
Investment expenses and charges	7	**(93,967)**	(48,749)
Allocated investment return transferred to the general business technical account	7	**(971)**	(126,520)
Other income		**10,924**	16,965
Net operating expenses	8	**(382,715)**	(490,097)
(Loss) / Profit before tax		**(248,381)**	738,101
Income tax credit / (expense)	11	**191,593**	(243,434)
(Loss) / Profit for the year / period		**(56,788)**	494,667
Other comprehensive income **Items that may be reclassified subsequently to profit or loss**			
Gain on available-for-sale financial assets, net of deferred tax		**44,315**	21,789
Total comprehensive (loss)/ income for the year / period attributable to ordinary shareholders		**(12,473)**	516,456

The accounting policies and explanatory notes on pages 12 to 51 form an integral part of the financial statements.

IDA Insurance Limited

Statement of Financial Position

As at 31 December 2020

	Notes	Dec 2020 EUR	Dec 2019 EUR
Assets			
Intangible assets	12	-	472,834
Plant and equipment	13	220	659
Deferred tax asset	19	69,023	22,480
Available-for-sale investments	14	4,726,719	5,081,834
Loans and receivables	14	600,000	1,389,930
Reinsurers share of technical provisions	17	2,307,894	2,873,367
Insurance and other receivables	15	3,840,752	3,007,174
Cash and cash equivalents	16	1,549,530	1,150,836
Total assets		13,094,138	13,999,114
Equity and liabilities			
Equity			
Share capital	20	5,850,000	5,850,000
Revaluation reserve	20	24,330	(19,985)
Retained earnings		441,227	498,015
Total equity		6,315,557	6,328,030
Liabilities			
Deferred tax liability	19	-	-
Technical provisions	17	5,459,460	6,639,425
Insurance payables	18	466,985	356,812
Other payables and accrued expenses	18	349,870	256,071
Bank overdraft	16	354,679	150,000
Taxation	18	147,587	268,776
Total liabilities		6,778,581	7,671,084
Total equity and liabilities		13,094,138	13,999,114

The accounting policies and explanatory notes on pages 12 to 51 form an integral part of the financial statements.

The financial statements on pages 7 to 51 were approved by the Board of Directors, authorised for issue on 6th April and signed on its behalf by:

Dr. Ramiro Cali-Corleo
Managing Director

Dr. Alessandro Marroni
Director

IDA Insurance Limited

Statement of Changes in Equity

For the Year Ended 31 December 2020

	Share capital EUR	Revaluation reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 July 2018	5,500,000	(41,774)	3,348	5,461,574
Profit for the period	-	-	494,667	494,667
Other comprehensive income for the period	-	21,789	-	21,789
Total comprehensive income for the period	-	21,789	494,667	516,456
Increase in share capital	350,000	-	-	350,000
Balance at 31 December 2019	5,850,000	(19,985)	498,015	6,328,030
Balance at 1 January 2020	**5,850,000**	**(19,985)**	**498,015**	**6,328,030**
Loss for the year	-	-	**(56,788)**	**(56,788)**
Other comprehensive income for the year	-	**44,315**	-	**44,315**
Total comprehensive loss for the year	-	**44,315**	**(56,788)**	**(12,473)**
Balance at 31 December 2020	**5,850,000**	**24,330**	**441,227**	**6,315,557**

The accounting policies and explanatory notes on pages 12 to 51 form an integral part of the financial statements.

IDA Insurance Limited

Statement of Cash Flows

For the Year Ended 31 December 2020

	2020 EUR	2019 EUR
Cash flows used in operating activities		
(Loss) / Profit before tax	**(248,381)**	738,101
Adjustments for:		
Loss on disposal of investments	**33,518**	48,749
Exchange loss / (gain)	**60,449**	(40,404)
Recharges to related party	**(260,795)**	(346,431)
Depreciation of equipment	**439**	659
Amortisation of software	**105,128**	207,058
Interest expense	**97,977**	-
Interest income	**(101,592)**	(255,919)
Profit on disposal of software	-	(7,287)
Operating profit before working capital movements in:	**(313,257)**	344,526
Technical provisions	**(1,179,966)**	(789,853)
Reinsurer's share of technical provisions	**565,473**	392,622
Receivables	**(240,037)**	(744,255)
Payables	**203,973**	226,515
Cash flows used in operations	**(963,814)**	(570,455)
Income taxes paid	-	(2,762)
Net cash flows used in operating activities	**(963,814)**	(573,207)
Cash flows from investing activities		
Payment for the purchase of financial assets	**(2,906,690)**	(5,021,074)
Proceeds from disposals of financial assets	**4,037,472**	4,786,081
Proceeds from disposal of equipment	-	100,000
Interest received	**27,047**	209,490
Net cash flows from investing activities	**1,157,829**	74,497
Cash flows from financing activities		
Proceeds from issue of share capital	-	350,000
Net cash flows generated from financing activities	-	350,000
Net movement in cash and cash equivalents	**194,015**	(148,710)
Cash and cash equivalents at the beginning of the year / period	**1,000,836**	1,145,429
Effect of foreign exchange rate changes	-	4,117
Cash and cash equivalents at the end of the year / period (note 16)	**1,194,851**	1,000,836

The accounting policies and explanatory notes on pages 12 to 51 form an integral part of the financial statements.

1. Statement of compliance

IDA Insurance Limited (the "Company") is a limited liability company incorporated and domiciled in Malta with registration number C36602. The Company was incorporated on 8 July 2005. The registered office of the Company is DAN Building, Sir Ugo Mifsud Street, Malta. The Company's principal activity is to underwrite scuba diving risks for the leisure diving industry. The Company offers accident, liability and legal defence policies to clients through its online portal.

The financial statements of the Company have been prepared and presented in accordance with the provisions of the Companies Act (Cap. 386), which requires adherence to International Financial Reporting Standards (IFRSs) as adopted by the EU and their interpretations adopted by the International Accounting Standards Board (IASB), and the provisions of the Insurance Business Act (Cap. 403).

The comparative period is the eighteen months from 1 July 2018 to 31 December 2019, being the new accounting reference date. The current period covers a 12-month period from 1 January 2020 to 31 December 2020.

2. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial assets classified as available for sale which are measured at their fair values, and in accordance with IFRSs as adopted by the EU. The financial statements have been prepared on a going concern basis, having also considered the potential impact of COVID-19 based on current information as described in note 23. The significant accounting policies adopted are set out below.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The Statement of Financial Position is organised in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Company's assets and liabilities provided within the Notes to the Financial Statements.

3. Significant accounting policies

3.1 Insurance contracts

3.1.1 Classification

The Company issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts under which the Company accepts significant insurance risk from another party by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. Insurance risk is risk other than financial risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rates, index of prices or rates, a credit rating or credit index or other variable, provided in the case of non-financial variable that the variable is not specific to a party of the contract. Insurance contracts may also transfer some financial risk.

3.1.2 Recognition and measurement of contracts

Premiums from insurance business

Insurance business is accounted for on an annual basis. General business written premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods.

The provision for unearned premiums represents that part of gross and reinsurer's share of premiums written which is estimated to be earned in the following or subsequent financial years. The provision is calculated separately for each insurance contract on a $1/12^{th}$ basis, where the incidence of risk is the same throughout the contract.

Claims arising from insurance business

Net claims incurred comprise all claims occurring during the year less amounts recoverable from reinsurance together with related administrative expenses and any adjustments to claims outstanding from previous years.

Liabilities for unpaid claims are estimated using the input of assessment for individual cases reported to the Company and statistical analyses for the claims incurred but not reported. The Company does not discount its liabilities for unpaid claims.

3. Significant accounting policies (continued)

3.1 Insurance contracts (continued)

3.1.2 Recognition and measurement of contracts (continued)

Included in the provision is an estimate of the costs of handling the outstanding claims. Provision for claims outstanding is based on information available to the Directors and the eventual outcome may vary from the original assessment. The provisions for outstanding claims are reviewed periodically on a one for one basis to ensure their adequacy.

Provision is made for the full estimated cost of claims notified but not settled together with an estimate in respect of claims incurred but not reported at the end of the financial year.

The above method of provisioning satisfies the minimum liability adequacy test as required by IFRS 4 – *Insurance Contracts.*

Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Outward insurance premiums are recognised as a deduction from income in accordance with the pattern of reinsurance service received.

Premiums ceded and benefits reimbursed are presented in the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position on a gross basis.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

3. Significant accounting policies (continued)

3.1 Insurance contracts (continued)

3.1.2 Recognition and measurement of contracts (continued)

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting period. Such assets are deemed as being impaired if objective evidence exists, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from entering into general insurance contracts. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent those acquisition costs incurred in respect of unearned premiums existing at the end of each reporting period.

3.2 Revenue

The accounting policy in relation to revenue from insurance contracts is disclosed in note 3.1.2.

Commission income

Commission income includes commissions received from reinsurers and are recognised when accrued.

Investment income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect policyholders' fund financial income and expenses in the Technical Statement of Profit or Loss and Other Comprehensive Income and shareholders' fund financial income and expenses in the Non-technical Statement of Profit or Loss and Other Comprehensive Income.

3. Significant accounting policies (continued)

3.3 Plant and equipment

Plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of plant and equipment is recognised as an expense when incurred.

Tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Computer equipment - 25% per annum.

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

3.4 Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

3. Significant accounting policies (continued)

3.4 Intangible assets (continued)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation year or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the in Statement of Profit or Loss and Other Comprehensive Income in the expense category consistent with the intangible asset.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the in Statement of Profit or Loss and Other Comprehensive Income when the asset is derecognised.

Computer software

In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the company's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software classified as an intangible asset is amortised on a straight-line basis over five years (2019: five years).

Change in useful life

In 2019 the Company had changed the estimated useful life of computer software from 4 years to 5 years. The effect of the change in accounting estimate has been recognised prospectively by including it in profit or loss for the year ending 31 December 2019 and in future periods.

During the comparative period, had no change in accounting estimate been made, depreciation allocated to operating expenses during the period would have amounted to €234,357. The actual amount of total amortisation recorded for the comparative period amounts to €207,058. As at 31 December 2020, the Company did not have any computer software recognised in the Statement of Financial Position.

3. Significant accounting policies (continued)

3.5 Financial instruments

Financial assets and financial liabilities are recognised when the Company 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 offset and the net amount presented in the Statement of Financial Position when the Company 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 liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expired.

An equity instrument is any contract that evidences a residual interest in the assets of the Company 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 unless the effect of discounting is material, in which case trade receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in Statement of Profit or Loss and Other Comprehensive Income when there is objective evidence that the asset is impaired.

(ii) *Investments*

The Company's investments are classified into the following categories – loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

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 are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the Company may not recover substantially all of its initial investment other than because of credit deterioration.

3. Significant accounting policies (continued)

3.5 Financial instruments (continued)

(ii) *Investments (continued)*

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in Statement of Profit or Loss and Other Comprehensive Income when the financial asset is derecognised or impaired and through the amortisation process.

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

After initial recognition, 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 Statement of Profit or Loss and Other Comprehensive Income as a reclassification adjustment. Interest calculated using the effective interest method is recognised in Statement of Profit or Loss and Other Comprehensive Income.

When applying the effective interest method, the annual amortisation of any discount or premium is aggregated with other investment income receivable over the term of the instrument, if any, so that the revenue recognised in each period represents a constant yield on the investment.

(iii) *Other borrowings*

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

(iv) *Trade payables*

Trade payables are classified with current liabilities and are stated at their nominal value.

(v) *Shares issued by the Company*

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

3. Significant accounting policies (continued)

3.6 Impairment

All assets are tested for impairment. At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, 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 original effective interest rate. The carrying amount of the asset is reduced directly.

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.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value (which 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) less costs of disposal and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in Statement of Profit or Loss and Other Comprehensive Income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

For loans and receivables, 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, the previously recognised impairment loss is reversed directly.

3. Significant accounting policies (continued)

3.6 Impairment (continued)

In the case of other assets tested for impairment, 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised in other comprehensive income and increases the revaluation surplus for that asset, unless an impairment loss on the same asset was previously recognised in profit or loss.

3.7 Taxation

Current and deferred 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 and deferred 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 that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of 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.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated 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 that have been enacted or substantively enacted by the end of the reporting period.

3. Significant accounting policies (continued)

3.7 Taxation (continued)

Current tax assets and liabilities are offset when the Company 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.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to set off its current tax assets and liabilities 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.

3.8 Currency translation

The financial statements of the Company are presented in its functional currency, the Euro, being the currency of the primary economic environment in which the Company operates.

Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss.

Foreign exchange gains and losses are classified with other operating income or other operating expenses as appropriate, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

However, when a gain or loss on a non-monetary item is recognised in other comprehensive income (such as available-for-sale equity instruments), any exchange component of the gain or loss is recognised in other comprehensive income.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and term deposits with an originating maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows and are presented in current liabilities on the Statement of Financial Position.

4 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are continually evaluated and reviewed and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. As a result, actual results may differ from estimates.

Any revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumption concerning the future, and other key sources of estimation uncertainty, at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

4.1 Ultimate liability arising from claims made under general business insurance contracts

The Company continually reviews and updates its estimates arising from reported and unreported losses and establishes resulting provisions and adequate amounts recoverable under reinsurance. Adjustments from this review are reflected in the Statement of Profit or Loss and Other Comprehensive Income. The process relies on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for developing expectations of future events that are deemed to be reasonable in the circumstances.

The Company's provision for claims outstanding include additional provisions for incurred but not reported reserves ('IBNR') and incurred but not enough reported reserves ('IBNER'). These reserves are determined using the Chain Ladder approach, the Loss Ratio method and the Bornhuetter-Ferguson method, depending on the line of business. For liability, these reserves are based on claims excluding large losses which exceed the reinsurance excess of loss threshold. As a result, the IBNR and IBNER calculated is net of reinsurance, and consequently no reinsurer's share of IBNR and IBNER has been determined for this line of business.

5. Standards, interpretations and amendments to published standards

5.1 Standards, interpretations and amendments to published standards that are effective in the current year:

The accounting policies are consistent with those of the previous financial year.

Several other new standards, amendments and interpretations to existing standards apply for the first time in the current financial period. Recent changes to the Standards that are required to be adopted in annual periods beginning on 1 January 2020 are listed below:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 *'Business Combinations'*;
- Amendments to IAS 1 and IAS 8: Definition of Material; and
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.

These amendments to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies and did not impact the financial statements.

5.2 Standards, interpretations and amendments to published standards that are not yet effective:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 but have not been applied in preparing these financial statements. The Company is considering the implications of the below standards on the Company's financial results and position, and the timing of their adoption, taking cognisance of the endorsement process by the European Commission.

Amendments which are not yet effective but are endorsed by the EU include:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *'Interest Rate Benchmark Reform – Phase 2'*;
- Amendment to IFRS 16 *'Leases Covid 19-Related Rent Concessions'*; and
- Amendments to IFRS 4 *'Insurance Contracts'* – deferral of IFRS 9.

Amendments which are not yet effective and not yet endorsed by the EU include:

- Amendments to IAS 1 *'Presentation of Financial Statements'*: Classification of Liabilities as Current or Non-current;
- 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*;
- Amendments to IAS 1 *'Presentation of Financial Statements'* and IFRS Practice Statement 2: Disclosure of Accounting policies;
- Amendments to IAS 8 *'Accounting policies, Changes in Accounting Estimates and Errors'*: Definition of Accounting Estimates; and
- IFRS 17 *'Insurance Contracts'*, including Amendments to IFRS 17.

5. Standards, interpretations and amendments to published standards (continued)

5.2 Standards, interpretations and amendments to published standards that are not yet effective (continued):

IFRS 9 '*Financial instruments*'

IFRS 9 '*Financial instruments*', addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. 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 other comprehensive income 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 option permits 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. The IASB has delayed the adoption of IFRS 9 to 1 January 2023 to be concurrent with the effective date of IFRS 17.

Further to the above, the Company has not previously applied any version of IFRS 9. Therefore, the Company is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at 1 January 2020, the Company 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 Company will continue to apply IAS 39 until expiry date for the temporary exemption.

5. Standards, interpretations and amendments to published standards (continued)

5.2 Standards, interpretations and amendments to published standards that are not yet effective (continued):

IFRS 17 '*Insurance Contracts*' and amendments to IFRS 17

IFRS 17 '*Insurance Contracts*' is currently effective for annual reporting periods beginning on or after 1 January 2023 but is not yet endorsed by the EU. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The IASB issued amendments to the Standard in the second quarter of 2020.

Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. The Standard measures insurance contracts either under the general model or a simplified version of this called the Premium Allocation Approach. The general model is defined such that at initial recognition an entity shall measure a group of contracts at the total of (a) the amount of fulfilment cash flows (FCF), which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money (TVM) and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; and (b) the contractual service margin (CSM).

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the Company at that date. The liability for incurred claims is measured as the FCF related to past services allocated to the Company at that date.

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or the coverage period of each contract in the group of insurance contracts is one year or less.

IFRS 17 together with IFRS 9 will result in a profound change to the accounting in IFRS financial statements for insurance companies. Management is considering the implications of this standard and its impact on the Company's financial results and position. A gap analysis has been performed by the Company and the Company shall be able to opt for the simplified model, the Premium Allocation Approach for the current lines of business.

6. Insurance and financial risk management

6.1 Insurance risk management

6.1.1 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, unknown and unpredictable.

As its primary insurance activity, the Company assumes risks relating to underwater diving activity. The Company is therefore exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract. The terms and conditions of the insurance contracts it issues set out the basis for the determination of the Company's liability should the insured event occur. Through its insurance and investment activity the Company also has exposure to market and financial risk.

The Company also faces risk that the actual claims are significantly different to the amounts included within the technical provisions. This could occur because the frequency or severity of claims is greater or lower than estimated.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

6.1.2 Underwriting Strategy

Since its establishment, the Company has developed its own underwriting criteria and strategy which have evolved in line with the technical underwriting disciplines of its international treaty reinsurers. During the year ending 2020 the Company has increased its risk appetite for Accident and on 1st October 2020 has taken full retention of the Accident risk.

6. Insurance and financial risk management (continued)

6.1 Insurance risk management (continued)

6.1.3 Reinsurance strategy

The Company reinsures part of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the Company's net exposure.

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after deductions, if any, for known insolvencies and, uncollectible items. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements annually.

The Company utilises a reinsurance agreement with non-affiliated reinsurers to control its exposure to losses resulting from one occurrence and for the accumulation of net losses arising out of one occurrence.

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

6.1.4 Terms and conditions of insurance contracts

Nature of risks covered

The Company writes insurance for students, recreational and professional divers. This business is accepted within safe practice guidelines issued by the international recognised diving bodies. The Company insures members of DAN Europe Foundation the majority of who are EU residents. The policies issued are in the EU but provide insurance benefits when diving anywhere in the world.

The following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

Emergency medical, personal accident, repatriation and travel assistance

These policies offer insurance cover for emergency medical, personal accident, repatriation and travel assistance anywhere in the world. As such the claim costs of the insured accident vary depending on the severity of the accident, its location and the quality, extent and tariffs of the medical facilities in the accident location.

6. Insurance and financial risk management (continued)

6.1 Insurance risk management (continued)

6.1.4 Terms and conditions of insurance contracts (continued)

Civil and professional liability

These policies are occurrence-based wordings. Therefore, the Company is liable to all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract terms. These liability claims also take longer to develop than claims submitted under the Company's Accident programme and as a result, the estimation of claims incurred but not reported and claims incurred but not enough reported is generally subject to a greater degree of uncertainty.

Legal defence

These policies offer legal defence benefits when diving anywhere in the world. As a result, the claim costs of the insured accident vary.

The Company manages these risks by implementing its underwriting and claims management strategy developed after having obtained and considered expert advice approved by the Board. The skills available to the Company to manage the insurance and claims issues arising from the insured accidents have been built up over many years.

6.2 Financial risk

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 Company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. These comprise mainly market risk, credit risk, and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Company manages these risks.

Where possible, the Company aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the Notes to the Financial Statements.

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Cash and cash equivalents
- Reinsurer's share of technical provisions
- Insurance and other receivables
- Loans and receivables
- Available-for-sale investments (debt instruments)

The Company cedes insurance risk to limit exposure to underwriting losses under various agreements. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes. The Company manages its credit risk arising through its reinsurance arrangements by using "A" rated reinsurers or reinsurers that are part of an "A" rated group.

When selecting a reinsurer, the Company considers their relative security. The security of the reinsurer is assessed from public rating information and from internal investigations.

The Company is exposed to contract holders and insurance intermediaries for insurance premium due. Insurance receivables are presented net of any allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to insurance receivables is limited as insurance receivables are due from related parties.

The Company's investments are managed through an investment committee which operates within investment parameters set and approved by the Board of Directors. The procedures consider a recommended portfolio structure, asset and counterparty limits as well as currency restrictions.

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

Credit risk (continued)

The total financial assets bearing credit risk are the following:

	2020 EUR	2019 EUR
Reinsurer's share of technical provisions	**2,307,894**	2,873,367
Insurance and other receivables	**3,579,768**	2,633,264
Cash and cash equivalents	**1,549,530**	1,150,836
Loans and receivables	**600,000**	1,389,930
Available-for-sale investments (debt instruments)	**4,323,814**	4,353,427
	12,361,006	12,400,824

The carrying amounts disclosed above represent the maximum exposure to credit risk.

Credit risk in respect of insurance and other receivables is not deemed to be significant as balances are largely due from the parent company, other related parties and the reinsurer.

The Company's cash and cash equivalents as well as term deposits classified as loans and receivables are placed with quality financial institutions.

The table below shows the credit rating and balance of the Company's cash and cash equivalents at the end of the reporting period:

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

Credit risk (continued)

Rating	Credit agency	2020 EUR	2019 EUR
AAA	Standard & Poor	**229,566**	229,761
A1	Standard & Poor	**-**	137,442
BBB+	Standard & Poor	**122,842**	-
BBB	Standard & Poor	**746,333**	783,633
BBB-	Standard & Poor	**450,789**	-
		1,549,530	1,150,836

The loans and receivables were held with institutions for which no rating was available.

The credit rating of the Company's reinsurers based on rating attributed by Standard and Poor's or equivalent are equal to or higher than "A".

Available-for-sale investments comprise locally and foreign quoted bonds, locally and foreign quoted equities as well as an exchange traded fund. Quoted investments are acquired after assessing the quality of the relevant investments. The table below shows the credit rating and balance of the Company's investment in locally and foreign quoted bonds classified as available-for-sale investments at the end of the reporting period using the Standard & Poor's credit rating symbols.

Rating	2020 EUR	2019 EUR
A-	**-**	184,988
BBB+	**1,360,673**	810,800
BBB	**1,000,765**	805,634
BBB-	**686,851**	1,035,731
BB+	**-**	263,976
BB	**167,897**	-
BB-	**26,154**	-
B	**46,363**	51,802
B+	**25,468**	51,696
B-	**23,758**	43,827
No rating	**985,885**	1,104,973
	4,323,814	4,353,427

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

Currency risk

Foreign currency transactions arise when the Company acquires or disposes of financial instruments denominated in a foreign currency. Foreign currency transactions comprise mainly transactions in USD, GBP and CHF.

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.

The following table sets out the Company's total exposure to foreign currency risk:

	2020		2019	
	AFS EUR	Cash EUR	AFS EUR	Cash EUR
GBP	89,802	718	127,038	76,441
USD	339,250	1,300	412,382	3,403
CHF	-	18,572	-	252,619
	429,052	20,590	539,420	332,463

Should exchange rates at the Statement of Financial Position date differ by +/- 10%, as a result of a change in interest rates, with all other variables held constant, the impact in 2020 on the Company's pre-tax profit would be +/-EUR 2,059 (2019: +/- EUR 33,246) and +/-EUR 42,905 (2019: +/- EUR 53,942) on the Company's other comprehensive income.

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

Interest rate risk

The effective interest rate on available-for-sale investments and loans and receivables is disclosed in note 14.

The Company is exposed to cash flow interest rate risk on debt instruments carrying a floating interest rate and to fair value interest rate risk on debt instruments carrying a fixed interest rate. Investments in equity instruments are not exposed to interest rate risk. Approximately, 92% (2019: 97%) of the Company's debt instruments and cash and cash equivalents bear fixed interest rates.

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing structure and by maintaining an appropriate mix between fixed and floating rate borrowings.

The carrying amounts of the Company's financial instruments carrying a rate of interest at the end of the reporting period are disclosed in the Notes to the Financial Statements.

Should market prices of debt instruments at the end of the reporting period increase/decrease by 10% as a result of a change in interest rates, with all other variables held constant, the impact on the Company's other comprehensive income would be +/- EUR 432,381 in 2020 (2019: +/- EUR 435,343).

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

Liquidity risk

The Company has to meet daily calls on its cash resources, notably from claims arising on its insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due. The Company manages this risk by adhering to its investment policy ensuring that an adequate amount of funds is invested in highly liquid investments.

	Within 1 year EUR	Between 1-5 years EUR	Over 5 years EUR	Total EUR
Year ended 31 December 2020				
Assets held at fixed rates				
Cash and cash equivalents	1,549,530	-	-	1,549,530
Available-for-sale investments	112,500	661,151	3,550,163	4,323,814
Loans and receivables	600,000	-	-	600,000
Total interest bearing assets	**2,262,030**	**661,151**	**3,550,163**	**6,473,344**

	Within 1 year EUR	Between 1-5 years EUR	Over 5 years EUR	Total EUR
Year ended 31 December 2019				
Assets held at fixed rates				
Cash and cash equivalents	1,150,836	-	-	1,150,836
Available-for-sale investments	176,480	572,237	3,604,710	4,353,427
Loans and receivables	1,389,930	-	-	1,389,930
Total interest bearing assets	**2,717,246**	**572,237**	**3,604,710**	**6,894,193**

Price Risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices whether caused by factors specific to an individual investment, its issuer or all other factors affecting all instruments traded in the market.

The Company's equity and exchange traded funds are susceptible to price risk arising from uncertainties about future prices of the instruments. All the Company's financial instruments are carried at fair value with fair value changes recognised in the other comprehensive income.

Should market prices at the end of the reporting period increase/decrease by 10%, with all other variables held constant, the impact on the Company's other comprehensive income would be +/- EUR 40,291 in 2020 (2019: +/- EUR 72,841).

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

Capital risk management

The Company's objectives when managing capital are:

- To comply with the obligations to maintain positive solvency position based on the regulatory requirements of the insurance market where the Company operates;
- 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.

The Company's Directors manage the Company's capital structure and make adjustments to it, in the light of changes in economic conditions. The capital requirement of the Company is maintained in accordance with regulatory solvency and capital requirements of the insurance market in which it operates.

The Company is financed by shareholders' total equity. The capital structure is reviewed on an ongoing basis. Based on recommendations of the Directors, the Company balances its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt.

The Directors were actively involved in the implementation of the Solvency II regulations, which are also highly embedded in the Company's operations. Regular monitoring of the Solvency Capital Requirement ('SCR') and the Minimum Capital Requirement ('MCR') is considered crucial. To this effect, a Capital Management Policy, outlining the main drivers of the SCR, was put in place to address the procedures and controls in this regard. In the case of any identified breaches with the SCR and MCR, the Directors have put in place a capital plan aimed at ensuring that the Company will restore its level of own funds to one which covers both the SCR and MCR.

7. Investment income and charges

	2020 EUR	2019 EUR
Investment gains		
Interest income on bank deposits	**12,727**	-
Interest income on financial assets	**88,865**	255,919
Realised loss on sale of investments	**(33,518)**	(48,749)
Exchange (loss) / gain	**(60,449)**	40,404
	7,625	247,574
Analysed between:		
Allocated investment return transferred to the general business technical account	**971**	126,520
Investment return included in the non-technical account	**6,654**	121,054
	7,625	247,574

8. Net operating expenses

	2020 EUR	2019 EUR
Acquisition costs	**546,120**	1,144,481
Change in deferred acquisition costs	**112,926**	(624)
Amortisation	**105,128**	207,058
Staff Costs	**304,460**	426,422
Directors' fees and remuneration	**153,233**	288,261
Other administrative expenses	**1,063,985**	1,760,216
Reinsurance commission	**(247,881)**	(671,404)
Reinsurance inwards commission	**16,604**	45,938
Interest expense	**97,976**	-
Recharges to a related party	**(260,795)**	(346,431)
	1,891,756	2,853,917
Allocated to:		
Technical account	**1,509,041**	2,363,820
Non-technical account	**382,715**	490,097
	1,891,756	2,853,917

Acquisition costs are made up of commission payable for the year.

8. Net operating expenses (continued)

Recharges to a related party mostly consist of recharges to fellow subsidiary of the Company's parent for the annual license costs of the new software being used by the respective related party.

The staff costs are broken down as follows:

	2020 EUR	2019 EUR
Wages and salaries	**201,520**	304,093
Social security costs	**37,894**	26,064
	239,414	330,157
Recharged by related parties	**65,046**	96,265
	304,460	426,422

The average number of employees during the year was 8 (2019 – 9), made up as follows:

	2020 No.	2019 No.
Accounts and administration	**2**	3
Insurance business	**6**	6
	8	9

9. Key management personnel compensation

	2020 EUR	2019 EUR
Directors' fees	**67,425**	64,270
Directors' emolument	**85,808**	223,991
	153,233	288,261

10. (Loss) / profit before tax

	2020 EUR	2019 EUR
This is stated after charging:		
Depreciation	**439**	659
Amortisation	**105,128**	207,058
Amounts payable to the auditors for:		
- the audit of the Company's financial statements	**29,500**	22,000
- other assurance services	**20,650**	19,250
- tax services	**6,139**	9,208
- the audit of the returns of the Company's Swiss branch	**32,786**	96,210

11. Income tax (credit) / expense

	2020 EUR	2019 EUR
Current tax (credit) / expense	**(121,189)**	243,434
Deferred tax credit	**(70,404)**	-
Income tax (credit) / expense	**(191,593)**	243,434

The income tax (credit) / expense for the year is reconciled to the tax charge of the applicable income tax rate of 35% as follows:

	2020 EUR	2019 EUR
(Loss) / Profit before tax	**(248,381)**	738,101
Tax at the applicable rate of 35%	**(86,933)**	258,335
Tax effect of:		
Notional Interest Deduction	**(121,189)**	-
Other differences	**-**	(14,901)
Disallowed depreciation and amortisation	**36,948**	-
Utilisation of trading losses for the year	**49,985**	-
Deferred tax movement from trading losses	**(70,404)**	-
Income tax (credit) / expense	**(191,593)**	243,434

12. Intangible assets

	Computer software EUR
Cost	
At 30.06.2018	1,030,140
Disposals	(92,713)
At 31.12.2019	937,427
Cost	
At 1.1.2020	937,427
Disposals	(937,427)
At 31.12.2020	-
Accumulated depreciation	
At 30.06.2018	257,535
Provision for the period	207,058
At 31.12.2019	464,593
Accumulated depreciation	
At 1.1.2020	464,593
Provision for the period	105,128
Disposals	(569,721)
At 31.12.2020	-
Carrying amount	
At 31.12.2019	472,834
At 31.12.2020	-

The useful life of the intangible asset is assessed to be five (5) years.

The intangible asset was disposed during the year at net book value to the parent.

13. Plant and equipment

	Computer equipment EUR
Cost	
At 30.06.2018	1,758
Additions	-
At 31.12.2019	**1,758**
Cost	
At 1.1.2020	1,758
Additions	-
At 31.12.2020	**1,758**
Accumulated depreciation	
At 30.06.2018	440
Provision for the period	659
At 31.12.2019	**1,099**
Accumulated depreciation	
At 1.1.2020	1,099
Provision for the period	439
At 31.12.2020	**1,538**
Carrying amount	
At 31.12.2019	659
At 31.12.2020	**220**

14. Financial assets

Available-for-sale investments

	Foreign listed -debt EUR	Local listed -debt EUR	Foreign listed -equity EUR	Local listed -equity EUR	Foreign exchange traded fund EUR	Total
Fair value						
At 31.12.2019	3,621,590	731,837	409,946	39,170	279,291	5,081,834
At 31.12.2020	**4,041,103**	**282,711**	**284,577**	**29,976**	**88,352**	**4,726,719**

These financial assets represent investments in foreign listed and local listed securities which present the Company with opportunity for return through dividend or interest income and capital appreciation. Financial assets earn a weighted average interest rate of 2.06% (2019: 5.19%) per annum.

No further impairment was recognised during the year following a court ruling that the full capital amount plus expenses is to be settled. The provision as at 31 December 2020 amounts to EUR 37,500 (2019: EUR 37,500).

Loans and receivables

	2020 EUR	2019 EUR
Term deposits at bank	**600,000**	1,389,930

Any term deposits held at banks with a maturity period greater than 3 months are classified as loans and receivables, others are classified with cash and cash equivalents in note 16. Term deposits earn a weighted average interest rate of 1.0% (2019: 1.0%) per annum.

15. Insurance and other receivables

	2020 EUR	2019 EUR
Receivables arising from insurance:		
- due from parent	**1,811,506**	754,277
- due from other related parties	**431,216**	796,747
- due from reinsurers	**1,149,460**	932,261
- deferred acquisition costs	**260,984**	373,910
	3,653,166	2,857,195
Other receivables:		
- prepayments and accrued income	**131,484**	87,912
- others	**56,102**	62,067
Total receivables	**3,840,752**	3,007,174

No interest is due on the above receivables. The terms and conditions of the amounts owed by related parties are disclosed in note 21. The receivable due from the parent was discounted to its present value, with EUR97,976 being recognised in the profit and loss account in the current year.

16. Cash and cash equivalents

Cash and cash equivalents included in the Statement of Cash Flows comprise the following Statement of Financial Position amounts:

	2020 EUR	2019 EUR
Cash at bank and in hand	**849,524**	750,836
Term deposits at banks	**700,006**	400,000
	1,549,530	1,150,836
Bank overdraft	**(354,679)**	(150,000)
	1,194,851	1,000,836

Term deposits are short-term and earn a weighted average interest rate of 1.98% (2019: 1.98%) per annum. The bank overdraft is charged interest at a rate of 4.65% (2019: 4.65%).

A term deposit of EUR 400,000 (2019: EUR 400,000) is pledged against the bank overdraft.

17. Insurance liabilities and reinsurance assets

	2020 Gross EUR	2020 Reinsurers' share EUR	2020 Net EUR	2019 Gross EUR	2019 Reinsurers' share EUR	2019 Net EUR
General business						
Provision for unearned premiums	**2,087,874**	**(651,644)**	**1,436,230**	2,991,281	(1,024,709)	1,966,572
Provision for claims outstanding	**3,331,586**	**(1,656,250)**	**1,675,336**	3,608,144	(1,848,658)	1,759,486
Claims handling reserve	**40,000**	**-**	**40,000**	40,000	-	40,000
Total insurance contract provisions	**5,459,460**	**(2,307,894)**	**3,151,566**	6,639,425	(2,873,367)	3,766,058
Provision for unearned premiums						
Balance at 1 January	**2,991,281**	**(1,024,709)**	**1,966,572**	2,986,283	(1,063,990)	1,922,293
Premiums written	**4,308,126**	**(2,091,705)**	**2,216,421**	9,084,351	(4,398,703)	4,685,647
Less: premiums earned	**(5,211,533)**	**2,464,770**	**(2,746,763)**	(9,079,353)	4,437,984	(4,641,368)
At end of year	**2,087,874**	**(651,644)**	**1,436,230**	2,991,281	(1,024,709)	1,966,572

Technical provisions are considered to be current in nature. The technical provisions are based on case by case estimates supplemented with additional provisions for incurred but not reported reserves ('IBNR') in those instances where the ultimate cost determined by the estimation techniques is higher. The process used to calculate the 'ultimate cost' is described in note 4.1. The presence of claims which have been incurred but not reported is inherently uncertain, as is the outcome of claims notified and outstanding. Accordingly, the Directors have made estimates of the Company's ultimate liabilities based on their knowledge and understanding of the business. The ultimate liability will vary as a result of subsequent events and may result in significant adjustments to the amounts recognised. A key variable in the estimation methodology applied is the initial loss ratio estimate. A movement of 1% of the existing ratio would affect the technical provisions by approximately EUR 20,956 (2019: EUR 45,000).

Claims development

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Company. The tables compare the gross claims paid on an underwriting year with the provisions established for these claims. An underwriting year represents a calendar year. The table provides a review of current estimates of cumulative gross claims and demonstrates how the estimated claims have changed at subsequent reporting or underwriting year ends. The estimate is increased or decreased as losses are paid and more information becomes known with the development of unpaid claims. Although the amounts provided reflect the managements' best estimate of the total claims outstanding, the Company's total outlay in relation to such claims becomes final on payment. The reserves included in the table below do not include reserves for IBNR and IBNER which amounted to EUR 520,978 (2019: EUR 614,017) as at period ended 31 December 2020. Since the claims progression table includes developments on an underwriting year basis, the movement in 2019 includes developments relating to premium earned in 2020.

17. Insurance liabilities and reinsurance assets (continued)

Estimate of the ultimate Gross claims costs:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
At end of year one	2,190,501	1,579,040	1,273,005	1,476,147	1,858,986	1,640,050	1,757,478	1,383,527	1,684,127	1,559,627	450,151	1,431,347	744,244	19,028,230
At end of year two	3,122,355	2,228,280	2,242,954	2,315,563	3,238,279	3,125,321	2,841,596	2,077,314	2,634,194	2,390,539	2,086,040	2,287,577		30,590,012
At end of year three	3,099,386	2,504,511	2,178,236	2,227,919	3,538,314	4,587,849	2,763,888	1,906,313	2,705,975	2,750,311	2,094,999			30,357,701
At end of year four	2,647,895	2,536,187	2,594,581	2,172,803	3,999,584	4,471,634	2,675,200	1,936,636	2,537,492	2,675,158				28,247,170
At end of year five	2,602,800	2,814,825	2,977,554	2,153,973	5,460,946	4,387,212	2,686,664	2,004,837	2,580,579					27,669,390
At end of year six	2,632,193	2,892,170	2,986,401	2,128,096	5,562,921	4,389,199	2,541,725	2,152,970						25,285,675
At end of year seven	2,664,286	2,800,078	2,899,208	2,154,108	5,613,132	4,187,000	2,640,631							22,958,443
At end of year eight	2,603,113	2,798,878	2,873,680	2,155,906	5,581,840	4,675,200								20,688,617
At end of year nine	2,237,839	2,797,620	2,873,680	2,189,967	5,584,367									15,683,473
At end of year ten	2,261,610	2,792,620	2,873,680	2,174,997										10,102,907
At end of year eleven	2,263,192	2,792,620	2,873,680											7,929,492
At end of year twelve	2,264,136	2,773,108												5,037,244
At the end of year thirteen	2,262,136													2,262,136
Current estimate of cumulative claims:	**2,262,136**	**2,773,108**	**2,873,680**	**2,174,997**	**5,584,367**	**4,675,200**	**2,640,631**	**2,152,970**	**2,580,579**	**2,675,158**	**2,094,999**	**2,287,577**	**744,244**	**35,519,646**
Current payment to date	(2,262,136)	(2,773,108)	(2,873,680)	(2,167,354)	(5,535,826)	(3,119,108)	(2,507,922)	(1,988,469)	(2,528,446)	(2,529,643)	(1,988,198)	(1,923,829)	(511,289)	(32,709,038)
IBNR and IBNER														520,978
Liability recognised in the statement of financial position	**-**	**-**	**-**	**7,613**	**48,541**	**1,556,092**	**132,709**	**164,501**	**52,133**	**145,515**	**106,801**	**363,748**	**232,955**	**3,331,586**

18. Insurance and other payables

	2020 EUR	2019 EUR
Payables arising out of insurance operations	**466,985**	356,812
Other payables and accrued expenses	**349,870**	256,071
Taxation	**147,587**	268,776
	964,442	881,659

All trade and other payables are classified as current. No interest is due on the above balances.

The terms and conditions of the amounts owed to related parties are disclosed in note 21.

The balance was unsecured, interest-free and repayable on demand.

19. Deferred taxation

	2019 EUR	Movement for the year EUR	2020 EUR
Arising on:			
Temporary differences			
Accelerated tax depreciation	(1,405)	11,349	9,934
Asset write-off	13,125	-	13,125
Unabsorbed capital allowances	-	9,071	9,071
Unabsorbed tax losses	-	49,984	49,984
Revaluation on available-for-sale investments (through other comprehensive income)	10,760	(23,861)	(13,101)
Total	**22,480**	**46,543**	**69,023**

20. Share capital and reserves

20.1 Authorised share capital

	2020 No.	2019 No.
Authorised at beginning and end of year	**6,000,000**	6,000,000

At 31 December 2020, the authorised share capital comprised 6,000,000 ordinary shares; all shares have a par value of EUR 1 each.

20. Share capital and reserves (continued)

20.2 Issued share capital

	2020	2019
Issued and fully paid	**EUR**	EUR
At beginning of year:		
Ordinary shares of €1 each	**5,850,000**	5,500,000
Issued during the year:		
Ordinary shares of €1 each	-	350,000
	5,850,000	5,850,000

At 31 December 2020, the issued share capital comprised 5,850,000 ordinary shares; all shares have a par value of EUR 1 each.

20.3 Revaluation reserve

Revaluation reserve represent fair value movements on financial assets at available-for-sale investments, net of tax, which are recognised in other comprehensive income.

21. Related party disclosures

The Company is a subsidiary of the Dan Europe Foundation (the 'Parent') which holds 99% of the ordinary shares of the Company. The registered address of the Foundation is 26, Fidiel Zarb Street, Gharghur, Malta.

During the course of the year, the Company entered into transactions with related parties as set out below.

On 1 July 2019, the Company disposed computer software to a related party for a consideration of EUR 100,000. The gain on disposal amounting to EUR 7,287 is recognised in 'Other income' in the Statement of Comprehensive Income. During 2020, the Company disposed of intangible assets to the parent for a consideration equal to their net book value of EUR 367,706.

All the Company's insurance business is transacted through a licensed broker, which is also a related party, by virtue of common ownership. The transactions with the broker are included with 'other related parties', defined below.

The related party transactions in question were:

	2020			2019		
	Related party activity EUR	**Total activity EUR**	**%**	Related party activity EUR	Total activity EUR	%
Other operating income						
Related party transactions with:						
- Other related parties	**260,795**	**263,794**	**99**	346,431	346,431	100
Acquisition costs						
Related party transactions with:						
- Other related parties	**540,922**	**546,120**	**99**	1,142,911	1,144,481	99
Administrative expenses:						
Related party transactions with:						
- Parent company and other related parties	**364,905**	**1,063,985**	**34**	761,885	2,221,486	34

'Other related parties' consist of related parties other than the parent, entities that are controlled or jointly controlled by, directly or indirectly, key management personnel of the Company.

The amounts due from/to related parties at year end are disclosed in notes 15 and 18. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received. The amounts were unsecured and interest-free. The amounts due from the parent include balances which are expected to be extinguished through structured cash settlements over a period of six years.

22. Fair values of financial assets and financial liabilities

At 2020 and 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

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.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value are not materially different from their carrying amounts.

The following table analyses within the fair value hierarchy the Company's financial assets and financial liabilities measured at fair value at 31 December 2020 and 31 December 2019.

	Level 1 EUR	**Level 2 EUR**	**Level 3 EUR**	**Total EUR**
31 December 2020				
Debt	**4,211,314**	**-**	**112,500**	**4,323,814**
Equity	**314,553**	**-**	**-**	**314,553**
Exchange traded fund	**88,352**	**-**	**-**	**88,352**
Total	**4,614,219**	**-**	**112,500**	**4,726,719**

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
31 December 2019				
Debt	4,240,927	-	112,500	4,353,427
Equity	449,116	-	-	449,116
Exchange traded fund	279,291	-	-	279,291
Total	4,969,334	-	112,500	5,081,834

22. Fair values of financial assets and financial liabilities (continued)

The following table shows a reconciliation of the assets included within Level 3 of the fair value hierarchy:

	Available-for-sale investments	Total
	EUR	EUR
Balance at 1 January 2020	112,500	112,500
Transfer from Level 2 to Level 3	-	-
Balance at 31 December 2020	**112,500**	**112,500**

The following table below includes further information about the company's Level 3 fair value management:

	Significant unobservable input	**Narrative sensitivity**	**Quantitative sensitivity**
	EUR	**EUR**	**EUR**
2020			
Non-Local unquoted bond instruments	Provision for impairment on the carrying amount of the investment	The higher the impairment on the carrying amount, the lower in fair value	A 5% increase /decrease would increase /decrease fair value by EUR 7,500 (2019 – EUR 7,500)

23. Subsequent events

The Company has the intent to purchase VING Insurance Brokers Ltd ("VING") from is parent company being DAN Europe Foundation ("DAN") by mid-year of 2021, for which it has already obtained the "no objection" from the MFSA and such acquisition has also been approved by the Board of Directors of the Company. It shall also be noted that the consideration for the acquisition of VING is expected to be at EUR 1 Million and shall be set off against receivables that the Company currently hold from its parent company DAN.

24. COVID-19 impact

The spread of COVID-19 has severely impacted many local economies around the globe throughout the year. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to the diving community.

The COVID-19 pandemic has resulted in a reduction in premiums written by the Company which were mostly limited to the months in which all diving activities were suspended. The Directors expect that the reduction in written premiums would be rectified as soon an adequate number of people/countries become immune to the virus, which is expected to be achieved by use of the vaccine. Clients will renew their policies as soon as diving and travelling activities can be carried out with more ease. As at the date of this report, the Company has not incurred significant claims (medical expenses) arising from COVID-19. The policies written by the company have now been updated to exclude Pandemic Diseases, prior to this such claims were being covered subject that the insured travelled abroad before the Governments issued travel warnings. Such cases have been noted as minimal; moreover, it has been noted that the claims incurred from the impacted period reduced due to the restriction in diving activities.

The Directors therefore consider that whilst the Company's profitability has been impacted during 2020 and is expected to be impacted during 2021; when combined with the Company's overall liquidity and solvency position, the Company continues to be a going concern.

Deloitte.

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Company Ref No: C51312
VAT Reg No: MT2013 6121
Exemption number: EXO2155

Independent auditor's report

to the members of
IDA Insurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IDA Insurance Limited (the Company), set out on pages 7 to 51, which comprise the statement of financial position as at 31 December 2020, and 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 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386) and the Insurance Business Act (Cap. 403).

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 *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. 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 have not provided any of the non-audit services prohibited by article 18A(1) of the Accountancy Profession Act (Cap. 281).

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 year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matter described below was 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 this matter.

<u>Provision for claims outstanding</u>

The Company's provision for claims outstanding comprises notified claims as well as an estimate in respect of claims incurred but not reported ("IBNR") and incurred but not enough reported reserves ("IBNER") at the end of the financial year. These reserves are material to the Company and account for 49% of total liabilities. Estimating the provision for claims is an inherently complex area, based on historical data adjusted for current developments and likely developments, and requires a significant amount of judgement.

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Independent auditor's report (continued)

to the members of
IDA Insurance Limited

Key Audit Matters (continued)
Provision for claims outstanding (continued)
Our audit approach included:

- Testing the design and implementation of key controls over the Company's reserving process;
- Reviewing a selection of claims outstanding to determine the reasonableness of assumptions made and consistency in the methodology used;
- Making an assessment of the Company's actuary's competence, capabilities and objectivity;
- Testing the completeness and accuracy of the data provided to the actuary for the purpose of determining the technical provisions;
- Reviewing and challenging the reasonableness of the assumptions and methodologies adopted by the Company's actuary for the IBNR and IBNER reserves, with the involvement of our internal actuarial specialists;
- Analysing the loss ratios and claims development by class of business;
- Assessing the adequacy of disclosures made in the financial statements in relation to the provision for claims outstanding.

The Company's disclosures about the provision for claims outstanding reserves are disclosed in notes 4, 6 and 17 to the financial statements.

Information Other than the Financial Statements and the Auditor's Report Thereon
The Directors are responsible for the other information. The other information comprises the Company Information on page 2, and the Directors' Report including the statement of Directors' responsibilities on pages 3 to 6, but does not include the financial statements and our auditor's report thereon.

Except for our opinion on the Directors' Report in accordance with the Companies Act (Cap. 386), our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386).

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on pages 3 to 6, in our opinion, based on the work undertaken in the course of the audit:

- 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 applicable legal requirements.

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Independent auditor's report (continued)

to the members of
IDA Insurance Limited

Information Other than the Financial Statements and the Auditor's Report Thereon (continued)
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities of the Directors for the Financial Statements
As explained more fully in the Statement of Directors' responsibilities on page 6, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Companies Act (Cap. 386), and the Insurance Business Act (Cap. 403), 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 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
This report, including the opinions set out herein, has been prepared for the Company's members as a body in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386).

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 opinions in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386). 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.

In terms of article 179A(4) of the Companies Act (Cap. 386), the scope of our audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the Directors have conducted or will conduct the affairs of the Company. The financial position of the Company may improve, deteriorate, or otherwise be subject to change as a consequence of decisions taken, or to be taken, by the management thereof, or may be impacted by events occurring after the date of this opinion, including, but not limited to, events of force majeure.

As such, our audit report on the Company's historical financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions, with respect to the future financial health and viability of the Company, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Company. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Company and to identify any facts or circumstances that may be materially relevant thereto.

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Independent auditor's report (continued)

to the members of
IDA Insurance Limited

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. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Company's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Company'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.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Company, including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of these financial statements alone and must necessarily be based on a broader analysis supported by additional information.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 benefits of such communication.

Deloitte.

Independent auditor's report (continued)

to the members of
IDA Insurance Limited

Report on Other Legal and Regulatory Requirements

Matters on which we are required to report by exception under the Companies Act
Under the Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

- Proper accounting records have not been kept;
- Proper 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; or
- We have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

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

Auditor tenure
We were first appointed to act as statutory auditor of the Company, following the Company being licensed to act as a general business insurer on 24 October 2007, by the members of the Company on 20 January 2009 for the financial year ended 30 June 2009, and were subsequently reappointed as statutory auditors by the members of the Company on an annual basis. The period of total uninterrupted engagement as statutory auditor since the Company became a public interest entity including previous reappointments of the firm covers financial periods totalling 11 years and 6 months.

Consistency of the audit report with the additional report to the Board of Directors
Our audit opinion is consistent with the additional report to the Board of Directors in accordance with the provisions of Article 11 of EU Regulation No. 537/2014.

Mark Giorgio as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Birkirkara, Malta.

6 April 2021