IDA Insurance Limited

Annual Report and Financial Statements

30 June 2018

Company Registration Number: C 36602

Contents

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:	Ms. Stephanie Cassar	
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 Mriehel Bypass Mriehel Malta	
Bankers:	Bank of Valletta p.l.c. Naxxar Road San Gwann Malta Credit Suisse Via Canova 15 6901 Lugano Switzerland	Zurcher Kantonalbank Bahnhofstrasse 9 Zurich Switzerland
Legal advisor:	GANADO Advocates 171, Old Bakery Street Valletta Malta	

The Directors present the annual report and the audited financial statements of IDA Insurance Limited (the "Company") for the year ended 30 June 2018.

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 year under review, the Company registered a loss after tax amounting to EUR123,997 (2017: loss of EUR238,630).

Direct premiums written by the Company have increased marginally by EUR86,554 to EUR5,675,398 (2017: EUR5,588,844). Reinsurance acceptance business has decreased marginally by EUR7,371 to EUR268,527 (2017: EUR275,898).

Claims performance improved with claims incurred net of reinsurance amounting to EUR1,169,165 compared to EUR1,547,369 in 2017 .

The Company's net investment income decreased to EUR119,535 (2017: EUR214,087). Operating expenses increased by 19.85% from prior year. Such increase is largely attributed to the annual amortisation of the intangible asset which was acquired at the beginning of the year.

The shareholders' funds of the Company stood at EUR5,461,574 (2017: EUR5,709,477). The decrease in shareholders' funds is mainly attributable to the factors as explained above.

The Company monitors its capital level on a regular basis. The Company complied with the capital requirements during the years ended 2018 and 2017. No changes were made in the Company's approach to capital management during the year ended 30 June 2018.

Going forward, the Company is expected to continue meeting the Solvency II regulatory capital requirements based on the latest audited SCR calculations as at 30 June 2018 and those resulting from the 2018 Own Risk and Solvency Assessment.

Result and dividends

The result for the year ended 30 June 2018 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 2018 and 2017. The Directors do not recommend the payment of a final dividend.

Post-balance sheet events

As at the date of this report there have been no material events occurring after year end that require disclosure.

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. In line with this, 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).

Solvency II

As of 1st January 2016, the Solvency II Directive (2009/138/EC) came into force with new regulatory requirements that ascertain the level of the required regulatory capital requirement on the basis of the risks the Company is currently undertaking, in terms of the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) and the applicable Insurance Rules issued under the Insurance Business Act by the Malta Financial Services Authority. Solvency II also outlines how the own funds shall be derived by converting the Statement of Financial Position from an International Financial Reporting Standards (IFRS) perspective to one where assets and liabilities are measured in line with their underlying economic value. As of this date, the solvency calculations under the Solvency I regime are no longer applicable.

The Directors were actively involved in the implementation of the Solvency II legislation and these are deeply embedded in the Company's operations. Regular monitoring of the Solvency Capital Requirement (SCR) and Minimum Capital Requirements is considered crucial and a Capital Management Policy is in place to address the procedures and controls in this regard. This policy outlines the main drivers of the SCR.

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

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 22 October 2018 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
Year ended 30 June 2018

	Notes	2018 EUR	2017 EUR
Earned premiums, net of reinsurance			
Gross premiums written		**5,675,398**	5,588,844
Outward reinsurance premiums		**(2,985,793)**	(2,953,161)
Inward reinsurance premium		**268,527**	275,898
Net premiums written		**2,958,132**	2,911,581
Change in gross provision for unearned premiums		**(57,077)**	(244,526)
Change in provision for unearned premiums, Reinsurer's share		**21,191**	(47,371)
		(35,886)	(291,897)
Earned premiums net of reinsurance		**2,922,246**	2,619,684
Profit commission		**176,654**	85,374
Allocated investment return transferred from the non-technical account	7	**68,646**	121,455
Total technical income		**3,167,546**	2,826,513
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		**2,122,936**	4,478,803
- Reinsurer's share		**(996,751)**	(2,600,578)
		1,126,185	1,878,225
Change in the provision for claims			
- Gross amount		**1,254**	(830,137)
- Reinsurer's share		**41,726**	499,281
		42,980	(330,856)
Claims incurred, net of reinsurance		**1,169,165**	1,547,369
Net operating expenses	8	**1,669,751**	1,421,255
Total technical charges		**2,838,916**	2,968,624
Balance on the technical account for general business (page 8)		**328,630**	(142,111)

The accounting policies and explanatory notes on pages 12 to 46 form an integral part of the financial statements.

IDA Insurance Limited
Statement of Profit or Loss and Other Comprehensive Income – Non-Technical Account
Year ended 30 June 2018

	Notes	**2018 EUR**	2017 EUR
Balance on technical account for general business (page 7)		**328,630**	(142,111)
Investment income	7	**219,915**	237,824
Investment expenses and charges	7	**(100,380)**	(23,737)
Allocated investment return transferred to the general business technical account	7	**(68,646)**	(121,455)
Net operating expenses	8	**(327,078)**	(317,646)
Profit/(loss) before tax		**52,441**	(367,125)
Income tax (expense)/credit	11	**(176,438)**	128,495
Loss for the year		**(123,997)**	(238,630)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
(Loss)/gain on available-for-sale financial assets, net of deferred tax		**(123,906)**	24,323
Total comprehensive loss for the year attributable to ordinary shareholders		**(247,903)**	(214,307)

The accounting policies and explanatory notes on pages 12 to 48 form an integral part of the financial statements.

IDA Insurance Limited

Statement of Financial Position

30 June 2018

	Notes	2018 EUR	2017 EUR
Assets			
Intangible assets	12	772,605	-
Plant and equipment	13	1,318	-
Deferred tax asset	19	34,214	116,338
Available-for-sale investments	14	4,208,262	3,520,014
Loans and receivables	14	1,990,000	1,811,378
Reinsurers share of technical provisions	17	3,265,990	3,286,525
Insurance and other receivables	15	1,887,505	3,221,704
Cash and cash equivalents	16	1,187,621	1,618,422
Total assets		13,347,515	13,574,381
Equity and liabilities			
Equity			
Share capital	20	5,500,000	5,500,000
Revaluation reserve		(41,774)	82,132
Retained earnings		3,348	127,345
Total equity		5,461,574	5,709,477
Liabilities			
Technical provisions	17	7,429,278	7,370,947
Insurance payables	18	110,751	103,792
Other payables and accrued expenses	18	275,617	225,349
Bank overdraft	16	42,192	70,526
Taxation		28,103	94,290
Total liabilities		7,885,941	7,864,904
Total equity and liabilities		13,347,515	13,574,381

The accounting policies and explanatory notes on pages 12 to 46 form an integral part of the financial statements.

The financial statements on pages 7 to 46 were approved by the Board of Directors, authorised for issue on 22 October 2018 and signed on its behalf by:

Dr. Ramiro Cali-Corleo
Managing Director

Dr. Alessandro Marroni
Director

IDA Insurance Limited
Statement of Changes in Equity
Year ended 30 June 2018

	Share capital EUR	Revaluation reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 July 2016	5,500,000	57,809	365,975	5,923,784
Loss for the year	-	-	(238,630)	(238,630)
Other comprehensive income for the year	-	24,323	-	24,323
Total comprehensive income/ (loss) for the year	-	24,323	(238,630)	(214,307)
Balance at 1 July 2017	5,500,000	82,132	127,345	5,709,477
Loss for the year	-	-	(123,997)	(123,997)
Other comprehensive loss for the year	-	(123,906)	-	(123,906)
Total comprehensive loss for the year	-	(123,906)	(123,997)	(247,903)
Balance at 30 June 2018	**5,500,000**	**(41,774)**	**3,348**	**5,461,574**

The accounting policies and explanatory notes on pages 12 to 46 form an integral part of the financial statements.

IDA Insurance Limited
Statement of Cash Flows
30 June 2018

	2018 EUR	2017 EUR
Cash flows from/(used in) operating activities		
Profit/(loss) before tax	52,441	(367,125)
Adjustments for:		
Gains on disposal of investments	(66,844)	(89,923)
Exchange losses	62,880	23,737
Recharges to related party	(40,800)	-
Depreciation of equipment	440	-
Amortisation of software	257,535	-
Impairment losses on financial asset	37,500	-
Net impairment losses on receivable from a related party	3,425	-
Interest income	(153,071)	(147,901)
Operating profit/(loss) before working capital movements in:	153,506	(581,212)
Technical provisions	58,331	(585,611)
Reinsurer's share of technical provisions	20,535	546,652
Receivables	439,619	13,760
Payables	(34,113)	105,263
Cash flows from/(used in) operations	637,878	(501,148)
Income taxes paid	(93,782)	-
Net cash flows from/(used in) operating activities	544,096	(501,148)
Cash flows *(used in)/generated from* investing activities		
Payment for the purchase of financial assets	(3,219,336)	(1,952,345)
Proceeds from disposals of financial assets	2,131,893	2,721,712
Purchase of equipment	(1,758)	-
Interest received	146,227	109,485
Net cash flows (used in)/generated from investing activities	(942,974)	878,852
Net movement in cash and cash equivalents	(398,878)	377,704
Cash and cash equivalents at the beginning of the year	1,547,896	1,168,025
Effect of foreign exchange rate changes	(3,589)	2,167
Cash and cash equivalents at the end of the year (note 16)	1,145,429	1,547,896

The non-cash transaction described in note 21 has been excluded from statement of cash flows.

The accounting policies and explanatory notes on pages 12 to 46 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.

On 20th September 2017, the shareholders of the Company resolved to change the name of the Company from International Diving Assurance Limited to IDA Insurance Limited.

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).

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 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.

3. Significant accounting policies (continued)

3.1 Insurance contracts (continued)

3.1.1 Classification (continued)

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 1/12th 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 and not enough 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, and claims incurred but not enough reported at the end of the financial year.

The above method of provisioning satisfies the minimum liability adequacy test as required by International Financial Reporting Standard 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

The Company's plant and equipment relates to the computer equipment acquired during the year.

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.

3. Significant accounting policies (continued)

3.4 Intangible assets (continued)

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. 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 four years.

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.

3. Significant accounting policies (continued)

3.5 Financial instruments (continued)

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.

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.

3. Significant accounting policies (continued)

3.5 Financial instruments (continued)

(ii) *Investments (continued)*

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.

3.6 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.

3. Significant accounting policies (continued)

3.6 Impairment (continued)

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.

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.

3. Significant accounting policies (continued)

3.6 Impairment (continued)

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.

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.

3. Significant accounting policies (continued)

3.7 Taxation (continued)

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.

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 as endorsed by the European Union effective in the current year

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

Several other new standards, amendment and interpretations to existing standards apply for the first time in 2017, whose adoption 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.

International Financial Reporting Standards in issue but not yet effective

IFRS 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued on 24 July 2014. It replaces the parts of IAS 39 that relate to the classification, measurement impairment of financial instruments and hedge accounting. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This standard is effective for annual periods beginning on or after 1 January 2018.

IFRS 17 *Insurance Contracts* is effective for annual reporting periods beginning on or after 1 January 2021 but is not yet endorsed by the EU, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. 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.

5. Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year (continued)

International Financial Reporting Standards in issue but not yet effective (continued)

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 Company is one year or less.

Amendments issued on 12 September 2016 entitled *Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'* are intended to address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard. The Amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. The overlay approach is applied when an entity first applies IFRS 9.
- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 for annual reporting periods beginning before 1 January 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard - IAS 39. The deferral approach is applied for annual periods beginning on or after 1 January 2018.

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.

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.

6. Insurance and financial risk management (continued)

6.1 Insurance risk management (continued)

6.1.1 Insurance risk (continued)

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.

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. Insurance and financial risk management (continued)

6.1 Insurance risk management (continued)

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 primarily 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.

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. Insurance and financial risk management (continued)

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.

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

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.

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

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.

The total financial assets bearing credit risk are the following:

	2018 EUR	2017 EUR
Reinsurer's share of technical provisions	3,265,990	3,286,525
Insurance and other receivables	1,514,220	2,855,553
Cash and cash equivalents	1,187,621	1,618,422
Loans and receivables	1,990,000	1,811,378
Available-for-sale investments	3,333,631	2,904,222
	11,291,462	12,476,100

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.

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

Credit risk (continued)

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

Rating	Credit agency	2018 EUR	2017 EUR
AAA	Standard & Poor	230,132	227,658
A1	Standard & Poor	296,171	297,355
BBB	Standard & Poor	537,186	492,445
No rating	N/a	124,132	600,964
		1,187,621	1,618,422

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 & Poor's or equivalent are higher than "A-".

Available-for-sale investments comprise locally and foreign quoted bond, 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	2018 EUR	2017 EUR
AA	56,734	178,073
AA-	-	130,166
A+	-	104,933
A-	98,686	184,071
BBB+	200,495	198,478
BBB	133,235	270,048
BBB-	764,345	540,536
BB+	211,061	88,814
B	94,474	320,521
No rating	1,774,601	888,582
	3,333,631	2,904,222

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, AUD, 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:

	2018		2017	
	AFS EUR	Cash EUR	AFS EUR	Cash EUR
GBP	491,995	-	280,547	3,696
USD	588,851	122,424	636,050	-
CHF	-	252,392	-	258,555
AUD	265,888	6,018	280,365	1,999
	1,346,734	380,834	1,196,962	264,250

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 2018 on the Company's pre-tax profit would be +/-*EUR38,083* (2017:+/- *EUR26,425*) and +/-*EUR134,673*(2017: +/- *EUR119,696*) on the Company's other comprehensive income.

Interest rate risk

The effective interest rate on cash and cash equivalents is disclosed in note 16, whereas the effective interest rates for 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, 96% of the Company's debt instruments and cash and cash equivalents bear fixed interest rates.

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

Interest rate risk (continued)

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 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 +/- *EUR333,363* in 2018 (2017: +/- *EUR290,422*).

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 are invested in highly liquid investments.

	Within 1 year EUR	Between 1-5 years EUR	Over 5 years EUR	Total EUR
Year ended 30 June 2018				
Assets held at fixed rates				
Cash and cash equivalents	1,145,429	-	-	1,145,429
Available-for-sale investments	615,459	843,079	1,875,093	3,333,631
Loans and receivables	1,990,000	-	-	1,990,000
Total interest bearing assets	**3,750,888**	**843,079**	**1,875,093**	**6,469,060**

	Within 1 year EUR	Between 1-5 years EUR	Over 5 years EUR	Total EUR
Year ended 30 June 2017				
Assets held at fixed rates				
Cash and cash equivalents	1,547,796	-	-	1,547,796
Available-for-sale investments	150,000	976,152	1,778,070	2,904,222
Loans and receivables	1,811,378	-	-	1,811,378
Total interest bearing assets	**3,509,174**	**976,152**	**1,778,070**	**6,263,396**

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

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, debt instruments and exchange traded fund are susceptible to price risk arising from uncertainties about future prices of the instruments. As all of 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 +/- *EUR420,826* in 2018 (2017: +/- *EUR352,001*).

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.

6. Insurance and financial risk management (continued)

6.2 Financial risk (continued)

Capital risk management (continued)

As of 1 January 2016, the Solvency II Directive (2009/138/EC) came into force, introducing new risk-based, regulatory requirements that ascertain the level of the required regulatory capital to be held on the basis of the risks that the Company is or can be exposed to. Solvency II also sets out the approach to be undertaken in order to establish the amount of Solvency II own funds, namely by converting the Statement of Financial Position from an IFRS perspective to one where assets and liabilities are measured in line with their underlying economic value.

The Directors 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

	2018 EUR	2017 EUR
Investment gains/(losses)		
Interest income on bank deposits	**7,929**	7,950
Interest income on financial assets	**145,142**	139,951
Realised gain on sale of investments	**66,844**	89,923
Exchange losses	**(62,880)**	(23,737)
Impairment losses on financial assets (see note 14)	**(37,500)**	-
	119,535	214,087
Analysed between:		
Allocated investment return transferred to the general business technical account	**68,646**	121,455
Investment return included in the non-technical account	**50,889**	92,632
	119,535	214,087

8. Net operating expenses

	2018 EUR	2017 EUR
Acquisition costs	829,348	826,369
Change in deferred acquisition costs	(7,135)	(30,566)
Amortisation	257,535	-
Staff costs	319,351	311,613
Other administrative expenses	1,088,254	1,077,778
Reinsurance commission	(480,002)	(473,883)
Reinsurance inwards commission	26,853	27,590
Impairment losses on receivable from a related party (see note 21)	3,425	-
Recharges to a related party	(40,800)	-
	1,996,829	1,738,901
Allocated to:		
Technical account	1,669,751	1,421,255
Non-technical account	327,078	317,646
	1,996,829	1,738,901

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

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

The staff costs is broken down as follows:

	2018 EUR	2017 EUR
Wages and salaries	235,696	221,034
Social security costs	16,460	27,302
	252,156	248,336
Recharged by related parties	67,195	63,277
	319,351	311,613

8. Net operating expenses (continued)

The average number of employees during the year was 9 (2017 – 7), made up as follows:

	2018 Number	2017 Number
Accounts and administration	2	6
Insurance business	7	1
	9	7

9. Key management personnel compensation

	2018 EUR	2017 EUR
Directors' fees	41,865	41,229
Director's emolument	20,018	-
	61,883	41,229

10. Profit/(loss) before tax

	2018 EUR	2017 EUR
This is stated after charging:		
Depreciation	440	-
Amortisation	257,535	-
Amounts payable to the auditors for:		
- the audit of the Company's financial statements	25,984	38,645
- other assurance services	19,470	-
- tax services	7,482	1,770
- the audit of the returns of the Company's Swiss branch	67,617	27,902

11. Income tax expense/(credit)

	2018 EUR	2017 EUR
Current tax expense	27,595	-
Deferred tax expense/(credit)	148,843	(128,495)
Income tax expense/(credit)	176,438	(128,495)

11. Income tax expense/(credit) (continued)

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

	2018 EUR	2017 EUR
Profit/(loss) before tax	**52,441**	(367,125)
Tax at the applicable rate of 35%	**18,354**	(128,494)
Tax effect of:		
Derecognition of deferred tax asset arising from group loss relief transferred to a group company relating to prior year	**160,563**	-
Other differences	**(2,479)**	(1)
Income tax expense/(credit)	**176,438**	(128,495)

12. Intangible assets

	Computer software EUR
Cost	
At 01.07.2016/ 30.06.2017	-
Additions (Note 21.1)	1,030,140
At 30.06.2018	1,030,140
Accumulated depreciation	
At 01.07.2016/ 30.06.2017	-
Provision for the year	257,535
At 30.06.2018	257,535
Carrying amount	
At 30.06.2017	-
At 30.06.2018	**772,605**

The useful life of the intangible asset is assessed to be four years (4).

13. Plant and equipment

	Computer equipment EUR
Cost	
At 01.07.2016/ 30.06.2017	-
Additions	1,758
At 30.06.2018	1,758
Accumulated depreciation	
At 01.07.2016/ 30.06.2017	-
Provision for the year	440
At 30.06.2018	440
Carrying amount	
At 30.06.2017	-
At 30.06.2018	**1,318**

Fully depreciated assets that were still in use by the Company as at the financial year amounted to €101,669 (2017: €101,669).

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 30.06.2017	2,728,305	175,917	567,971	47,821	-	3,520,014
At 30.06.2018	**2,846,555**	**487,076**	**590,629**	**30,829**	**253,173**	**4,208,262**

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 3.74% (2017: 3.73%) per annum.

As at June 2018, an impairment of EUR37,500 (2017: Nil) representing 25% of the market value of a foreign listed security was recognised in the Statement of Profit or Loss and Other Comprehensive Income.

14. **Financial assets** (continued)

Loans and receivables

	2018 EUR	2017 EUR
Term deposits at bank	**1,990,000**	1,811,378

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% (2017: 1.7%) per annum.

15. **Insurance and other receivables**

	2018 EUR	2017 EUR
Receivables arising from insurance:		
- due from parent	**768,159**	1,034,705
- due from other related parties	**366,446**	712,925
- due from reinsurers	**290,204**	1,058,711
- deferred acquisition costs	**373,285**	366,151
	1,798,094	3,172,492
Other receivables:		
- prepayments and accrued income	**55,534**	49,212
- others	**33,877**	-
Total receivables	**1,887,505**	3,221,704

No interest is due on the above receivables. The terms and conditions of the amounts owed by related parties are disclosed in note 21.

16. Cash and cash equivalents

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

	2018 EUR	2017 EUR
Cash at bank and on hand	535,041	596,944
Term deposits at banks	652,580	1,019,478
	1,187,621	1,616,422
Bank overdraft	(42,192)	(70,526)
	1,145,429	1,547,896

Term deposits are short-term and earn a weighted average interest rate of 1.65% (2017: 1.65%) per annum. The bank overdraft is charged interest at a rate of 4.65% (2017: 4.65%).

A term deposit of EUR400,000 (2017: EUR400,000) is pledged against the bank overdraft.

17. Insurance liabilities and reinsurance assets

	2018 Gross EUR	2018 Reinsurers' share EUR	2018 Net EUR	2017 Gross EUR	2017 Reinsurers' share EUR	2017 Net EUR
General business						
Provision for unearned premiums	2,986,283	(1,063,990)	1,922,293	2,929,206	(1,042,799)	1,886,407
Provision for claims outstanding	4,402,995	(2,202,000)	2,200,995	4,401,741	(2,243,726)	2,158,015
Claims handling reserve	40,000	-	40,000	40,000	-	40,000
Total insurance contract provisions	7,429,278	(3,265,990)	4,163,288	7,370,947	(3,286,525)	4,084,422
Provision for unearned premiums						
Premiums written	5,675,398	(2,985,793)	2,689,605	5,588,844	(2,953,161)	2,635,683
Less: premiums earned	(2,689,115)	1,921,803	(767,312)	(2,659,638)	1,910,362	(749,276)
At end of year	2,986,283	(1,063,990)	1,922,293	2,929,206	(1,042,799)	1,886,407

17. Insurance liabilities and reinsurance assets (continued)

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"), and incurred but not enough reported reserves ("IBNER") 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 *EUR95,995* (2017: *EUR111,000*).

Claims development
Claims development information is disclosed in order to illustrate the insurance risk inherent in the Company. The tables compare the 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 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 *EUR734,178 (2017: EUR752,222)* as at year end.

17. Insurance liabilities and reinsurance assets (continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Estimate of the ultimate claims costs:												
At end of year one	2,158,501	1,579,046	1,273,005	1,476,147	1,858,986	1,640,050	1,757,478	1,383,527	1,604,127	1,559,627	490,191	16,852,638
At end of year two	3,122,355	2,228,268	2,242,954	2,315,563	3,238,279	3,125,321	2,841,595	2,077,314	2,634,194	2,390,539		26,216,365
At end of year three	3,099,386	2,504,511	2,178,236	2,227,919	3,538,314	4,587,048	2,793,885	1,906,313	2,705,075			25,512,381
At end of year four	2,647,895	2,536,187	2,594,581	2,172,803	3,999,504	4,471,634	2,875,200	1,936,696				23,034,520
At end of year five	2,602,800	2,814,825	2,877,554	2,153,973	5,400,946	4,387,212	2,686,664					23,034,074
At end of year six	2,632,193	2,892,179	2,985,431	2,128,996	5,582,521	4,389,199						20,990,880
At end of year seven	2,684,386	2,800,070	2,899,208	2,154,108	5,613,132							16,130,912
At end of year eight	2,693,113	2,795,870	2,873,680	2,155,906								10,451,577
At end of year nine	2,237,830	2,797,620	2,873,680									7,909,139
At end of year ten	2,261,610	2,792,620										5,054,230
At end of year eleven	2,263,192											2,263,192
Current estimate of cumulative claims:	2,263,192	2,792,620	2,873,680	2,155,906	5,613,132	4,389,199	2,686,664	1,936,696	2,705,075	2,390,539	406,131	33,257,834
Current payment to date	(2,260,536)	(2,773,109)	(2,873,680)	(2,152,479)	(5,439,728)	(2,586,884)	(2,374,352)	(1,891,731)	(2,410,017)	(1,629,452)	(196,600)	(29,588,877)
IBNR and IBNER												734,178
Liability recognised in the statement of financial position	2,656	19,511	-	3,427	173,404	1,802,315	312,312	44,965	295,058	761,087	253,542	4,402,995

18. Insurance and other payables

	2018 EUR	2017 EUR
Payables arising out of insurance operations	105,415	37,958
Amounts due to other related parties	5,336	65,834
Other payables and accrued expenses	275,617	225,349
Taxation	28,103	94,290
	414,471	423,431

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

	2017 EUR	Movement for the year EUR	2018 EUR
Arising on:			
Temporary differences			
Accelerated tax depreciation	-	(1,405)	(1,405)
Asset write-off	-	13,125	13,125
Fair value change included in other comprehensive income	(12,159)	66,719	54,560
	(12,159)	78,439	66,280
Arising on:			
Unused tax losses	128,497	(160,563)	(32,066)
Total	**116,338**	**82,124**	**32,214**

20. Share capital

	2018 and 2017 Authorised EUR	2018 and 2017 Issued and called up EUR
6,000,000 ordinary shares of EUR1 each, of which 5,500,000 have been issued and called up	5,500,000	5,500,000

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.

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:

	2018			2017		
	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Other operating income *Related party transactions with:* - Other related parties	130,050	130,050	100	-	-	-
Acquisition costs *Related party transactions with:* - Other related parties	737,336	829,348	89	737,336	826,370	89
Administrative expenses *Related party transactions with:* - parent company and other related parties	567,702	1,667,377	34	572,070	1,389,391	41

"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 Company entered into a transfer of ownership agreement on 1 July 2017 with Mar Sud Limited ("Mar Sud"), a related party of the Company, which had facilitated the development of an insurance software by entering into an agreement with a third party software developer. Mar Sud was financed by the various group companies. As part of the transfer ownership agreement entered between Mar Sud and the Company, the Company agreed to absorb the payable balance of Mar Sud to the parent company of EUR188,500. The transaction was affected without cash. An impairment loss of EUR92,675 was recognised but this was offset with the license fee income earned from the transaction of EUR89,250, resulting to a net impairment losses on receivable from a related party of EUR3,425 that is reported in the statement of profit or loss and other comprehensive income. The intangible asset has been described in Note 12 was transferred and recognised at cost.

21. Related party disclosures (continued)

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 is expected to be extinguished through structured cash settlements over a period of nine years.

22. Fair values of financial assets and financial liabilities

At 30 June 2018 and 2017, 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 for 30 June 2018 and 2017.

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
30 June 2018				
Debt	3,221,131	112,500	-	3,333,631
Equity	621,458	-	-	621,458
Exchange traded fund	253,173	-	-	253,173
Total	4,095,762	112,500	-	4,208,262

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

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
30 June 2017				
Debt	2,754,222	150,000	-	2,904,222
Equity	615,792	-	-	615,792
Total	3,370,014	150,000	-	3,520,014

23. Events after the reporting period

As at the date of this report there have been no material events occurring after year end that require disclosure.

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 46, which comprise the statement of financial position as at 30 June 2018, 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 30 June 2018, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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 these requirements and 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.

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

<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 accounts for 56% 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.

Our audit approach included:

- Testing the design, implementation and operating effectiveness of key controls over the Company's reserving process;
- Reviewing a sample of claims outstanding to determine the reasonableness of assumptions made and consistency in the methodology used;
- Making an assessment of the appointed actuary's competence, capabilities and objectivity;
- Reviewing and challenging the reasonableness of the assumptions and methodologies adopted by the actuary for the IBNR and IBNER reserves;
- Analytically 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.

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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
The directors are responsible for the other information. The other information comprises the company information, the information included in the Directors' report, and the statement of directors' responsibilities, 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 Maltese 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.

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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

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

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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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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Independent auditor's report (continued)

to the members of
IDA Insurance Limited

Report on Other Legal and Regulatory Requirements
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.

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

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 is 10 financial years, covering the financial years ended 30 June ending 2009 to 2018.

Ian Coppini as Director
in the name and on behalf of
Deloitte Audit Limited
Registered address
Mriehel, Malta

22 October 2018