IDA Insurance Limited

Report and financial statements

31 December 2023

Contents

Directors, Officer and Other Information

Directors:	Dr. Ramiro Cali'-Corleo Dr. Alessandro Marroni Ms. Filomena De Angelis Ms. Laura Marroni Mr. Raymond Mercieca Mr. Jaspal Singh Kainth Dr. Matthew Bianchi (resigned on 15 January 2023) Mr. Laurent Edgar Comis Ronchin (appointed on 2 February 2024)
Secretary:	Ganado Services Limited 171, Old Bakery Street Valletta Malta
Registered office:	DAN Building Sir Ugo Mifsud Street Ta' Xbiex Malta
Country of incorporation:	Malta
Company registration number:	C 36602
Auditor:	Deloitte Audit Limited Deloitte Place Triq L-Intornjatur, Zone 3 Central Business District, CBD 3050 Birkirkara Malta
Bankers:	Bank of Valletta p.l.c. Naxxar Road San Gwann Malta Zurcher Kantonalbank Bahnhofstrasse 9 Zurich Switzerland Credit Suisse Via Canova 15 6901 Lugano Switzerland
Legal advisor:	GANADO Advocates 171, Old Bakery Street Valletta Malta

IDA Insurance Limited

Directors' Report

For the Year Ended 31 December 2023

The Directors present the annual report and the audited financial statements of IDA Insurance Limited (the "Company") for the financial period from 1 January 2023 to 31 December 2023.

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

Effective 1 January 2023, IFRS 17 replaced IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. As a result, the Company has restated comparative information for 2021 and 2022 by applying the transitional provisions in Appendix C to IFRS 17. The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

The Company has applied the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, given that the Company issues insurance contracts, which have a contract boundary of not more than 12 months, and for those contracts which have a contract boundary of more than 12 months, the Company has demonstrated that the value of the liability for remaining coverage under the PAA approach does not differ materially when this is valued under the General Measurement Model.

During the year under review from 1 January 2023 to 31 December 2023, the Company registered a profit before tax of EUR1,149,586 (restated 2022: loss of EUR504,578). The main factors behind this profit is due to lower claims incurred during the current year when compared to the prior year. Furthermore, the company has generated a positive investment return on from its investments as a result of the recovery that global markets experienced in 2023 following the turmoil that took place in 2022 as a result of the increase in inflation and the ongoing geopolitical situation in Eastern Europe caused by the Russian invasion in Ukraine, which had negatively contributed to the total comprehensive loss in the prior year.

Insurance Revenue recognised by the Company amounted to EUR6,448,498 (restated 2022: EUR6,485,327), whilst Insurance Service Expense incurred for the year amounted to EUR4,832,671 (restated 2022: EUR5,479,943). The Company has recorded net insurance finance expense amounting to EUR74,612 (restated 2022: EUR288,690).

Review of Business (continued)
During the year, the Company has generated net investment income amounting to EUR124,842, (restated 2022: loss of EUR159,212).

The Shareholders' Funds of the Company stood at EUR6,357,257 (restated 2022: EUR5,053,640).

The Company monitors its capital level on a regular basis. The Company complied with the capital requirements during the years ended 2023 and 2022. No changes were made in the Company's approach to capital management during the year ended 31 December 2023.

Going forward, the Company is expected to continue meeting the Solvency II regulatory capital requirements based on the latest unaudited Solvency Capital Requirement (SCR) calculations as at 31 December 2023 and those resulting from the 2023 Own Risk and Solvency Assessment.

Result and dividends
The result for the year ended 31 December 2023 is shown in the Statement of Profit or Loss and Other Comprehensive Income on page 7. The Company did not pay an interim dividend during the financial years ended 2023 and 2022. The Directors do not recommend the payment of a final dividend.

Going Concern
The directors have assessed all available information pertaining to the future to ensure that the Company will have sufficient liquidity to continue to meet its obligations as they fall due.

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.

Events after the reporting period
Subsequent to year end, a capital contribution of €325,000 was injected into the Company in order to continue strengthening the net asset position of the Company and its Solvency Position.

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

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

The Company's main risk is in respect of the business of writing insurance as this is the principal activity. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, such risk is random, unknown and unpredictable.
Other risks relate to credit risk, currency risk, interest rate risk, liquidity risk and price risk and default 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
Ms. Laura Marroni
Mr. Ray Mercieca
Mr. Jaspal Singh Kainth
Dr. Matthew Bianchi (resigned on 15 January 2023)
Mr. Laurent Edgar Comis Ronchin (appointed on 2 February 2024)

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

Statement of Directors' Responsibility for the Financial Statements

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

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

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Maltese Companies Act (Cap. 386) and the Insurance Business Act (Cap. 403). This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditors

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

Approved by the Board of Directors and signed on its behalf on 7 May 2024 by:

Dr. Ramiro Cali-Corleo
Managing Director

Mr. Raymond Mercieca
Director

IDA Insurance Limited

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2023

	Notes	2023 EUR	2022 EUR
Insurance revenue	21	**6,448,498**	6,485,327
Insurance service expenses	7	**(4,832,671)**	(5,479,943)
Net expenses from reinsurance contracts held	8	**(248,307)**	(1,062,060)
Insurance service result		**1,367,520**	(56,676)
Investment income / (expense)	9	**124,842**	(159,212)
Net investment income / (expense)		**124,842**	(159,212)
Finance expenses from insurance contracts issued	10	**(77,082)**	(337,603)
Finance income from reinsurance contracts held	10	**2,470**	48,913
Net insurance finance expenses		**(74,612)**	(288,690)
Net insurance and investment result		**1,417,750**	(504,578)
Impairment loss on investment in subsidiary	19	**(268,164)**	-
Profit / (Loss) before income tax	13	**1,149,586**	(504,578)
Income tax expense	14	**(1,359)**	(1,621)
Profit / (Loss) for the year		**1,148,227**	(506,199)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on investments in debt instruments measured at FVTOCI		**155,390**	(479,203)
Total comprehensive income / (loss) for the year attributable to ordinary shareholders		**1,303,617**	(985,402)

The material accounting policies and explanatory notes on pages 11 to 83 form an integral part of the financial statements.

IDA Insurance Limited

Statement of Financial Position

As at 31 December 2023

	Notes	2023 EUR	2022 (restated) EUR	2021 (restated) EUR
Assets				
Right-of-use-asset	15	-	535,495	-
Investment in subsidiary	19	**731,836**	1,000,000	1,000,000
Deferred tax asset	20	**370,000**	370,000	370,000
Investments in financial assets	16	**3,053,971**	3,056,084	4,269,722
Reinsurance contract assets	21	**1,698,652**	1,636,059	2,954,195
Accrued interest receivable		**29,035**	24,179	32,422
Loans and receivables		-	-	600,000
Related party receivables	18	**3,179,232**	3,590,177	2,639,518
Cash and cash equivalents	17	**3,932,106**	2,247,756	1,358,523
Total Assets		**12,994,832**	**12,459,750**	**13,224,380**
Equity and liabilities				
Share capital	22	**5,850,000**	5,850,000	5,850,000
Capital contribution	22	**550,000**	550,000	550,000
Revaluation reserve	22	**(326,688)**	(482,078)	(2,875)
Retained earnings (accumulated losses)	22	**283,945**	(864,282)	(358,083)
Total Equity		**6,357,257**	**5,053,640**	**6,039,042**
Liabilities				
Insurance contract liabilities	21	**6,508,564**	6,234,521	4,608,150
Premium paid in advance		**129,011**	117,172	2,054,701
Lease liability	15	-	556,884	-
Bank overdraft	17	-	382,497	407,451
Taxation		-	115,036	115,036
Total Liabilities		**6,637,575**	**7,406,110**	**7,185,338**
Total Equity and Liabilities		**12,994,832**	**12,459,750**	**13,224,380**

The financial statements on pages 7 to 83 were approved by the Board of Directors, authorised for issue on 7 May 2024 and signed on its behalf by:

Dr. Ramiro Cali-Corleo
Managing Director

Mr. Raymond Mercieca
Director

IDA Insurance Limited

Statement of Changes in Equity
For the Year Ended 31 December 2023

	Share Capital EUR	Capital Contribution EUR	Revaluation Reserve EUR	Retained Earnings (Accumulated Losses) EUR	Total EUR
Balance at 31 December 2021 as previously reported	**5,850,000**	**550,000**	**25,227**	**(711,984)**	**5,713,243**
Impact on initial application of IFRS 17 and IFRS 9	-	-	(28,102)	353,901	325,799
Balance at 1 January 2022, as restated	5,850,000	550,000	(2,875)	(358,083)	6,039,042
Loss for the year	-	-	-	(506,199)	(506,199)
Other comprehensive loss for the year	-	-	(479,203)	-	(479,203)
Total comprehensive loss for the year	-	-	(479,203)	(506,199)	(985,402)
Balance as at 31 December 2022	**5,850,000**	**550,000**	**(482,078)**	**(864,282)**	**5,053,640**
Balance at 1 January 2023	5,850,000	550,000	(482,078)	(864,282)	5,053,640
Profit for the year	-	-	-	1,148,227	1,148,227
Other comprehensive income for the year	-	-	155,390	-	155,390
Total comprehensive income for the year	-	-	**155,390**	**1,148,227**	**1,303,617**
Balance as at 31 December 2023	**5,850,000**	**550,000**	**(326,688)**	**283,945**	**6,357,257**

The material accounting policies and explanatory notes on pages 11 to 83 form an integral part of the financial statements.

IDA Insurance Limited

Statement of Cash Flows

For the Year Ended 31 December 2023

	2023 EUR	2022 EUR
Cash flows from/(used in) operating activities		
Profit / (Loss) before tax	**1,149,586**	(504,578)
Adjustments for:		
Net investment income	**(124,842)**	159,212
Finance lease expense	-	4,198
Depreciation of right-of-use asset	-	77,887
Impairment loss on investment in subsidiary	**268,164**	-
Expected credit losses	**12,557**	10,488
Recognition / (release) of discounting of receivable	**(46,011)**	64,165
Operating profit / (loss) before working capital	**1,259,454**	(188,628)
Movements in:		
Related party receivables	**410,945**	(350,660)
Reinsurance contract assets	**(62,593)**	1,318,136
Insurance contract liabilities	**274,043**	1,626,371
Premium paid in advance	**11,839**	(1,937,529)
Payment of lease	**(21,389)**	(52,300)
Cash flows generated from operations	**1,872,299**	725,264
Income taxes paid	**(116,395)**	(1,621)
Net cash flows generated from operating activities	**1,755,904**	723,643
Cash flows generated from / (used in) investing activities		
Net movement in financial assets	**190,957**	341,513
Net investment income / (expense)	**119,986**	(150,969)
Net cash flows generated from investing activities	**310,943**	190,544
Net movement in cash and cash equivalents	**2,066,847**	914,187
Cash and cash equivalents at the beginning of the year	**1,865,259**	951,072
Cash and cash equivalents at the end of the year (Note 17)	**3,932,106**	1,865,259

The material accounting policies and explanatory notes on pages 11 to 83 form an integral part of the financial statements.

1. Statement of compliance

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

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

2. Basis of preparation

2.1 Statement of compliance

The financial statements are presented in Euro, which currency is the functional currency of the Company. Assets and liabilities are measured at historical cost except for the investment in financial assets which are measured at fair value.

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 5.

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.

The Company is not required to draw up consolidated financial statements since it has taken advantage of Article 174 of the Companies Act, 1995 (Chapter 386, Laws of Malta) on the grounds that it is included in the accounts of a larger group. Accordingly, these separate financial statements present information about the Company as an individual undertaking and not its group.

The financial statements have been prepared on a going concern basis. The material accounting policies adopted are set out below.

2. Basis of preparation (continued)

2.2 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 5.

2.3 Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year

Several other new standards, amendment and interpretations to existing standards apply for the first time in the current financial period, 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 except for IFRS 17 and IFRS 9 discussed in Note 3.

Standards, interpretations and amendments to published standards that are not yet effective:
There are no new or amended standards and interpretations, which are not yet effective as of the balance sheet date that may have significant impact on the Company's financial statements.

3. Changes in material accounting policies
In 2023, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2023. The Company has applied IFRS 17 and IFRS 9 for the first time. The adoption of other revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies and financial statements.

3. Changes in material accounting policies (continued)

3.1 IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C to IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

3.1.1 Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

The Company was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

3. Changes in material accounting policies (continued)

3.1 IFRS 17 Insurance contracts (continued)

3.1.1 Changes to classification and measurement (continued)

- Measurement of the liability for incurred claims (previously claims outstanding and claims incurred but not reported reserves (IBNR)) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

The Company capitalises insurance acquisition cash flows for all product lines. The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another IFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

The Company's classification and measurement of insurance and reinsurance contracts is explained in Note 4.2.

3.1.2. Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;
- Portfolios of reinsurance contracts held that are assets;
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

3. Changes in material accounting policies (continued)

3.1 IFRS 17 Insurance contracts (continued)

3.1.2. Changes to presentation and disclosure (continued)

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

3.1.3. Transition

The Company applied a full retrospective approach for transition to IFRS 17. On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied;
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied. However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed, and no impairment loss was identified;
- Derecognised any existing balances that would not exist had IFRS 17 always applied;
- Recognised any resulting net difference in equity as part of the retained earnings.

3. Changes in material accounting policies (continued)

3.2 IFRS 9 Financial Instruments

The Company has also adopted IFRS 9 from 1 January 2023 and comparatives have been retrospectively restated.

IFRS 9 replaces IFRS 39, Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 9 incorporates new classification and measurement requirements for financial assets, introduces a new expected credit loss impairment model to replace the IAS 39 incurred loss model and new hedge accounting requirements. The Company had previously deferred the application of IFRS 9 to align with the implementation of IFRS 17.

IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'. Consequently, for notes disclosures, the consequential amendments to IFRS 7 have also only been applied.

The adoption of IFRS 9 has resulted in changes in the accounting policies for classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. The relevant changes in the estimation techniques or significant assumptions made during the reporting period as a result of the adoption of IFRS 9 are described in the material accounting policies and in the remaining notes to the financial statements.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). IFRS 9 eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The table below illustrates the classification and measurement of financial assets and liabilities under IFRS 9 and IAS 39 as at the transition date of 1 January 2022.

3. Changes in material accounting policies (continued)

3.2 IFRS 9 Financial Instruments (continued)

3.2.1 Changes to classification and measurement

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 EUR	New carrying amount under IFRS 9 EUR
Investments in financial assets	Available for sale	Financial assets at FVTPL		439,064
		Financial assets at FVOCI	4,269,722	3,830,658
Reinsurance contract assets	Loans and receivables	Financial assets at amortised cost	2,954,195	2,954,195
Loans and receivables	Loans and receivables	Financial assets at amortised cost	600,000	600,000
Related party receivables	Loans and receivables	Financial assets at amortised cost	2,691,736	2,639,518
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	1,358,523	1,358,523
Other payables (including bank overdraft and taxation)	Financial liabilities at amortised cost	Financial liabilities measured at amortised cost	522,487	522,487

The Company's accounting policies for its financial instruments are disclosed in detail in Note 4.3.

3.2.2. Impact of transition on equity

The cumulative effect of initially applying IFRS 9 on 1 January 2022, amounts to a decrease of EUR24,116 in retained earnings (accumulated losses) and a decrease of EUR28,102 in the revaluation reserve and is presented in the statement of changes in equity.

4. Material accounting policy information

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Classification of insurance and reinsurance contracts

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. 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.

As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The Company undertakes the following risks accident, general liability, legal expenses and assistance though different polices sold to individual divers or diving clubs. The Company's insurance policies are issued in the European Union but provide insurance benefits to students, recreational and professional divers, members of DAN Europe Foundation, when diving anywhere in the world. The Company does not issue any contracts with direct participating features.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.
Within these financial statements, insurance and reinsurance contracts issued by the Company are referred to as 'insurance contracts', whereas reinsurance and retrocession contracts held are referred to as 'reinsurance contracts'.

4.2 Insurance and reinsurance contracts accounting treatment

4.2.1 Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.1 Separating components from insurance and reinsurance contracts (continued)

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the fronting partner (cedant) will always receive – either in the form of profit commission, or another contractual payment irrespective of the insured event happening.

The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contacts and are, therefore, non-distinct investment components which are not accounted for separately.

4.2.2 Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. The Company manages insurance and reinsurance contracts issued by product lines within a portfolio, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. Such groups are not subsequently reconsidered.

The profitability of groups of contracts is assessed by analysing historical information with the assistance of the actuarial function. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.2 Level of aggregation (continued)

The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:
- Pricing information
- Results of similar contracts it has recognised

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

4.2.3. Recognition

The Company recognises groups of insurance and reinsurance contracts it issues from the earliest of the following:
- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date;
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:
- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.4. Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when:
- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
    - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio;
    - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.
In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks such as lapse risk are not included.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.5. Measurement - Premium Allocation Approach (continued)

	Options allowed under IFRS 17	**Approach adopted by the Company**
PAA Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	Contract boundary for the insurance inwards business is considered to be one year or less and so qualifies automatically for PAA. On the other hand, the reinsurance outwards contracts are deemed to have a contract boundary of more than 12 months. However, the Company has determined that there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	For all lines of business, insurance acquisition cash flows have been allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for Remaining Coverage, adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the liability for remaining coverage, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the liability for remaining coverage.	For all lines of business, there is no allowance as the premiums are received within one year of the coverage period.
Liability for Incurred Claims adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For all lines of business, the LFIC is adjusted for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in liability for incurred claims resulting from changes in discount rates and present this in OCI.	For all lines of business, the change in liability for incurred claims as a result of changes in discount rates will be captured within profit or loss.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.5. Measurement - Premium Allocation Approach (continued)

4.2.5.1. Insurance contracts – initial measurement

The Company applies the PAA to all the insurance contracts that it issues and reinsurance contracts that it holds, as:
- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:
- The extent of future cash flows related to any derivatives embedded in the contracts;
- The length of the coverage period of the group of contracts.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:
- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows paid,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows; and '

Plus or minus any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised (ie. pre-recognition cash flows). For all lines of business, there is no allowance for time value of money as the premiums are received within one year of the coverage period.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.5. Measurement - Premium Allocation Approach (continued)

4.2.5.1. Insurance contracts – initial measurement (continued)

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 4.2.6.2.

4.2.5.2. Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue. Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.5. Measurement - Premium Allocation Approach (continued)

4.2.5.3. Insurance and reinsurance contracts issued – subsequent measurement

The carrying amounts of a group of insurance contracts or reinsurance contracts issued at the end of each reporting period is the sum of:

a) The liability for remaining coverage; and
b) The liability for incurred claims, comprising the fulfilment cash flows related to past service allocated to the group at the reporting date.

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period;
- Minus insurance acquisition cash flows paid in the period, with the exception of property insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur (please see Note 4.2.5.1)
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount of expected premium receipts recognised as insurance revenue for the services provided in the period

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment - refer to Note 5.1.4). The Company does adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims, given that such claims are expected to be paid more than one year after being incurred.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.5. Measurement - Premium Allocation Approach (continued)

4.2.5.3. Insurance and reinsurance contracts issued – subsequent measurement (continued)

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 4.2.6.2. Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

4.2.5.4. Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. The Company adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's non-performance.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts. Where applicable, changes in the loss-recovery component are disaggregated between net income from reinsurance contracts held and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein in proportion to the disaggregation applied to the changes in the underlying loss component.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.5. Measurement - Premium Allocation Approach (continued)

4.2.5.5. Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

For all lines of business, the Company uses a systematic and rational method to allocate:

- Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
  - to that group; and
  - to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
- Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss. The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.5. Measurement - Premium Allocation Approach (continued)

4.2.5.6. Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified and any of the following additional criteria discussed below are met:
  - a) if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
    - o is not within the scope of IFRS 17;
    - o results in different separable components;
    - o results in a different contract boundary; or
    - o belongs to a different group of contracts;
  - b) the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage. When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

- if the contract is extinguished, any net difference between the derecognised part of the liability for remaining coverage of the original contract and any other cash flows arising from extinguishment;
- if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the liability for remaining coverage and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.6. Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company disaggregates the total amount recognised in the statement of profit or loss into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses. The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result. The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

4.2.6.1. Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company has recognised as part of its insurance revenue only the premium relating to policies that were active before 31 December 2023. For those policies, for which the Company already collected the premium, but which will incept after 1 January 2024, the value of those policies have been classified as premium paid in advance in the statement of financial position. The Company determines the basis upon initial recognition of a group of contracts on the basis of facts and circumstances and the basis is not subsequently changed for that group. For the periods presented, all revenue has been recognised on the basis of the passage of time.

4.2.6.2. Loss components

Given that the company measures its contracts in terms of the premium allocation approach, the Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in Note 4.2.5.3. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.6. Presentation (continued)

4.2.6.3. Loss-recovery components

As described in Note 4.2.6.2 above, where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

4.2.6.4. Insurance service expense

Insurance service expenses include the following:
- incurred claims and benefits, excluding investment components reduced by loss component allocations;
- other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
- insurance acquisition cash flows amortisation;
- changes that relate to past service – changes in the FCF relating to the LIC; and
- changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- insurance acquisition cash flows assets impairment.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time. Other expenses not meeting the above categories are included as part of other income / expenses in the statement of profit or loss.

4. Material accounting policy information (continued)

4.2 Insurance and reinsurance contracts accounting treatment (continued)

4.2.6. Presentation (continued)

4.2.6.5. Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

For all lines of business, the Company does not disaggregate finance income and expenses between profit and loss and other comprehensive income because the related financial assets are managed on a fair value basis and measured at FVPL.

The main amounts within insurance finance income and expenses are interest accreted on the liability for incurred claims and the effect of changes in interest rates and other financial assumptions.

4.2.6.6. Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid on a net basis. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and deducts investment components and commissions which are not contingent on claims from an allocation of reinsurance premiums ceded presented on the face of the statement of profit or loss and other comprehensive income.

4. Material accounting policy information (continued)

4.3 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

4.3.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Company has elected to adopt IFRS 9 retrospectively as from 1 January 2022.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:
- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:
- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. Material accounting policy information (continued)

4.3 Financial instruments (continued)

4.3.1 Financial assets (continued)

Classification of financial assets (continued)

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:
- The company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below)
- The company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

i. Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

4. Material accounting policy information (continued)

4.3 Financial instruments (continued)

4.3.1 Financial assets (continued)

Classification of financial assets (continued)

i. Amortised cost and effective interest method (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost or at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the "Investment income / (expense)" line item.

ii. Debt instruments classified as at FVTOCI

The corporate bonds held by the company are classified as at FVTOCI. The bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

4. Material accounting policy information (continued)

4.3 Financial instruments (continued)

4.3.1 Financial assets (continued)

Classification of financial assets (continued)

iii. Equity instruments designated as at FVTOCI

On initial recognition, the company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment income / (expense)" line item in profit or loss. Prior to the IFRS 9 adoption, the company used to designate all investments in equity instruments as part of not held for trading as at FVTOCI on initial recognition.

A financial asset is held for trading if either:
- It has been acquired principally for the purpose of selling it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has evidence of a recent actual pattern of short-term profit-taking;
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Subsequent to the adoption of IFRS 9, the Company no longer designate the investment in equity instruments as not held for trading and as a result, the equity instruments held by the Company are now measured at FVTPL.

4. Material accounting policy information (continued)

4.3 Financial instruments (continued)

4.3.1 Financial assets (continued)

Classification of financial assets (continued)

iv. Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:
- Investments in equity instruments are classified as at FVTPL, unless the company designates an equity investment that is held for trading on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. Debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or. The gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Investment income / (expense)" line in profit or loss.

Foreign exchange gains and losses

Financial assets that are denominated in a foreign currency is recognised in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for:
- Financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the "Investment income / (expense)" line in profit or loss.
- Debt instruments measured at FVTOCI, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the "Investment income / (expense)" line item. As the foreign currency element recognised in profit or loss is the same as if it was measured at amortised cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognised in other comprehensive income in the revaluation reserve.
- Financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the "Investment income / (expense)" line item in profit or loss.

4. Material accounting policy information (continued)

4.3 Financial instruments (continued)

4.3.1 Financial assets (continued)

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and contract assets, as well as on cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.
For all other financial instruments, the company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

i. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. Material accounting policy information (continued)

4.3 Financial instruments (continued)

4.3.1 Financial assets (continued)

Impairment of financial assets (continued)

i. Significant increase in credit risk (continued)

Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:
- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

4. Material accounting policy information (continued)

4.3 Financial instruments (continued)

4.3.1 Financial assets (continued)

<u>Impairment of financial assets (continued)</u>

i. Significant increase in credit risk (continued)

The company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:
- The financial instrument has a low risk of default;
- The debtor is capable to meet its contractual cash flow obligations in the near term;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

The company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts. The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ii. Definition of default

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- When there is a breach of financial covenants by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full.

Irrespective of the above, the company considers that default has occurred when a financial asset is more than 90 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. Material accounting policy information (continued)

4.3 Financial instruments (continued)

4.3.1 Financial assets (continued)

Impairment of financial assets (continued)

iii. Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- It is probable that the borrower will enter bankruptcy;
- The disappearance of an active market for that financial asset because of financial difficulties.

iv. Write-off policy

A financial asset s written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

v. Measurement and recognition of expected credit losses ("ECLs)

The measurement of the ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

4. Material accounting policy information (continued)

4.3 Financial instruments (continued)

4.3.1 Financial assets (continued)

Impairment of financial assets (continued)

vi. Measurement and recognition of expected credit losses (continued)

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used. The company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

4. Material accounting policy information (continued)

4.3 Financial instruments (continued)

4.3.2 Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

4.4 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.

4. Material accounting policy information (continued)

4.4 Taxation (continued)

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.

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.

4.5 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.

4.6 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.

4. Material accounting policy information (continued)

4.6 Currency translation (continued)

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.

4.7 Investment in subsidiary

A subsidiary is an entity that is controlled by the Company. The Company controls an investee when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investment in subsidiary is stated at cost less any accumulated impairment losses. An impairment loss is the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value 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 investment is reduced to its recoverable amount, as calculated.

4.8 Leases

The Company assesses whether a contract is, or contains, a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, if any. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

4. Material accounting policy information (continued)

4.8 Leases (continued)

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

In 2023 and 2022, the Company did not make any such adjustments.

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use asset is depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

4. Material accounting policy information (continued)

4.8 Leases (continued)

The right-of-use asset is presented as a separate line in the statement of financial position. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

4.9 Equity

4.9.1 Share Capital

Ordinary shares are classified as equity. Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

4.9.2 Shareholders' Contribution

Contributions made by the Company's shareholders for which settlement is neither planned nor likely to occur in the foreseeable future, for which no interest is levied by the shareholders and that are not subject to any restrictions, the fulfilment of any conditions or requirements on the part of the Company are treated as equity.

5. 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:

5. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

5.1. Insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk (refer to Note 5.1.4).

5.1.1. Liability for remaining coverage

Onerous groups

The Company is required to estimate the loss component for groups of contracts that are onerous. This gives rise to estimation uncertainty in relation to the estimate of fulfilment cashflows, particularly in relation to the unexpired portion of risk, where loss events are not yet known. The cash flows are estimated based on assumptions and methodologies developed by the actuarial function and any variation between actual and expected losses are adjusted in the year when such information becomes available. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

5.1.2. Liability for incurred claims

There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Company will ultimately pay for such claims. The Company relies on the opinion of an independent Actuarial Function, for the calculation of the technical provisions. The reserve calculations follow methodologies that meet the local requirements and are approved by the competent authorities. The Function confirms that the Company's technical provisions are set correctly and are sufficient to cover liabilities. It also coordinates the assessment and validation of internal data to determine the level of compliance with recognised standards for data quality and, if necessary, recommends improvements in Company procedures aimed at improving such compliance. Furthermore, the Actuarial Function reviews the integrity of any relevant external data within the calculation of technical provisions, as may be appropriate and coordinates the process of validation of such external data, using the same criteria and standards applied to internal data.

5. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

5.1. Insurance and reinsurance contracts (continued)

5.1.2. Liability for incurred claims (continued)

Time value of money

For all product lines, the Company adjusts the carrying amount of the liability for incurred claims to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition. Refer to Note 5.1.3 for the discount rates used by the Company.

5.1.3. Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. The Company has considered the "bottom-up" method to be the most appropriate to generate the yield curves required under IFRS 17. The bottom-up discount rates are determined by deriving two components: the risk-free yield curve and an illiquidity premium adjustment.

Risk-Free Yield Curve

The risk-free yield curve adopted by the Company is the Euro EIOPA Risk Free Rates as at 31 December 2023.

Illiquidity Premium Requirement

In addition to this, the liquidity characteristics of the insurance contracts have been considered when deriving the appropriate illiquidity premium. The following characteristics have been noted:

- The timing and payment of losses cannot be confirmed to be predictable, given the loss history.
- The contracts are short term in duration.

Based upon the above, the Company has considered the insurance contracts to be liquid and thus there is no need to adjust the risk-free curve with an illiquidity premium. Therefore, the EIOPA risk-free yield curves in respect of EUR have been used for the IFRS 17 discount.

5. **Judgements in applying accounting policies and key sources of estimation uncertainty (continued)**

5.1. Insurance and reinsurance contracts (continued)

5.1.3. Discount rates (continued)

Discount rates applied for discounting of future cash flows are listed below:

Discount Rates used	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
2023	3.36%	2.69%	2.44%	2.35%	2.32%	2.32%	2.33%	2.35%	2.37%	2.39%
2022	3.18%	3.30%	3.20%	3.15%	3.13%	3.11%	3.09%	3.09%	3.09%	3.09%

5.1.4. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The risk adjustment was calculated using the Value-at-Risk ("VaR") method, which is a quantile or "confidence level" technique and it calculates the expected loss on a portfolio at a specified confidence level. This is the method used to calculate the Solvency Capital Requirement under Solvency II, whereby required capital is set at a 99.5% VaR on the amount of Own Funds over a one-year time horizon.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile (2022: 75th percentile). That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile (2022: 75th percentile) confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

5. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

5.1. Insurance and reinsurance contracts (continued)

5.1.5. Assessment of eligibility for PAA approach

For the third party liability contracts which have a contract boundary of beyond one year, the Company has elected to measure these contracts using the PAA approach, given that at inception of such policies, the Company reasonably expects that it will provide a liability for remaining coverage that would not differ materially from the General Measurement Model. The Company has exercised judgement in determining whether the PAA eligibility criteria has been met at initial recognition.

5.1.6. Methods used and judgements applied in determining the IFRS 17 transition amounts

The Company has adopted IFRS 17 retrospectively, whereby the full retrospective approach was applied to the insurance contracts and reinsurance contracts issued as well as reinsurance contracts held in force at the transition date as the Company determined that reasonable and supportable information was available for all contracts in force.

Accordingly, the Company has: identified, recognised and measured each group of insurance contracts and each insurance acquisition cash flows asset in this category as if IFRS 17 had always applied (except that a retrospective impairment test has not been performed); derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

5. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

5.2 Impairment assessment of amount due from the Company's parent entity and amount due from and investment in subsidiary

As at 31 December 2023, the Company has a receivable from its parent, DAN Europe Foundation (the 'parent entity'), with a carrying amount of EUR1.4 million as at balance sheet date. Furthermore, the Company also has a receivable from its subsidiary with a carrying amount of EUR1.9 million as at 31 December 2023. The balances have arisen predominately from funding provided by the Company and its subsidiary for the parent entity to meet its ongoing obligations.

The parent entity did not have sufficient liquidity as at 31 December 2023 to settle these receivables. An impairment assessment of these receivables was carried out as at financial reporting date. The impairment assessment of the Company's receivable from and investment in subsidiary depends on the recoverability of the subsidiary's receivable due from the parent entity.

Management has determined that the recoverability of the receivables is dependent on the future profitability of the Company and its subsidiary to allow dividend distributions to the parent entity which shall be used to reduce the outstanding amounts. Furthermore, the parent entity's founders have provided a commitment to inject EUR600,000 to the parent entity which amount shall be used by the parent entity to partly repay the amount payable to the Company should the need arise.

The Company has prepared projections setting out the future profits of the Company, its subsidiary and the parent entity over a five year period. The projections are based on financial budgets approved by the directors. The tax calculation within the projections are worked on a 35% tax rate and allowing for notional interest deduction.

5. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

5.2 Impairment assessment of amount due from the Company's parent entity and amount due from and investment in subsidiary (continued)

The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

Forecast revenue growth rates

Forecast revenue growth rates are based on (1) past experience and (2) recent increase in volume of active members considering the recovery from COVID-19.

Operating profits

Operating profits are forecast based on historical experience of operating margins, adjusted for the impact ofh the various cost cutting measures being taken to compensate for the losses incurred by the Company. These have started being implemented within the DAN Europe group from 2023.

Sensitivity analysis

Due to the uncertainties around forecasting, various sensitivity analyses were carried out by management to determine impact of any changes in the key inputs to the future projections, particularly on forecasted revenue and expenses.

An increase/decrease in revenue and increase/decrease of expenses was considered. The results of the sensitivity analysis are as follows:

a. Increase in revenue and decrease in expenses over the years provide more headroom as the balance remaining to be paid in the final year would be lower.
b. Decrease in revenue and increase in expenses within the group still result in the receivable being fully settled within the five years.

The recoverability of amount due from the Company's parent entity is heavily dependent on the Company, its subsidiary and the parent entity achieving the projections based on the above key assumptions. Such projections may be subject to estimation uncertainty and may be affected by future market or economic conditions. Management has assessed that the receivables from the parent entity is recoverable, whereas the investment in subsidiary, as disclosed in Note 20, has been impaired by EUR268,164 (26.82% of the original cost of the investment). The receivables have been measured at their present value using the effective interest rate.

6 Insurance and financial risk

6.1 Insurance risk

6.1.1 Insurance and Reinsurance contracts

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

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

Emergency medical, personal accident, repatriation and travel assistance

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

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 program 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 (continued)

6.1 Insurance risk (continued)

6.1.1 Insurance and Reinsurance contracts (continued)

Legal defence (continued)

The Company's underwriting risk is addressed by detailed and thorough policies, namely: underwriting risk policy, retrocession policy and claims management and claims reserving policy. The objective of these policies is to ensure that:

- reasonable and effective controls are in place to support the risk selection and underwriting process;
- the Company's retrocession program provides secure coverage appropriate to the Company's strategy, level of capital and risk profile;
- the risks arising out of retrocession as a risk mitigation technique are properly understood, addressed and monitored;
- claims are managed fairly and recorded properly in line with reinsurance agreements and all amounts recoverable from reinsurers are duly collected;
- a consistent methodology for the calculation of, and the accounting for, claims outstanding and IBNR is maintained.

The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with these insurance and reinsurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance held arrangements. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly settling claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

6 Insurance and financial risk (continued)

6.1 Insurance risk (continued)

6.1.1 Insurance and Reinsurance contracts (continued)

The Company reinsures part of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys non-proportionate reinsurance treaties to reduce the Company's net exposure. Ceded reinsurance contains credit risk, and such reinsurance recoverable 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.

For the liability class of business, 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.

Amounts recoverable from reinsurers are estimated in a manner consistent with underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance held, to the extent that any reinsurer is unable to meet its obligations. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The Company manages its underwriting risk by defining risk acceptance criteria, based on a set of qualitative and quantitative objectives, bearing in mind the capital implications of all risk decisions. 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.

The main pricing consideration is an expectation of adequate profit over the life of the insurance contract, in light of the risk assumed and the capital required to assume the risk. This will include, amongst others, consideration of administration and operational costs, historical claims experience, cost of expected retrocession and market pricing.

6 Insurance and financial risk (continued)

6.1 Insurance risk (continued)

6.1.1 Insurance and Reinsurance contracts (continued)

The Company's underwriting results are reported to the Board regularly. At each Board meeting, the Underwriting Function reviews and analyses the premiums, claims and the underwriting performance of each individual line of business. At the Board's request, the Underwriting Function runs stress testing/scenario analysis to determine the effect of specified events on the underwriting results, capital adequacy and solvency. The directors are of the opinion that the Company is well prepared to meet the identified risks due to selective underwriting procedures and intelligent stop loss protections for the lines of business with a critical exposure.

6.1.1.1 Sensitivities

With respect to general business liabilities, the main source of uncertainty is associated with the estimation of the ultimate claims cost on the liability line of business. In this regard, due to the low frequency and high severity nature of this line of business as well as the limited claims experience, the Actuarial Function calculates the confidence interval surrounding the probability of the ultimate claims cost being lower than the total outstanding reserves.

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on profit before tax for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are nonlinear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

6 Insurance and financial risk (continued)

6.1 Insurance risk (continued)

6.1.1 Insurance and Reinsurance contracts (continued)

6.1.1.1 Sensitivities (continued)

2023

	Change in assumptions	Impact on equity gross of reinsurance €	Impact on equity net of reinsurance €
Weighted average term to settlement	+10%	-18,082	-23,890
Expected losses	+2%	-109,442	-90,190
Discount rates	+1%	+101,676	+78,885
Risk adjustment	+1%	-15,734	-12,899

2022

	Change in assumptions	Impact on profit before tax gross of reinsurance €	Impact on profit before tax net of reinsurance €
Weighted average term to settlement	+10%	+61,166	+45,609
Expected losses	+2%	-102,716	-92,171
Discount rates	+1%	+113,421	+94,516
Risk adjustment	+1%	-15,182	-13,370

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

IDA Insurance Limited

Notes to the Financial Statements
For the Year Ended 31 December 2023

6 Insurance and financial risk (continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Estimate of the ultimate claims costs																	
At end of year one	2,150,004	1,375,048	1,279,000	1,450,147	3,858,598	1,860,850	1,757,476	1,383,927	1,695,117	1,555,627	450,251	1,451,547	744,244	1,158,885	1,516,741	1,457,000	23,152,818
At end of year two	3,112,355	2,228,288	2,342,954	1,135,568	3,158,175	3,123,311	2,840,598	1,877,304	2,634,354	1,386,539	2,080,840	2,287,177	1,377,530	1,849,124	2,431,285		36,028,867
At end of year three	3,050,384	2,284,512	2,178,136	1,227,928	3,528,314	4,287,845	2,763,888	1,806,312	2,705,975	1,756,312	2,094,899	2,182,066	1,249,940	1,721,126			35,455,871
At end of year four	2,647,895	2,836,187	2,894,082	1,172,603	3,998,588	4,071,434	2,676,300	1,888,496	2,617,450	3,470,168	2,365,716	2,173,179	950,507				33,752,431
At end of year five	2,602,800	2,814,625	2,577,554	1,151,575	3,458,944	4,381,211	2,688,660	1,884,877	2,580,579	1,784,088	2,355,856	2,560,040					35,200,412
At end of year six	2,610,235	3,891,176	2,986,401	1,128,096	5,582,571	4,385,159	2,541,725	1,251,570	2,531,110	1,743,850	2,210,511						32,851,297
At end of year seven	2,858,288	3,886,078	2,888,208	1,124,188	5,610,112	4,187,000	2,660,631	1,125,991	2,598,831	3,650,160							34,350,511
At end of year eight	2,803,113	3,796,878	2,873,680	1,155,906	5,591,843	4,675,200	2,711,959	1,160,587	2,653,381								28,314,464
At end of year nine	2,237,899	3,791,628	2,875,680	1,169,967	5,584,367	4,679,514	2,854,756	3,095,105									25,312,819
At end of year ten	2,261,620	2,793,620	2,873,680	1,174,987	5,570,355	4,121,811	2,729,722										22,527,811
At end of year eleven	2,265,181	2,792,620	2,873,680	1,170,724	5,570,338	4,161,050											19,833,607
At end of year twelve	2,264,150	2,793,620	2,873,680	1,171,098	5,600,344												15,700,788
At end of year thirteen	2,263,156	2,771,108	2,873,680	1,169,594													10,079,216
At end of year fourteen	2,262,150	2,771,108	2,873,680														7,906,914
At end of year fifteen	2,262,150	2,771,108															5,033,258
At end of year sixteen	2,262,150																2,262,150
Current estimate of cumulative claims	2,262,150	2,771,108	2,873,680	1,169,594	5,600,344	4,161,050	2,729,722	3,095,105	2,653,381	2,450,160	2,210,511	2,560,045	950,167	1,721,125	2,431,285	1,457,061	41,294,164
Current payment to date	(2,262,150)	(2,771,108)	(2,873,680)	(1,169,594)	(5,551,467)	(4,161,050)	(2,591,548)	(3,095,105)	(2,244,690)	[illegible]	(2,159,851)	(1,145,873)	(917,965)	(1,646,750)	(1,946,855)	(866,850)	(38,313,172)
Claims Reserve as at year end	-	-	-	-	49,877	-	138,274	-	208,685	114,232	76,676	415,308	33,201	73,318	425,115	620,149	2,062,891
IBNR and IBNER	-	-	-	-	-	-	-	-	200,932	10,381	30,984	35,786	80,127	239,672	492,115	94,359	1,084,756
Best Estimate	-	-	-	-	49,877	-	138,274	-	409,617	124,613	107,624	451,094	113,328	312,037	917,230	714,489	3,147,615
Risk Adjustment Impact				-	15,340	-	53,676	-	130,183	53,212	41,760	370,500	43,071	80,211	346,143	473,489	1,481,135
Discounting Impact	-	-	-	-	(3,090)	-	(16,600)	-	(12,236)	(7,332)	(8,770)	(20,474)	(5,910)	(12,073)	(72,832)	(100,418)	-260,320
Allocation of accruals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,966	70,966
Liability for Incurred Claims	-	-	-	-	60,845	-	175,444	-	415,161	180,415	141,641	402,026	149,471	380,330	1,191,141	1,207,011	4,866,161

6 Insurance and financial risk (continued)

6.2 Financial risk management

The exposures to risk and the way risks arise, together with the Company's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

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

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

6.2.1. Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Company's exposure to credit risk.

The Company's credit risk policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's board of directors. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Credit risk relating to financial instruments is monitored by the Company's Investment Committee./ It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. It is the Company's policy to invest in high quality financial instruments with a low risk of default. If there is a significant increase in credit risk, the policy dictates that the instrument should be sold and amounts recovered reinvested in high quality instruments.

6 Insurance and financial risk (continued)

6.2 Financial risk management (continued)

6.2.1. Credit risk (continued)

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. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy. The credit risk in respect of customer balances incurred on non–payment of premiums will only persist during the grace period specified in the policy document. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of default.

The nature of the Company's exposure to credit risk and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

The total financial assets bearing credit risk are the following:

	2023 EUR	2022 EUR
Reinsurance contract assets	**1,698,652**	1,636,059
Related Party receivables	**3,179,232**	3,590,177
Cash and cash equivalents	**3,932,106**	2,247,756
Investments in financial assets	**2,839,979**	2,788,007
	11,649,969	10,261,999

6 Insurance and financial risk (continued)

6.2 Financial risk management (continued)

6.2.1. Credit risk (continued)

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

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

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

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

Rating	Credit agency	2023 EUR	2022 EUR
AAA	Standard & Poor	**228,863**	229,144
A1	Standard & Poor	**425,623**	386,590
BBB	Standard & Poor	**2,808,182**	1,521,015
No Rating		**469,438**	111,007
		3,932,106	2,247,756

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

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

6 Insurance and financial risk (continued)

6.2 Financial risk management (continued)

6.2.1. Credit risk (continued)

	2023 EUR	2022 EUR
Rating		
AA+	544,293	-
AA-	-	113,882
A+	-	106,842
A-	437,351	320,595
A	-	449,132
BBB+	879,570	319,240
BBB	446,890	328,077
BBB-	221,794	422,135
BB	51,593	22,663
BB-	73,530	22,480
B+	20,019	43,113
B-	23,917	21,835
WD	-	107,352
No rating	141,022	510,661
	2,839,979	2,788,007

6.2.2 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in euros and its exposure to foreign exchange risk arises primarily with respect to the GBP, USD and CHF. The Company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities.

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.

6 Insurance and financial risk (continued)

6.2 Financial risk management (continued)

6.2.2 Currency risk (continued)

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

	2023		2022	
	Financial assets EUR	**Cash EUR**	Financial assets EUR	Cash EUR
GBP	**27,143**	**3,773**	138,010	10,690
USD	**143,529**	**48,800**	561,343	16,653
CHF	**10,018**	**599,152**	11,065	43,333
	180,690	**651,725**	710,418	70,676

The following analysis is performed for reasonable possible movements in key variables, with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency-sensitive monetary assets and liabilities, including those relating to insurance and reinsurance contracts. The correlation of variables will have a significant effect in determining the ultimate impact of currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. 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 2023 on the Company's total Comprehensive income would be +/- EUR65,173 (2022:+/- EUR7,068) and +/-EUR18,069 (2022:+/- EU71,042) respectively.

6.2.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk. There is no direct contractual relationship between financial assets and insurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The policy also requires it to manage the maturities of interest-bearing financial assets.

6 Insurance and financial risk (continued)

6.2 Financial risk management (continued)

6.2.3 Interest rate risk (continued)

The effective interest rate on the financial investments and loans and receivables is disclosed in Note 16.

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, 98% (2022: 98%) of the Company's debt instruments and cash and cash equivalents bear fixed interest rates.

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 total comprehensive income would be +/- EUR283,980 in 2023 (2022: +/- EUR278,618).

The financial liabilities of the Company are not subject to payment of interest and are therefore not exposed to material interest rate risk.

6.2.4 Liquidity risk

The Company has to meet daily calls on its cash resources, notably from claims arising on its insurance contracts. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Company manages this risk by adhering to its investment policy ensuring that an adequate amount of funds are invested in highly liquid investments.

6 Insurance and financial risk (continued)

6.2 Financial risk management (continued)

6.2.4 Liquidity risk (continued)

	Within 1 year EUR	Between 1-5 years EUR	Over 5 years EUR	Total EUR
Year ended 31 December 2023				
Assets held at fixed rates				
Cash and cash equivalents	3,932,106	-	-	3,932,106
Investments in financial assets	274,653	1,254,167	1,311,159	2,839,979
Total interest bearing assets	**4,206,759**	**1,254,167**	**1,311,159**	**6,772,085**

	Within 1 year EUR	Between 1-5 years EUR	Over 5 years EUR	Total EUR
Year ended 31 December 2022				
Assets held at fixed rates				
Cash and cash equivalents	2,247,756	-	-	2,247,756
Investments in financial assets	-	1,586,987	1,211,673	2,798,660
Total interest bearing assets	2,247,756	1,586,987	1,211,673	5,046,416

6.2.5 Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments or insurance contract assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial 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.

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 +/- EUR21,399 in 2023 (2022: +/- EUR26,808).

6 Insurance and financial risk (continued)

6.3 Capital management and allocation

The Company's objectives when managing capitals 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 Directors manage the Company's capital structure and make adjustments to it, in the light of changes in economic conditions. The capital requirement of the Company is maintained in accordance with regulatory solvency and capital requirements of the insurance market in which it operates. The Company is financed by shareholders' total equity. The capital structure is reviewed on an ongoing basis. Based on recommendations of the Directors, the Company balances its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt.

The Company is subject to the provisions of the Solvency II Directive (2009/138/EC) which imposes 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 are actively involved in ensuring that the Solvency II regulations, are 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. Insurance service expense

The breakdown of insurance service expenses is presented below:

	2023 EUR	2022 EUR
Incurred claims and other expenses	**(4,764,631)**	(5,266,962)
Losses on contracts and reversal of those losses	**(68,040)**	(212,981)
Total insurance service expense	**(4,832,671)**	(5,479,943)

Incurred claims and other expenses include an allocation of employee expenses which are disclosed in Note 12.

8. Net expenses from reinsurance contracts held

The breakdown of the net expenses from the reinsurance contracts held is presented below:

	2023 EUR	2022 EUR
Reinsurance expenses – contracts measured under the PAA	**(677,182)**	(513,297)
Incurred claims recovery	**428,875**	(548,763)
Total insurance service expense	**(248,307)**	(1,062,060)

9. Investment income/ (charges)

	2023 EUR	2022 EUR
Investment gains		
Investment income	**81,005**	102,358
Realised gain / (loss) on sale of investments	**32,237**	(157,704)
Fair value movement on equity instruments	**10,803**	(69,292)
Other income / (expenses)	**797**	(34,574)
	124,842	(159,212)

10. Insurance finance income

	2023 EUR	2022 EUR
Insurance finance income / (expenses) from insurance contracts issued		
Interest accreted to insurance contracts using current financial assumptions	(77,082)	(337,603)
Reinsurance finance income / (expenses) from reinsurance contracts held		
Interest accreted to reinsurance contracts using current financial assumptions	2,470	48,913
Net insurance finance expense	(74,612)	(288,690)

11. Other operating expenses

The staff costs have been allocated to the Insurance Service Expenses for the year (Note 7) as part of the Incurred claims and other expenses.

	2023 EUR	2022 EUR
Wages and salaries	306,346	457,246
Social security costs	21,635	34,634
	327,981	491,880
Recharged by related parties	494,536	121,503
	822,517	613,383

11. Other operating expenses (continued)

The average number of employees during the year was 11 (2022 – 11), made up as follows:

	2023 Number	2022 Number
Accounts and administration	**7**	7
Insurance business	**4**	4
	11	11

12. Key management personnel compensation

	2023 EUR	2022 EUR
Directors' fees	**100,840**	94,460
Director's emolument	**71,805**	81,774
	172,645	176,234

13. Profit/(loss) before tax

	2023 EUR	2022 EUR
This is stated after charging:		
Depreciation	**-**	77,887
Amounts payable to the auditors for;		
- the audit of the Company's financial statements	**80,000**	40,000
- other assurance services	**20,000**	19,000
- the audit of the returns of the Company's Swiss branch	**42,000**	35,795

14. Income tax expense

	2023 EUR	2022 EUR
Current tax expense/(credit)	**1,359**	1,621
Deferred tax credit	**-**	-
Income tax expense	**1,359**	1,621

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

	2023 EUR	2022 EUR
Profit / (Loss) before tax	**1,149,586**	(504,578)
Tax at the applicable rate of 35%	**402,355**	(176,602)
Tax effect of:		
Utilisation of trading losses for the year	**(400,996)**	-
Unabsorbed tax losses	**-**	174,981
Income expense	**1,359**	1,621

15. Lease commitments

In the prior year, the Company entered into a 10-year lease agreement to lease the property from where the Group operates, which commenced on 1 January 2022. During, the year, the Company changed its premises and as a result, the name on the lease is no longer IDA Insurance Limited but the parent entity. As a result, during the current year, the Company derecognised the right of use asset and the lease liability that it had previously recognised.

Right-of-use asset	**2023 EUR**	2022 EUR
Opening Balance	**535,495**	-
Additions	-	613,382
Amortisation charge	-	(77,887)
Disposal	**(535,495)**	-
Closing Balance	-	535,495

Lease liability	**2023 EUR**	2022 EUR
Opening Balance	**556,884**	-
Additions	-	588,797
Interest expense on lease liability	-	20,387
Lease payment	-	(52,300)
Disposal	**(556,884)**	-
Closing Balance	-	556,884

16. Financial assets

	2023 EUR	2022 EUR
Financial assets as FVTOCI		
Foreign listed - debt	**2,644,430**	2,694,007
Local listed - debt	**195,549**	94,000
	2,839,979	2,788,007
Financial assets as FVTPL		
Foreign listed - equity	**196,014**	202,505
Foreign exchange traded fund	**17,978**	65,572
	213,992	268,077
Total financial assets	**3,053,971**	3,056,084

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 earned a weighted average interest rate of 5.82% (2022: 2.47%) per annum.

Total provision for impairment loss as at 31 December 2023 amounted to EUR 37,500 (2022: EUR37,500), representing 50% of the market value of a foreign listed security (2022: 50%).

17. Cash and cash equivalents

Cash and cash equivalents included in the Statement of Cash Flows comprise the following statement of financial position amounts:

	2023 EUR	2022 EUR
Cash at bank and in hand	**3,932,106**	1,847,756
Term deposits at banks	-	400,000
	3,932,106	2,247,756
Bank overdraft	-	(382,497)
	3,932,106	1,865,259

18. Related Party receivables

	2023 EUR	2022 EUR
Due from other related parties	**1,886,937**	1,321,506
Due from parent	**1,390,167**	2,323,264
Due to / from other related parties	**(22,609)**	8,113
ECL	**(75,263)**	(62,706)
Total receivables	**3,179,232**	3,590,177

No interest is due on the above receivables. The terms and conditions of the amounts owed by related parties are disclosed in Note 24. The receivable due from the parent was discounted to its present value.

19. Investment in subsidiary

On 20 April 2021, the Company acquired 100% shares in Ving Insurance Brokers Limited, making it its subsidiary.

	EUR
As at 1 January 2022	1,000,000
Additions	-
Impairment	-
As at 31 December 2022	1,000,000
As at 1 January 2023	**1,000,000**
Additions	-
Impairment	**(268,164)**
As at 31 December 2023	**731,836**

Due to the losses incurred by the subsidiary in recent years, this has resulted in the net asset position of the subsidiary to fall well below the original cost. Based on the financial projections prepared by management covering the next 3 years, it has been determined that the net asset position of the subsidiary within the next 3 years will not exceed EUR731,836, which has been determined to be the recoverable amount of the investment. As a result, the Directors agreed to take as an impairment the difference between the original cost of the investment and the recoverable amount.

19. Investment in subsidiary (continued)

Name of Subsidiary	Registered office	Percentage of shares
Ving Insurance Brokers Limited	DAN Building, Sir Ugo Mifsud Street, Ta' Xbiex	100%

20. Deferred tax asset

Details of recognized deferred tax assets as at 31 December 2023 and 2022 are as follows:

	2022 EUR	Movement for the year EUR	2023 EUR
Arising on:			
Temporary differences			
Unabsorbed capital loss	9,071	-	9,071
Unrealised loss on investments	101,368	-	101,368
	101,439	-	101,439
Arising on:			
Unused tax losses	259,561	-	259,561
Total	**370,000**	-	**370,000**

As at 31 December 2023, the Company did not recognize deferred tax on the following:

	2023 EUR
Unrealised loss on investments	66,704
Unabsorbed capital allowances	549
Notional interest deduction	189,283
Impairment on investment	37,500
Impairment on investment in subsidiary	268,164
NPV impairment	59,358
Expected credit loss	26,342
	647,901

The crystallisation of this asset remains doubtful given the expected pattern of income in the future years and has therefore not been recognised.

21. Insurance Contracts

Insurance Contracts - Reconciliation of changes in insurance contracts by remaining coverage and incurred claims – 2023

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk Adjustment	Total
Insurance contract liabilities as at beginning of year	(1,640,549)	(212,981)	(2,971,482)	(1,409,509)	(6,234,521)
Insurance revenue	6,448,498	-	-	-	6,448,498
Incurred claims and other expenses	-	-	(4,771,985)	7,354	(4,764,631)
Losses on onerous contracts	-	(68,040)	-	-	(68,040)
Insurance service result	6,448,498	(68,040)	(4,771,985)	7,354	1,615,827
Insurance finance expenses	-	-	(77,082)	-	(77,082)
Total amounts recognised in comprehensive income	6,448,498	(68,040)	(4,849,067)	7,354	1,538,745
Cash flows					
Premiums received / refunded	(6,668,953)	-	-	-	(6,668,953)
Claims and other expenses paid	-	-	4,856,543	-	4,856,543
Total cash flows	(6,668,953)	-	4,856,543	-	(1,812,410)
Insurance contract liabilities as at end of year	(1,861,382)	(281,021)	(2,964,006)	(1,402,155)	(6,508,564)

21. Insurance Contracts (continued)

Insurance Contracts - Reconciliation of changes in insurance contracts by remaining coverage and incurred claims – 2022

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk Adjustment	
Insurance contract liabilities as at beginning of year	(90,608)	(67,143)	(3,893,203)	(557,196)	(4,608,150)
Insurance revenue	6,485,327	-	-	-	6,485,327
Incurred claims and other expenses	-	-	(4,414,649)	(852,313)	(5,266,962)
Losses on onerous contracts	-	(212,981)	-	-	(212,981)
Insurance service result	6,485,327	(212,981)	(4,414,649)	(852,313)	1,005,384
Insurance finance expenses	-	-	(337,603)	-	(337,603)
Total amounts recognised in comprehensive income	6,485,327	(212,981)	(4,752,252)	(852,313)	667,781
Cash flows					
Premiums received / refunded	(8,035,268)	-	-	-	(8,035,268)
Claims and other expenses paid	-	67,143	5,673,973	-	5,741,116
Total cash flows	(8,035,268)	67,143	5,673,973	-	(2,294,152)
Insurance contract liabilities as at end of year	(1,640,549)	(212,981)	(2,971,482)	(1,409,509)	(6,234,521)

21. Insurance Contracts (continued)

Reinsurance Contracts - Reconciliation of changes in reinsurance contracts by remaining coverage and incurred claims – 2023

	Remaining coverage		Incurred claims		Total
	Excluding loss-recovery component	Loss recovery component	Estimate of the present value of future cash flows	Risk Adjustment for non-financial risk	
Net reinsurance contract assets as at beginning of year	309,458	64,778	1,133,489	128,334	1,636,059
Reinsurance expenses	(677,182)	-	-	-	(677,182)
Recoveries of incurred claims and other insurance service expenses	-	33,050	315,846	79,980	428,875
Net income/ (expenses) from reinsurance contracts held	(677,182)	33,050	315,846	79,980	(248,307)
Reinsurance finance income	-	-	2,470	-	2,470
Total amounts recognised in comprehensive income	(677,182)	33,050	318,316	79,980	(245,837)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses	741,756	-	-	-	741,756
Recoveries from reinsurance	-	-	(433,326)	-	(433,326)
Total cash flows	741,756	-	(433,326)	-	308,430
Net reinsurance contract assets as at end of year	374,032	97,828	1,018,478	208,314	1,698,652

21. Insurance Contracts (continued)

Reinsurance Contracts - Reconciliation of changes in reinsurance contracts by remaining coverage and incurred claims – 2022

	Remaining coverage		Incurred claims		Total
	Excluding loss-recovery component	Loss recovery component	Estimate of the present value of future cash flows	Risk Adjustment for non-financial risk	
Net reinsurance contract assets as at beginning of year	201,754	19,152	2,479,736	253,553	2,954,195
Reinsurance expenses	(513,297)	-	-	-	(513,297)
Recoveries of incurred claims and other insurance service expenses	-	45,626	(469,170)	(125,219)	(548,763)
Net income/ (expenses) from reinsurance contracts held	(513,297)	45,626	(469,170)	(125,219)	(1,062,060)
Reinsurance finance income	-	-	48,913	-	48,913
Total amounts recognised in comprehensive income	(513,297)	45,626	(420,257)	(125,219)	(1,013,147)
Premiums paid net of ceding commissions and other directly attributable expenses	621,001	-	-	-	621,001
Recoveries from reinsurance	-	-	(925,990)	-	(925,990)
Total cash flows	621,001	-	(925,990)	-	(304,989)
Net reinsurance contract (assets)/ liabilities as at end of year	309,458	64,778	1,133,489	128,334	1,636,059

22. Share capital and reserves

22.1 Authorised share capital

	2023 No.	2022 No.
Authorised at beginning and end of year	**6,000,000**	6,000,000

At 31 December 2023 and 2022, the authorised share capital comprised 6,000,000 ordinary shares; all shares have a par value of €1 each.

22.2 Issued share capital

	2023 EUR	2022 EUR
Issued and fully paid		
At beginning and end of year:		
5,500,000 Ordinary shares of €1 each	**5,850,000**	5,850,000
	5,850,000	5,850,000

22.3 Revaluation reserve

Revaluation reserve represent fair value movements on financial assets at FVTOCI, net of tax, which are recognised in other comprehensive income.

22.4 Capital Contribution

On 7 October 2021, the Company's parent DAN Europe Foundation, issued a capital contribution of €550,000. The contribution is interest free, has no security and is payable at the discretion of the Company.

23. 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. The related party transactions in question were:

	2023			2022		
	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Other Operating expenses:						
Related party transactions with:						
- Parent company and other related parties	633,874	2,233,783	28	296,578	2,440,990	17

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

The amounts due from/to related parties at year end are disclosed in Note 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 amounting to EUR262,140 is expected to be extinguished through structured cash settlements over a period of four years from balance sheet date. The remaining receivable from the parent of EUR1,128,027 is to be settled by means of set off against dividends distributed from future profits generated by the Company to parent entity.

24. Fair values of financial assets and financial liabilities

At 2023 and 2022, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The following table analyses within the fair value hierarchy the Company's financial assets and financial liabilities measured at fair value at 31 December 2023 and 31 December 2022.

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
31 December 2023				
Debt	2,802,479	-	37,500	2,839,979
Equity	196,014	-	-	196,014
Exchange traded fund	17,978	-	-	17,978
Total	3,016,471	-	37,500	3,053,971

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

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
31 December 2022				
Debt	2,750,507	-	37,500	2,788,007
Equity	202,505	-	-	202,505
Exchange traded fund	65,572	-	-	65,572
Total	3,018,584	-	37,500	3,056,084

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

	EUR
Balance at 1 January 2022	112,500
Change in fair value of level 3 investment	(75,000)
Balance at 31 December 2022	37,500
Change in fair value of level 3 investment	**-**
Balance at 31 December 2023	**37,500**

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

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

	Significant unobservable input	Narrative sensitivity	Quantitative sensitivity
	EUR	EUR	EUR
2023			
Non-Local unquoted bond instruments	Provision for impairment on the carrying amount of the investment	The higher the impairment on the carrying amount, the lower in fair value	A 5% increase /decrease would increase /decrease fair value by EUR1,875 (2022 – EUR1,875)

26. Events after the reporting period

Subsequent to year end, a capital contribution of €325,000 was injected into the Company in order to continue strengthening the net asset position of the Company and its Solvency Position.

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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 83, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRSs) as adopted by the European Union 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' *International Code of Ethics for Professional Accountants including International Independence Standards* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that is relevant to our audit of the financial statements of public interest entities in Malta. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Company and have not provided any of the non-audit services prohibited by article 18A(1) of the Maltese Accountancy Profession Act (Cap. 281).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These key audit 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>Impairment assessments of amount due from the Company's parent entity and amount due from and investment in subsidiary</u>

The Company has a receivable from its parent, DAN Europe Foundation (the "parent entity"), with a carrying amount of EUR1.4 million as at 31 December 2023. The receivable from its parent entity is material to the Company and accounts for 9% of total assets as at financial year end.

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Independent auditor's report (continued)

to the members of
IDA Insurance Limited

Key Audit Matters (continued)

The Company also has receivable from its subsidiary amounting to EUR1.9 million and an investment in subsidiary amounting to EUR731,836, net of provision for impairment amounting to EUR268,164 as at 31 December 2023. The impairment assessment of the Company's receivable from its subsidiary and the investment in subsidiary also depends on the recoverability of the receivable from the parent entity in the subsidiary's books with a carrying amount of EUR1.6 million as at 31 December 2023.

As at 31 December 2023, the parent entity does not have sufficient liquidity to settle these receivables.

The recoverability of the receivables is dependent on the future profitability of the Company and its subsidiary to allow dividend distributions to the parent entity which shall be used to reduce the outstanding amounts. Furthermore, the parent entity's founders have provided a commitment to inject EUR600,000 to the parent entity which amount shall be used by the parent entity to partly repay the amount payable to the Company should the need arise.

Consequently, the Company's impairment assessments are dependent on the future ability of the Company and its subsidiary to generate sufficient dividend distributions to reduce the Company's and its subsidiary's receivables from the parent entity. The impairment assessments were significant to our audit given the quantitative significance of the amounts receivable from the parent entity, and also because the impairment assessment relies heavily on forecasting the future financial performance of the Company, its subsidiary and the parent entity, which inherently involves judgement and uncertainty.

Our audit approach included:

- Assessing the Company's impairment assessments of the amounts due from the parent entity and amount due from and investment in subsidiary for reasonability, mathematical accuracy and consistency;
- Evaluating and challenging the key assumptions applied by the Company which are impacting future profitability of the Company and its subsidiary,
- Evaluating and challenging the key assumptions applied by the Company in relation to the cessation of the parent entity's need for further borrowing from the Company and its subsidiary;
- Assessing management's capability in forecasting through a retrospective review of actual performance in the past year against previous forecasts;
- Performing sensitivity analyses to changes in the key inputs to the future projections, particularly on forecasted revenue and expenses;
- Obtaining evidence of commitment by the Company and the parent entity of the intention to use future dividend distributions to settle the amounts receivable;
- Inspecting agreements between the parent entity's founders, the parent entity and the Company, relating to the founders' commitment to inject EUR600,000 to the parent entity which amount shall be used by the parent entity to partly repay the amount payable to the Company should the need arise, as well as obtaining evidence of the financial ability of the founders to provide such funds;
- Reviewing the appropriateness of the disclosures in the financial statements in connection with the impairment assessments.

As disclosed in notes 5.2, 18 and 23 to the financial statements, the key assumptions applied by the Company in the projections relate to forecasted growth in future revenue and decreases in costs arising from significant cost-cutting measures. The recoverability of the receivables from the parent entity is heavily dependent on the Company, its subsidiary and the parent entity achieving the projections based on these key assumptions. Such projections may be affected by future market or economic conditions.

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Independent auditor's report (continued)

to the members of
IDA Insurance Limited

Key Audit Matters (continued)

The disclosures in the financial statements relevant to the above are considered to be of fundamental importance in understanding the financial statements and, in particular, the estimation uncertainties that exist, which could materially impact the recoverability of the amounts receivable from the parent entity.

Adoption of IFRS 17 'Insurance Contracts'

On 1 January 2023, the Company adopted IFRS 17 'Insurance Contracts', replacing IFRS 4 'Insurance Contracts'. The adoption of IFRS 17 was applied retrospectively, resulting in a restated opening balance sheet as at 1 January 2022 and restated comparatives as at 31 December 2022.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, which are significantly different to those required under IFRS 4. The implementation of IFRS 17 required significant management judgement in its application to the Company's policies.

Key judgements and estimates in relation to the adoption of IFRS 17 include:

- The judgements involved in the determination of the measurement model to apply under IFRS 17, in particular, management's use of the Premium Allocation Approach ('PAA') measurement model for groups of contracts that are not automatically eligible;
- The methodology and assumptions applied in calculating the insurance contract liabilities, including the risk adjustment and the discount rates;
- The appropriateness of methodologies, assumptions and significant judgements applied in the calculation of relevant insurance transactions and balances.

Our audit approach included the following, with involvement from our internal actuarial specialists:

- Evaluating the appropriateness of key technical accounting decisions, judgements and assumptions made by the Company in their application of the requirements of IFRS 17, including the Premium Allocation Approach eligibility test as well as the methodology selected in arriving at the discounting and risk adjustment;
- Performing procedures to assess the Company's implementation of the defined methodology and IFRS 17 calculation models;
- Testing the completeness and accuracy of the data and other information required for IFRS 17 calculations; and
- Evaluating the disclosures as required by IFRS 17 including those relating to the transition impact and reconciled the disclosures to underlying accounting records and supporting data.

The Company's disclosures about the adoption of IFRS 17 are disclosed in notes 3, 4, 5 and 21 to the financial statements.

Valuation of liability for incurred claims included in insurance contract liabilities

As at 31 December 2023, the Company's liability for incurred claims comprised an estimate of the present value of future cash flows and a risk adjustment for non-financial risk amounting to EUR2.9M and EUR1.4M, respectively. The liability for incurred claims is material to the Company which is equivalent to 63% of the Company's total liabilities as at 31 December 2023.

As described in the notes to the financial statements, the fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk. The estimation of liability for incurred claims is an inherently complex area and requires a significant amount of judgement.

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Independent auditor's report (continued)

to the members of
IDA Insurance Limited

Key Audit Matters (continued)

Our audit approach included:

- Evaluating the design of key controls over the Company's claim reserving process and their determined implementation;
- Reviewing a selection of claims outstanding to determine the reasonableness of assumptions made and consistency in the methodology used;
- Making an assessment of the Company's actuary's competence, capabilities and objectivity;
- Testing the completeness and accuracy of the data provided to the actuary for the purpose of determining the liability for incurred claims;
- With the involvement of our internal actuarial specialists, reviewing and challenging the reasonableness of the assumptions and methodologies adopted by the Company's actuary for the liability for incurred claims as well as the method used to estimate the discount rates and risk adjustment for non-financial risk;
- 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 liability for incurred claims.

The Company's disclosures about the liability for incurred claims are disclosed in notes 4, 5 and 21 to the financial statements.

Information Other than the Financial Statements and the Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the Company Information on page 2, the directors' report, on pages 3 to 6, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Directors' Report has been prepared in accordance with applicable legal requirements.

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.

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Independent auditor's report (continued)

to the members of
IDA Insurance Limited

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 Act (Cap.386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions in accordance with articles 179,179A and 179B of the Companies Act (Cap. 386). Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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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)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Company's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Company's ability to continue as a going concern.

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current 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

Matters on which we are required to report by exception under the Companies Act

Under the Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

- Proper accounting records have not been kept;
- Proper returns adequate for our audit have not been received from branches not visited by us;
- The financial statements are not in agreement with the accounting records and returns; or
- We have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

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

Auditor tenure

We were first appointed to act as statutory auditor of the Company, following the Company being licensed to act as a general business insurer on 24 October 2007, by the members of the Company on 20 January 2009 for the financial year ended 30 June 2009, and were subsequently reappointed as statutory auditors by the members of the Company on an annual basis. The period of total uninterrupted engagement as statutory auditor since the Company became a public interest entity including previous reappointments of the firm covers financial periods totalling 16 years and 6 months.

Consistency of the audit report with the additional report to the Board of Directors

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

The audit report was drawn up on 7 May 2024 and signed by:

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