EUCARE INSURANCE PCC LIMITED

Annual Report and Financial Statements
31 December 2020

Company Registration No. C 88658

Directors' report

The directors present their report and the audited financial statements of Eucare Insurance PCC Limited (the "Company" or "Eucare") for the year ended 31 December 2020. Comparatives included in these financial statements are for the period 8 October 2018 to 31 December 2019.

Principal activity

The principal activity of the Company is to carry on the business of insurance and is licensed as a Cell company by Malta Financial Services Authority in accordance with the Companies Act (Cell Companies carrying on business of insurance) Regulations, 2010.

The Core operation does not write any insurance business. Its main activity is to promote the creation and establishment of Cells within the Company in terms of the Protected Cell Company (PCC) Regulations, whereas the Cell's main activity is to carry on licensed classes of insurance business.

Performance review

As at the end of the reporting year, the Company had one Cell ('NLCare Cell'). During the year under review, the Company registered an aggregated profit before taxation of €9,644,449 (2019: €1,149,916). This profit is mainly attributable to NLCare Cell. The Cell had gross written premium amounting to €532,441,481 (2019: €122,670,264).

The Company was compliant with its regulatory capital requirements throughout the financial year.

The directors consider the financial position as at 31 December 2020 to be satisfactory.

Financial Performance

The Profit and Loss account is set out on pages 7 and 8.

Gross written premium increased by 334%, amounting to €532,441,481 (2019: €122,670,264). This increase is mainly due to an increase in the health portfolio in 2020, however also due to introduction of income protection and personal accident lines of business in the Netherlands. The Company has reinsurance arrangements in place resulting in earned premiums net of reinsurance for 2020 of €79,992,113 (2019: €24,521,067). Gross claims incurred increased by 340% over the year, amounting to €486,666,765 in 2020 (2019: €110,540,410). Reinsurance recoverable claims amount to €413,501,940 (2019: €88,432,328), resulting in an increase of 368%. Further details on unearned premiums, claims and reserves are provided in the notes to the financial statements.

Total administrative expenses amounted to €7,709,520 (2019: €3,917,015). Acquisition costs amounted to €23,067,827 (2019: €7,075,630) whilst commissions and profit commission income amounted to €31,567,472 (2019: €7,990,756). Additional details on net operating expenses are provided in note 4 to the financial statements.

The Company's total assets as at 2020 amount to €243,145,191 (2019: €74,464,216), an increase of 227% over 2019.

Non-Financial Performance

During 2020, Eucare registered growth on its health care insurance portfolio in the Netherlands. The number of insured customers under basic health insurance schemes increased from approximately 49,000 in 2019 to 178,000 in 2020. This development strengthened the position of the Company in terms of technical overall results and balance sheet value. Despite this enhancement in market share Eucare managed to retain an equitable pricing structure throughout its product range whilst at the same time has reviewed its product offer to ensure that these are up to date in providing peace of mind to all its customers.

In conjunction with this it is Eucare's strategy to diversify its efforts both in terms of products, business sources as well as in terms of geographical location. The Company benefitted from the planning and efforts made in the preceding year to introduce new classes of business in 2020. The first relating to income protection and disability insurance in the Netherlands and the second being a Personal Accident product to also be distributed by its existing Managing General Agent ("MGA") as an "add-on" to Health products offered.

The Company is encouraged by the performance and business secured from these lines of business and seeks to further develop these efforts by considering new business opportunities for distribution in the Netherlands and any other regions in Europe.

Directors' report - continued

Performance review - continued

Non-Financial Performance - continued

The Company has kept an open eye for business opportunities and during the year has also been authorised to carry on business under the provisions of freedom of services in France. During 2020 the Company has successfully completed new MGA Agreements in the Netherlands with respect to Income protection and Personal Accident Insurances as well as a further Agreement with a partnering Intermediary in France. These new Agreements are earmarked for new underlying business incepting in 2021.

The overall Governance of the Company starts from Board of Directors level which sets the tone for the management and operations of the Company through a set of Board Policies, including an overall Governance Policy. The Board is satisfied with the way the management and staff have translated these policies into actual processes and procedures, including a solid oversight of the outsourcing partners, with resulting good non-financial and financial performance. During the year the Company's strategy was to focus on the Regulatory, Financial and Insurance risk related key functions, whist leaving the customer facing operations to selected partners in the local target markets. The cooperation with these partners was performed with the proper oversight of the partner's processes and operational activities. This cooperation model has proven to be successful and continues to enhance Eucare's strategy to expand into other insurance lines of business and into other European countries.

Covid-19 Pandemic

Since 31st December 2019, the spread of the coronavirus, more commonly known as COVID-19, has severely impacted many local economies around the globe. During 2020 many businesses were forced to cease or limit operations for long or indefinite periods of time.

In March of 2020, the Company activated its business continuity plan to ensure a seamless approach to home working and has ensured that all its business partners have taken the necessary steps to ensure business continuity, without effecting the level of service provided to the Company or its policyholders.

The Covid-19 pandemic has had a significant impact on healthcare in the Netherlands. Significant pressure was put on hospital capacity both due to the contagiousness of the virus, as well as the need to shift staff in order to assist in the treatment of Covid-19 infected patients. Moreover, healthcare providers also experienced constraints in the provision of non-emergency healthcare treatments, mainly due to restrictive measures limiting social gatherings and interactions imposed by the Dutch government. In order to protect healthcare providers from the uncertainties brought about by the Covid-19 pandemic, Eucare provided supporting measures to assist the healthcare providers to overcome financial challenges.

Article 33 of the Dutch Healthcare Act concerning catastrophe situations, stipulates that healthcare insurance companies may receive additional contributions if the pandemic related costs throughout the year of the pandemic and the following calendar year, exceed 4% of the average Risk Equalisation Fund for 2019. Due to the lack of information available at the time of reporting, the Company was not in a position to adequately identify Covid-19 related costs to be able to assess the threshold criteria, thus resulting in compensations emanating from Article 33 of the Dutch Healthcare Act not being recognised in these financial statements. Further assessments will continue to be carried out during 2021.

Eucare is continuously monitoring the impact that the Covid-19 pandemic may have on the business operations, turnover, profitability and the ultimate effect on the solvency of the Company. Based on known information at the date of reporting, management's assessment shows that the Company will be able to absorb the effects of the pandemic, and that the Company remains above the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR).

Dividends

The directors do not propose a dividend for 2020 (2019: Nil). The directors propose that the balance of retained earnings amounting to €6,991,873 (2019: €747,446) be carried forward to the next financial year.

Directors' report – continued

Risk Management

Risk Management System

The Risk Management System is integrated into the Risk Management Policy and a number of sub-policies. The Board reviews its Risk Management policies and strategies and oversees their implementation to ensure that identified key risks are properly assessed and managed.

The Company Risk Management System is proportionate to the nature, scale and complexity inherent to the business in ensuring it maintains sufficient capital to meet all existing and imminent business risks. It therefore aims to ensure the efficient management of capital resources, and the achievement of strategic goals in full compliance with all applicable legislation and regulatory requirements.

Risk Appetite

The Company's risk appetite is established by the Board of Eucare in consideration of the activities and associated risks that the Company accepts and those it avoids as well as the rating attributed to each risk within the Risk Register.

The Risk Register is reviewed at least on a quarterly basis by re-evaluating existing risks, identifying new and emerging risks and implementing controls and other mitigating factors. This Register is presented at each Board of Directors meeting.

ORSA Process

One of the sub-policies emerging from the Risk Management Policy is the Own Risk and Solvency Assessment (ORSA) policy, setting out the ORSA process which covers the Company's functional operations and exposures in the geographical areas where it operates. The principal goal of the ORSA is to foster an effective level of risk management that enables the Company to identify, assess, monitor and report on its material risks using techniques that are appropriate to its risk exposures and in a manner that is adequate to support the Company in its risk and capital decisions.

The processes and procedures adopted in the conduct of the ORSA process are part of the risk management system of Eucare.

Risk Profile

As an insurance company, Eucare is exposed to a number of risks which can be categorised under two headings.

Primary risks are considered to be risks which are inherent to the nature and scope of Eucare's business strategy. In 2020 Eucare has underwritten health, income protection, and personal accident insurance business in The Netherlands. Accordingly, Eucare acknowledges underwriting risk and operational risk as the primary and most significant risks of the Company.

Secondary risks, emanating as a consequence of Eucare's actions to deal with the identified primary risks, include strategic risk, claims reserving risk, counterparty default risk, cyber risks, regulatory risks, and reputational risks.

All risks are treated equally and it is ensured that adequate oversight, monitoring and executive controls are in place to effectively manage each risk. Consequently, all risks are considered to fall within the Company's risk appetite and are adequately covered by the existing capital of Eucare.

Further information pertaining to the Company's insurance and financial risk management is included in Notes 3.1 and 3.2 of these financial statements.

Directors' report – continued

Events after the reporting date

There were no particular important events affecting the Company which occurred after the reporting period.

Future Developments

The name EUCARE reflects the Company's ambition to become a true European insurer, focusing on the protection of important aspects of people's lives: their health and their income. Although health insurance and income protection due to sickness and disability to work is organized in a different way in the various European jurisdictions, one can learn and be inspired from every implementation in a specific country.

As from 1st January 2021, the Company shall continue to write business in the Netherlands through its current intermediaries and shall develop new streams of income through newly appointed MGAs. Moreover, the Company will offer Income Protection insurance to customers in France through a new partnering intermediary.

The strategy of the Company is to pursue its outlook of seeking new partnerships in all the territories it is licensed in and also to enhance its offering by designing new and affordable products.

In 2021 the Company is set to conclude further MGA Agreements and to expand its presence in other EU Jurisdictions. During the 1st Quarter of 2021 Eucare has been authorised to carry on business under the provisions of freedom of services in Germany and Belgium.

Eucare's intention is to continue to retain its business model, that is, to focus on the regulatory, financial and insurance risk related key functions, whist leaving the customer facing operations to selected partners in the local target markets.

Covid-19 Pandemic

During 2021 Eucare will continue to monitor the impact that the Covid-19 pandemic may have on the business operations, turnover, profitability and the ultimate effect on the solvency of the Company. Based on known information at the date of reporting, management's assessment shows that the Company will be able to absorb the effects of the pandemic, and that the Company remains above the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR).

Directors

The directors of the Company who held office during the year were:

Mr. Hubertus Hendrikus Laeven
Mr. Arndt François Jean Pierre van den Beuken
Mr. Alfred Lupi
Mr. Hans Kadiks
Mr. James Portelli
Mr. George McClennen

The Company's Articles of Association do not require any director to retire.

Directors' report – continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Insurance Business Act, 1998 and the Maltese Companies Act, (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal controls as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and which comply with the Maltese Insurance Business Act, 1998 and with the Maltese Companies Act, (Cap. 386). They 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.

Auditors

KPMG have been appointed as auditors and indicated their willingness to continue in office. A resolution for their re-appointment will be proposed at the Annual General Meeting.

The directors' report was approved and signed by:

Hubertus Hendrikus Laeven
Director

Arndt François Jean Pierre van den Beuken
Director

Registered office:
16, Europa Centre
Triq John Lopez
Floriana FRN 1400
Malta

31 May 2021

Profit and loss account
Technical account – general business
Year/ Period ended 31 December

	Notes	Core		Cell		Total	
		2020 **€**	2019 €	**2020** **€**	2019 €	**2020** **€**	2019 €
Earned premiums, net of reinsurance							
Gross premiums written		**-**	-	**532,441,481**	122,670,264	**532,441,481**	122,670,264
Outward reinsurance premiums		**-**	-	**(452,443,553)**	(98,149,197)	**(452,443,553)**	(98,149,197)
Net premiums written		**-**	-	**79,997,928**	24,521,067	**79,997,928**	24,521,067
Change in the gross provision for unearned premiums	12	**-**	-	**(38,775)**	-	**(38,775)**	-
Change in the provision for unearned premiums, reinsurer's share	12	**-**	-	**32,960**	-	**32,960**	-
		-	-	**(5,815)**	-	**(5,815)**	-
Earned premiums, net of reinsurance		**-**	-	**79,992,113**	24,521,067	**79,992,113**	24,521,067
Commissions and profit commissions income		**-**	-	**31,567,472**	7,990,756	**31,567,472**	7,990,756
Total technical income		**-**	-	**111,559,585**	32,511,823	**111,559,585**	32,511,823
Claims incurred, net of reinsurance							
Claims paid							
- gross amount	12	**-**	-	**376,028,406**	84,752,924	**376,028,406**	84,752,924
- reinsurers' share	12	**-**	-	**(318,191,275)**	(67,802,339)	**(318,191,275)**	(67,802,339)
		-	-	**57,837,131**	16,950,585	**57,837,131**	16,950,585
Change in the provision for claims							
- gross amount	12	**-**	-	**110,638,359**	25,787,486	**110,638,359**	25,787,486
- reinsurers' share	12	**-**	-	**(95,310,665)**	(20,629,989)	**(95,310,665)**	(20,629,989)
		-	-	**15,327,694**	5,157,497	**15,327,694**	5,157,497
Claims incurred, net of reinsurance		**-**	-	**73,164,825**	22,108,082	**73,164,825**	22,108,082
Net operating expenses	4	**-**	-	**23,067,827**	7,075,630	**23,067,827**	7,075,630
Total technical charges		**-**	-	**96,232,652**	29,183,712	**96,232,652**	29,183,712
Balance on the technical account for general business (page 7)		**-**	-	**15,326,933**	3,328,111	**15,326,933**	3,328,111

The notes on pages 13 to 40 form an integral part of the financial statements.

Profit and loss account
Non-technical account
Year/ Period ended 31 December

		Core		Cell		Total	
	Notes	**2020** **€**	2019 €	**2020** **€**	2019 €	**2020** **€**	2019 €
Balance on the technical account for general business (page 7)		**-**	-	**15,326,933**	3,328,111	**15,326,933**	3,328,111
Other income	4	**2,986,921**	1,738,820	**-**	-	**2,986,921**	1,738,820
Administration expenses	4	**(2,563,485)**	(1,738,820)	**(5,146,035)**	(2,178,195)	**(7,709,520)**	(3,917,015)
Interest expense	6	**(13,181)**	-	**(946,704)**	-	**(959,885)**	-
Profit before tax		**410,255**	-	**9,234,194**	1,149,916	**9,644,449**	1,149,916
Tax expense	7	**(198,032)**	-	**(3,201,990)**	(402,470)	**(3,400,022)**	(402,470)
Profit for the year/ period		**212,223**	-	**6,032,204**	747,446	**6,244,427**	747,446

Statement of comprehensive income
Year/ Period ended 31 December

	Core		Cell		Total	
	2020 **€**	2019 €	**2020** **€**	2019 €	**2020** **€**	2019 €
Profit for the year/period - Comprehensive income	**212,223**	-	**6,032,204**	747,446	**6,244,427**	747,446

The notes on pages 13 to 40 form an integral part of the financial statements.

Statement of financial position

As at 31 December

		Core		Cell		Total	
		2020	2019	**2020**	2019	**2020**	2019
	Notes	**€**	€	**€**	€	**€**	€
ASSETS							
Intangible assets	8	**118,683**	131,720	**-**	-	**118,683**	131,720
Tangible assets	9	**181,477**	233,452	**-**	-	**181,477**	233,452
Right-of-use assets	18.1	**223,810**	397,109	**-**	-	**223,810**	397,109
Reinsurers' share of technical provisions	12	**-**	-	**115,973,614**	20,629,989	**115,973,614**	20,629,989
Trade and other receivables	10	**1,324,302**	692,389	**102,157,882**	29,645,325	**103,482,184**	30,337,714
Cash and cash equivalents	11	**1,512,195**	1,502,960	**21,653,228**	21,231,272	**23,165,423**	22,734,232
Total assets		**3,360,467**	2,957,630	**239,784,724**	71,506,586	**243,145,491**	74,464,216
EQUITY							
Capital and reserves							
Share capital	15	**2,501,200**	2,501,200	**6,000,000**	6,000,000	**8,501,200**	8,501,200
Capital contribution	16	**-**	-	**12,000,000**	12,000,000	**12,000,000**	12,000,000
Retained earnings		**212,223**	-	**6,779,650**	747,446	**6,991,873**	747,446
Total equity		**2,713,423**	2,501,200	**24,779,650**	18,747,446	**27,493,073**	21,248,646
LIABILITIES							
Subordinated loans	14	**-**	-	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Technical provisions	12	**-**	-	**136,464,620**	25,787,486	**136,464,620**	25,787,486
Trade and other payables	13	**268,602**	99,209	**64,935,994**	16,569,184	**65,204,596**	16,668,393
Lease liabilities	18.2	**180,410**	357,221	**-**	-	**180,410**	357,221
Tax liability		**198,032**	-	**3,604,460**	402,470	**3,802,492**	402,470
Total liabilities		**647,044**	456,430	**215,005,074**	52,759,140	**215,652,118**	53,215,570
Total equity and liabilities		**3,360,467**	2,957,630	**239,784,724**	71,506,586	**243,145,191**	74,464,216

The notes on pages 13 to 40 form an integral part of the financial statements.

The financial statements on pages 7 to 40 have been authorised for issue by the Board on 31 May 2021 and were signed on its behalf by:

Hubertus Hendrikus Laeven
Director

Arndt François Jean Pierre van den Beuken
Director

Statement of changes in equity
For the period ended 31 December 2019

		Core			
	Notes	**Share capital €**	**Capital contribution €**	**Retained earnings €**	**Total €**
Comprehensive income					
Profit for the period					
- Total comprehensive income		-	-	-	-
Transactions with owners					
Issue of share capital					
- Total transactions with owners	15	2,501,200	-	-	2,501,200
Balance at 31 December 2019		**2,501,200**	**-**	**-**	**2,501,200**

		Cell			
	Notes	**Share capital €**	**Capital contribution €**	**Retained earnings €**	**Total €**
Comprehensive income					
Profit for the period					
- Total comprehensive income		-	-	747,446	747,446
Transactions with owners					
Issue of share capital	15	6,000,000	-	-	6,000,000
Capital contribution	16	-	12,000,000	-	12,000,000
- Total transactions with owners		6,000,000	12,000,000	-	18,000,000
Balance at 31 December 2019		**6,000,000**	**12,000,000**	**747,446**	**18,747,446**

		Total			
	Notes	**Share capital €**	**Capital contribution €**	**Retained earnings €**	**Total €**
Comprehensive income					
Profit for the period					
- Total comprehensive income		-	-	747,446	747,446
Transactions with owners					
Issue of share capital	15	8,501,200	-	-	8,501,200
Capital contribution	16	-	12,000,000	-	12,000,000
- Total transactions with owners		8,501,200	12,000,000	-	20,501,200
Balance at 31 December 2019		**8,501,200**	**12,000,000**	**747,446**	**21,248,646**

The notes on pages 13 to 40 form an integral part of the financial statements.

Statement of changes in equity – continued

For the year ended 31 December 2020

	Core			
	Share capital €	**Capital contribution €**	**Retained earnings €**	**Total €**
Balance as at 1 January 2020	2,501,200	-	-	2,501,200
Comprehensive income				
Profit for the year				
- Total comprehensive income	-	-	212,223	212,223
Balance at 31 December 2020	**2,501,200**	**-**	**212,223**	**2,713,423**

	Cell			
	Share capital €	**Capital contribution €**	**Retained earnings €**	**Total €**
Balance as at 1 January 2020	6,000,000	12,000,000	747,446	18,747,446
Comprehensive income				
Profit for the year				
- Total comprehensive income	-	-	6,032,204	6,032,204
Balance at 31 December 2020	**6,000,000**	**12,000,000**	**6,779,650**	**24,779,650**

	Total			
	Share capital €	**Capital contribution €**	**Retained earnings €**	**Total €**
Balance as at 1 January 2020	8,501,200	12,000,000	747,446	21,248,646
Comprehensive income				
Profit for the year				
- Total comprehensive income	-	-	6,244,427	6,244,427
Balance at 31 December 2020	**8,501,200**	**12,000,000**	**6,991,873**	**27,493,073**

The notes on pages 13 to 40 form an integral part of the financial statements.

Statement of cash flows

Year/ Period ended 31 December

		Core		Cell		Total	
	Notes	**2020 €**	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Cash generated from/(used in) operating activities							
Cash generate from /(used in) operations	17	**124,785**	(427,518)	**(9,212,666)**	3,231,272	**(9,087,881)**	2,803,754
Interest paid		**(1,660)**	-	**(365,378)**	-	**(376,038)**	-
Net cash generated from/(used in) operating activities		**123,125**	(427,518)	**(9,578,044)**	3,231,272	**(9,477,380)**	2,803,754
Cash flows generated from/(used in) investing activities							
Purchase of intangible assets	8	**(41,159)**	(175,627)	**-**	-	**(41,159)**	(175,627)
Purchase of tangible assets	9	**(9,067)**	(292,229)	**-**	-	**(9,067)**	(292,229)
Net cash used in investing activities		**(50,226)**	(467,856)	**-**	-	**(50,226)**	(467,856)
Cash flows (used in)/ generated from financing activities							
Proceeds from issue of share capital	15	**-**	2,501,200	**-**	6,000,000	**-**	8,501,200
Proceeds from capital contribution	16	**-**	-	**-**	12,000,000	**-**	12,000,000
Proceeds from subordinated loans	14	**-**	-	**10,000,000**	-	**10,000,000**	-
Payment of lease liabilities	18.2	**(63,664)**	(102,866)	**-**	-	**(63,664)**	(102,866)
Net cash (used in)/generated from financing activities		**(63,664)**	2,398,334	**10,000,000**	18,000,000	**9,936,336**	20,398,334
Net movement in cash and cash equivalents		**9,235**	1,502,960	**421,956**	21,231,272	**431,191**	22,734,232
Cash and cash equivalents at the beginning of year/ period		**1,502,960**	-	**21,231,272**	-	**22,734,232**	-
Cash and cash equivalents at end of year/ period	11	**1,512,195**	1,502,960	**21,653,228**	21,231,272	**23,165,423**	22,734,232

The notes on pages 13 to 40 form an integral part of the financial statements.

Notes to the financial statements

1.1 General information

Eucare Insurance PCC Limited ("the Company") is a limited liability Company registered in Malta under the Companies Act, (Cap. 386), with registration number C88658. The registered address of the Company is 16, Europa Centre, Triq John Lopez, Floriana FRN 1400, Malta. The Company is authorised to carry on general business of insurance in terms of the Insurance Business Act, 1998.

As at 31 December 2020 and 2019, the Company had one cell, NLCare Cell.

1.2 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and with the requirements of the Insurance Business Act, 1998 (Cap.403) and the Companies Act, (Cap. 386). They are prepared under the historical cost convention.

The financial statements of Eucare Insurance PCC Limited include the financial performance and financial position of the Core operation together with the operation of the Cell.

Cellular assets and liabilities are separately identifiable from those of the Core and the Company maintains separate accounts for the Cell. The financial statements of the Company represent the combined financial performance and financial position of the Core operation together with the operation of the Cell, and do not represent consolidated figures.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies (see note 2 – Critical accounting estimates and judgements).

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 period under review is for 12 months from 1 January to 31 December 2020 as opposed to the comparative period which is from 18 October 2018 to 31 December 2019. As a result the comparative amounts in the profit and loss account and related notes are not entirely comparable.

Going concern

The Directors are required to assess the Company's ability to continue in operational existence for the foreseeable future to enable the financial statements to be prepared on a going concern basis. In making this assessment, the Directors have considered the Company's current performance, its business plan, its solvency and liquidity forecasts and the impact of Covid-19 global pandemic as further explained in Note 21 (Significant events during the period and subsequent to the reporting date).

Whilst some uncertainty remains on future developments that the Covid-19 pandemic may bring onto the Company, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubt upon the Company's ability to continue as a going concern. Thus, the Directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

Standards interpretation and amendments to published standards effective in 2020

During the year, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

1.2 Basis of preparation - continued

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 January 2020. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that other than IFRS 17 'Insurance Contracts' there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IFRS 17 is set to be effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. The Company is considering the implications of the above standard and the impact on the Company`s financial results and the position, and the timing of the adoption, taking cognisance of the endorsement process by the European Commission.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.3 Foreign currency translation

a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.4 Intangible assets – Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are subsequently measured at cost or using the revaluation model and costs are amortised using the straight-line method over their useful lives, not exceeding a period of four years.

All costs associated with maintaining computer software programmes are recognised as an expense as incurred.

1.5 Tangible assets – Plant and equipment

Tangible fixed assets comprising computer equipment and office furniture, fixtures and fittings are initially recorded at cost. The fixed assets are stated at historical cost less depreciation.

Depreciation is calculated on the straight-line method to write off the cost of the assets to their residual values over their estimated useful life as follows:

	%
Computer equipment	25
Office furniture, fixtures and fittings	10

Gains and losses on disposal of tangible fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

Summary of significant accounting policies – continued

1.5 Tangible assets – Plant and equipment - continued

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (See note 1.5.1).

1.5.1 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.6 Leases

The Company has applied IFRS 16 'Leases' from incorporation. At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period use; and

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purposes the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into since the incorporation date.

At the inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

1.6.1 As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use asset varies between 3 and 5 years. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses incremental borrowing rate as the discount rate.

Summary of significant accounting policies – continued

1.6 Leases – continued

1.6.1 As a lessee – continued

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of its financial position.

1.7 Financial instruments

1.7.1 Recognition and derecognition

The Company recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the entity transfers the financial asset and the transfer qualifies for derecognition. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

1.7.2 Classification and initial measurement of financial assets

Financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are classified into the following categories:

(i) amortised cost
(ii) fair value through profit or loss (FVTPL)
(iii) fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVOCI or FVTPL.

The classification is determined by both the entity's business model for managing the portfolio of financial assets and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets are recognised in profit or loss. Impairment losses are presented as a separate line item in the statement of comprehensive income.

Summary of significant accounting policies – continued

1.7 Financial instruments – continued

1.7.2 Classification and initial measurement of financial assets – continued

The Company's financial assets are classified as financial assets at amortised cost. They are included in current assets, except for those with maturities greater than 12 months after the reporting period. These are classified as non-current assets. The Company's financial assets at amortised cost comprise receivables and cash and cash equivalents in the statement of financial position (notes 1.8 and 1.9). Note 1.13 includes further information in relation to insurance receivables.

1.7.3 Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

(i) they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
(ii) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

1.7.4 Impairment of financial assets subject to IFRS 9 'Financial Instruments'

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI.

The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

(i) financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
(ii) financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' (i.e., typically at least 'BBB-' rating by S&P's or equivalent rating issued by other institutions) or in the case of non-rated debt, when the financial asset is more than 30 days past due.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Summary of significant accounting policies – continued

1.7 Financial assets – continued

1.7.4 Impairment of financial assets subject to IFRS 9 'Financial Instruments' – continued

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment testing of insurance and other receivables is described in notes 1.7.5 and 1.8.

The Company's financial assets in scope of IFRS 9 mainly pertain to cash and cash equivalents and other receivables which primarily comprise of amounts due from intermediaries and Dutch government agencies for services performed in the ordinary course of business. The identified expected credit loss was immaterial in light of the quality of the assets in question. Cash and cash equivalents are considered to be in 'Stage 1' given their low credit risk and other receivables are considered to be 'Stage 1' given that there has not been a significant increase in credit risk since origination.

1.7.5 Impairment of financial assets subject to IFRS 4 'Insurance Contracts'

For assets subject to IFRS 4 (see Note 1.13) the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.7.6 Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges and, if applicable, changes in an instrument's fair value are reported in profit or loss. The Company's financial liabilities consist of trade and other payables and subordinated loans which are measured at amortised cost.

Summary of significant accounting policies – continued

1.8 Receivables

Receivables primarily comprise amounts due from intermediary and Dutch government agencies for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current. If not, they are presented as non-current.

Notes 1.7.5 and 1.13 (g) contain further information pertaining to insurance receivables. For other receivables, the Company uses the process described in Note 1.7.4.

When a receivable is uncollectible, it is written off against the loss allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include deposits held with banks.

1.10 Share capital and dividend distribution

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which an obligation to pay a dividend is established.

1.11 Capital contribution

Amounts advanced by the shareholder by way of contribution, which do not include a contractual obligation to settle in cash or another financial asset, are classified within equity. Balances which contain an obligation to transfer resources are classified as liabilities.

1.12 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Summary of significant accounting policies – continued

1.13 Insurance contracts

Classification

The Company issues contracts that transfer significant insurance risk and that are classified as insurance contracts.

As a general guideline, the Company defines significant insurance risk as the possibility of having to compensate the policyholder if a specified uncertain event (the insured event) adversely affects the policyholder.

Recognition and measurement

(a) Premiums

Premiums written relate to business incepted during the period, together with any differences between the booked premiums for prior periods and those previously accrued, less cancellations.

Premiums are earned proportionally over the period of cover. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as a provision for unearned premium.

Premiums written comprise of two components. Those invoiced to the policyholder as well as amounts contributed from the Dutch Health Insurance Risk Equalization Fund (HIREF) (see Note 1.13 (b)).

(b) Premium – contributions from the Dutch Health Insurance Risk Equalisation Fund (HIREF).

In terms of Dutch regulations, the Company is entitled to contributions in addition to amounts invoiced to policyholders, which are recognised as income and included within premiums written. These contributions from the Dutch HIREF are determined based on the relevant financial year risk equalisation model and assessments of future settlements. The estimated amount receivable from the Dutch HIREF as at the year end is included in receivables arising out of direct insurance operations as amounts due from government agencies.

(c) Acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, which is typically a period of one year.

(d) Claims

Claims are charged to the profit and loss account as incurred based on the estimated liability for compensation owed to policyholders. They include direct and indirect claims settlement costs arising from events that have occurred up to the reporting date. The Company does not discount its liabilities for unpaid claims.

Provision is made for claims incurred but not reported (“IBNR”) which comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the reporting date. The Company is able to estimate this provision by due observance of claims patterns in previous months and years and by considering different actuarial methodologies. Further to estimating the total net claims amount via the most appropriate extrapolation method, the ultimate cost also includes other additional reserves for medical expenses and other costs expected. Historical data, information obtained from government agencies and assumptions are applied in the derivation of these reserves.

Further disclosure on the uncertainty surrounding the estimate of the ultimate liability arising from claims made under insurance contracts is disclosed in Note 2.

The method of provisioning satisfies the minimum liability adequacy test as required by IFRS 4.

Summary of significant accounting policies – continued

1.13 Insurance contracts - continued

Recognition and measurement - continued

(e) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss.

The Company reserves for unexpired risks for those lines of general business where the expected loss ratio exceeds 100%. Additional reserves for unexpired risks are calculated as a product of unearned premiums and the difference between the value of the loss ratio and 100%.

Additional tests are performed to check the adequacy of the unearned premiums and unexpired risk reserves. The amounts of future gross claims and gross claim handling costs are applied in these tests and compared with the amount of established provisions for unearned premiums reduced by deferred insurance acquisition costs.

(f) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables), as well as longer term receivables (classified within reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable, net of commissions and claims recoverable, for reinsurance contracts and are recognised as a liability when due and expensed over the period of cover.

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account. The Company gathers the objective evidence that a reinsurance asset is impaired using the processes described in note 1.7.5 as this asset is subject to IFRS 4 and not IFRS 9.

(g) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from the Company's insurance intermediaries and government agencies. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account (note 1.7.5).

1.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Company's activities. Revenue is recognised upon performance of services, net of premium tax, returns, rebates and discounts.

Summary of significant accounting policies - continued

1.15 Revenue recognition – continued

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

(a) Rendering of services

Premium recognition is described in note 1.13 dealing with insurance contracts.

Facility fees charged by the Core to the Cell in respect of services provided are realised in the period in which the income is generated. For practical purposes, when services are rendered over a specified period of time, revenue is realised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

(b) Interest income

Interest income from financial assets not classified as fair value through profit or loss (if any) is recognised using the effective interest rate method.

1.16 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of affecting the reported amount of assets and liabilities within the next financial year are discussed below:

Ultimate estimated contributions from the Dutch Health Insurance Risk Equalisation Fund (HIREF)

As further described in Note 3.1, the private health insurance product offering in the Netherlands consists of two parts: basic health insurance and supplementary health insurance. Coverage within basic health insurance is compulsory and reflects what is determined by law. The basic health system does not permit risk selection by insurers for basic insurance. Premiums are fixed for an annual term and some insured persons such as minors are by law not required to pay a premium.

A risk mitigating mechanism, namely the Health Insurance Risk Equalisation Fund, is in force in the Netherlands to reduce the uncertain exposure resulting from the basic health system. The process for final determination of the contributions from the Health Insurance Risk Equalisation Fund is typically finalised over a period of four and a half years. This inherently introduces a degree of uncertainty.

The measurement of contributions due from the Dutch HIREF involves the assessment of future settlements, and is therefore dependent on assumptions around, inter alia, the health profile of the insured population, the development of national healthcare costs, and the allocation of healthcare costs to Equalisation Fund budget parameters. The assumption considered to be key in this regard is that the health profile of the insured population at any point in time is assumed to be consistent with its historical health profile. The actual health profile of the insured might change over time. Due to the degree of estimation uncertainty underlying this key assumption, the amounts recognised in the financial statements may result to be different from the actual amounts and these differences may be material.

2. Critical accounting estimates and judgements in applying accounting policies - continued

Ultimate estimated contributions from the Dutch Health Insurance Risk Equalisation Fund (HIREF) - continued

During the financial year ended 31 December 2020, an amount of €254.4m (2019: €49.6m) of contributions from the HIREF has been recognised as revenue within premiums written in the profit and loss account.

Despite this uncertainty, management is confident that all available data at the time of performing the calculation has been applied to derive the best possible estimate.

As explained in Note 3.1 there is the possibility that the Company receives additional contributions to cover pandemic related costs. Due to the lack of information available at the time of reporting, the Company was not in a position to adequately identify Covid-19 related costs to be able to assess the threshold criteria, thus resulting in compensations emanating from Article 33 of the Dutch Healthcare Act not being recognised in these financial statements.

Due to the degree of uncertainty surrounding the identification of such costs, these additional compensations to be accounted for as premium written may lead to material changes in the results and equity position of the Company.

Ultimate liability arising from claims made under insurance contracts

The measurement of ultimate liability arising from claims involves the application of judgement and estimate based calculations. The nature of the main business is such that the majority of claims are expected to be settled by the end of the next reporting period and is hence deemed to be of a relatively short-tail nature. As described in Note 1.13, technical provisions are based on statistical estimates to cater for IBNR. The Company is able to estimate this provision by due observance of claims patterns in previous months and years and by considering different actuarial methodologies. Further to estimating the total net claims amount via the most appropriate extrapolation method, the ultimate cost also includes other additional reserves for medical expenses and other costs including ambulance transportation, acute mental healthcare and treatment received abroad. Historical data, information obtained from government agencies and assumptions are applied in the derivation of these reserves.

Specifically for policy year 2020, the Company evaluated the impact of the Covid-19 pandemic on claims patterns. The company included in its reserves an estimate for specific arrangements to compensate hospitals for loss of income and additional Covid-19-related costs to assist them to overcome financial challenges.

Due to the degree of estimation uncertainty underlying the assumption that past claims experience is adequate to project future claims and due to the fact that the hospital arrangements were not finalised at the time of reserving, the amounts recognised in the financial statements may be materially different from actual results.

Notwithstanding this element of uncertainty, management believes that the estimated provision for IBNR as at 31 December 2020 is adequate.

3. Management of insurance and financial risk

The Company issues contracts that transfer insurance and/or financial risks. This section summarises these risks and the way that the Company manages them.

3.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The terms and conditions of the contracts set out the basis for the determination of the Company's liability should the insured event occur.

The principal risk the Company faces from entering into insurance contracts is that the actual claims incurred, or the timing thereof, differ from expectations. This is influenced by the frequency of claims and severity of claims. Therefore, the objective of the Company is to ensure that the premium charged for each class of business is sufficient to cover expected policy acquisition, administration and claims costs, and that sufficient technical reserves are maintained to cover insurance contract liabilities.

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

The health insurance system in the Netherlands provides for anyone who lives or works in the Netherlands to have mandatory private health insurance cover. Insurers have a duty to accept each insurance application without any selection. The basic health insurance covers the mandatory health care requirements and is provided by Eucare through two distinct products, namely 'Natura' which is an "in-kind" policy and 'Restitution' which is a reimbursement policy.

The Dutch Government determines the extent of coverage under the basic insurance package and the conditions applicable to the basic insurance package.

In addition, the Government determines the payments from the Dutch Health Insurance Risk Equalisation Fund to insurers.. Payments by this fund depend on the risk profile and the portfolio of the health insurance company. In combination with the nominal premium, payments from this fund are expected to equalise the claims level for all insurers.

Therefore, in such a system with risk-compensation measures, the risk of a non-average portfolio of insured customers is limited. These risks cover, amongst others, age, gender, medical status, type of employment, socio-economic status and geographic location, as well as an increase in the overall cost of health care.

Nonetheless, the Company is also subject to the risk that actual contributions from the Risk Equalization Fund are less than originally estimated by the Company.

Eucare also offers supplementary health and dental insurance products which provides the option to expand the cover provided by the basic health insurance. The cover provided by these insurances is not obligatory and do not fall under the risk equalisation system. Premiums for supplementary health insurance are tailored to the cover offered.

The health portfolio has also been affected by the current pandemic. As Covid-19 related treatment is covered through the Basic policy, Eucare, through NLCare Cell has incurred additional claims relating to the treatment provided to infected policyholders which could not be anticipated.

The Covid-19 pandemic has had a significant impact on healthcare in the Netherlands. Significant pressure was put on hospital capacity both due to the contagiousness of the virus, as well as the need to shift staff in order to assist in the treatment of Covid-19 infected patients. Moreover, healthcare providers also experienced constraints in the provision of non-emergency healthcare treatments, mainly due to restrictive measures limiting social gatherings and interactions imposed by the Dutch government. In order to protect healthcare providers from the uncertainties brought about by the Covid-19 pandemic, the Company provided supporting measures to assist the healthcare providers to overcome financial challenges.

Regular risk assessments have been carried out to monitor the financial impact that the pandemic may have on the Company and to take any action as deemed necessary.

The insurance portfolio of the Company consisting mainly of health insurance business, as well as other small portfolios of personal accident and income protection.

Underwriting strategy

Health Insurance in the Netherlands is compulsory for all Dutch residents and foreigners working in the country. Coverage within basic health insurance is compulsory and reflects what is determined by law. The basic health system does not permit risk selection by insurers for basic insurance. This means that each risk must be accepted with no exclusions or premium variances.

Premiums for Basic Insurance sold in 2020 were published by the Company in November 2019 and once published remained fixed throughout the year under review. Groups of persons insured under one scheme may benefit from a level of discount which is also limited by Dutch pricing regulations. In addition to the Basic insurances the Company also offered a range of supplementary health and dental insurance products, as well as personal accident and income protection products. These products are not compulsory and therefore the Company has the possibility of making use of pricing and selection criteria.

3. **Management of insurance and financial risk** - continued

3.1 Insurance risk - continued

Underwriting strategy - continued

The Company's underwriting strategy seeks diversity between the different lines of business to ensure a balanced portfolio and it is believed that this reduces the variability of the outcome and the dependency on the performance of one particular line of business.

Reinsurance strategy

The Company entered into quota share reinsurance agreement for its health insurance portfolio, to spread the risk and limit exposure to underwriting losses. Under the terms of the reinsurance agreement, the reinsurer agrees to reimburse the Company for claims paid up to its proportional share.

Moreover, the Company has in place quota share reinsurance protection for its income protection portfolio, and non-proportional reinsurance for its personal accident portfolio.

All reinsurance arrangements are carried out with internationally reputable reinsurers, with an excellent financial standing. Notwithstanding this, the Company remains liable to its policyholders with respect to ceded insurance if the reinsurer fails to meet the obligations it assumes. The reinsurers have a S&P credit rating of AA-.

Contributions from Dutch Health Insurance Risk Equalisation Fund (HIREF)

The Company also faces uncertainties, specifically due the basic health care cover, as a result of the estimation of future contributions receivable from the Dutch HIREF, which is expected to compensate for a proportion of claims payments made by the Company. The Company also faces uncertainties mainly arising from political decisions and growing competition. This is because the majority of the activities of the Company is governed by the Dutch Health Insurance Act. Notes 1.13(b) and 2 contain further information in this respect.

Management of risk

The Company has a number of measures in place to mitigate these uncertainties. The estimated receivables from the Dutch HIREF are based on best estimates of expected amounts. Estimates of the compensation from the Dutch HIREF are re-assessed throughout the four and half years until the final settlement by the responsible government agency, and adjustments to the provision are made accordingly.

Furthermore, the Company reduces the risk of potential increases in claims costs due to the increasing cost of treatment by agreeing a fixed price per treatment with healthcare providers for the respective calendar year, thus removing the uncertainty with regards to price movements of medical treatments within the calendar year.

The Company also manages these risks through its underwriting strategy, which is intended to ensure that there is sufficient volume of similar risks underwritten to enable it to better predict future claims over a wider risk base, and through its reinsurance arrangements.

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. An element of uncertainty associated with the ultimate liability for claims outstanding cannot be avoided. Claim estimates are analysed periodically in order to gain insight into more recent developments, thus assessing the adequacy of relevant reserves held.

In calculating the estimated cost of unpaid claims, the Company considers the results of estimation techniques that are based partly on known information at year-end and partly on statistical analysis of historical trends provided by the Company’s partnering intermediary, giving due consideration to verifications by the Actuarial Function.

The Company is also exposed to an unexpected accumulation of losses in a single year or arising from one event. With Eucare being an insurance company predominantly exposed to health insurance risks, single events that are likely to result in an accumulation of losses, include a pandemic affecting the insured population, such as the Covid-19 pandemic which developed throughout 2020.

3.Management of insurance and financial risk - continued

3.1 Insurance risk - continued

Management of risk - continued

The Company has reinsurance agreements in place to ensure adequate proportionate risk transfer and spread of risk.

In view of the uncertainties relating to the Covid-19 pandemic, regular risk assessments are being carried out on an on-going basis to monitor the financial impact that the pandemic may have on the Company and to take any action as deemed necessary.

Based on known information at the date of reporting, management's assessment shows that the Company will be able to absorb the effects of the pandemic, and in particular the Company would still remain above the Minimum Capital Requirement (MCR) as well as the Solvency Capital Requirement (SCR).

Nonetheless, the Company remains cautious given the uncertainty regarding the actual future developments and its consequent effects, which could lead to a positive or negative impact on the results and equity position of the Company. The Company is thus mindful of the fact that the Covid-19 global and national scenario requires constant scrutiny and that assessments need to be carried out on a frequent basis with more recent data, since there is still uncertainty regarding important factors that might have an impact on the outcome of the assessment, such as the duration of the pandemic and the actual costs of the Covid-19 treatments. Also, the assessment by the Company is subject to constant dynamics depending on the various socioeconomic factors assessed in conjunction with the future development and impact of the pandemic.

Article 33 of the Dutch Healthcare Act concerning catastrophe situations, stipulates that health insurance companies may receive additional contributions if the pandemic related costs throughout the year of the pandemic and the following calendar year, exceed a certain threshold.

The extent to which the health insurance companies benefit from this regulation, strongly depends on the total costs that arise from Covid-19. In accordance with the governmental regulation, the compensation of a health insurer for these costs is determined as follows:

- In the event of a catastrophe burden of less than 4% of the threshold basis, the healthcare insurer will not receive any compensation.
- In the event of a catastrophe burden of more than 4% of the threshold basis and less than 10% of the threshold basis, the government will compensate according to the formula: 5/3 multiplied by the difference between that catastrophe burden and 4% of the threshold basis;
- When the catastrophe burden is more than 10% but less than 20% of the threshold basis, the compensation is equal to the catastrophe burden; and
- When the catastrophe burden exceeds 20% of the threshold basis, the health care insurer again pays costs in excess of that 20% in full.

The threshold basis is the national average equalisation contribution per insured in 2020. On the other hand, the catastrophe burden is determined on the basis of the accumulated burden of claims for 2 years (2020 and 2021).

Due to the lack of information available at the time of reporting, the Company was not in a position to adequately identify Covid-19 related costs to be able to assess the threshold criteria, thus resulting in compensations emanating from Article 33 of the Dutch Healthcare Act not being recognised in these financial statements. Further assessments will continue to be carried out during 2021.

With respect to the exposure from the Personal Accident insurance portfolio, the Company is not exposed to any accumulation of losses in a single year or arising from one event since the risks are dispersed on an individual basis.

Based on the information known to date, the directors consider the going concern basis of preparation of these financial statements to be appropriate.

3. **Management of insurance and financial risk** - continued

3.2 Financial risk management

The Company is exposed to financial risk through its financial assets, financial liabilities and insurance assets and liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk.

The most important components of this financial risk are market risk (including fair value and cash flow interest rate risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

The Board of directors has approved an investment policy formulated by the Investment Committee that aims to ensure an adequate level of security, rate of return and liquidity of assets.

(a) Market risk

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

Cash flow and fair value interest rate risk

In general, the Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets issued at variable rates expose the Company to cash flow interest rate risk. Assets issued at fixed rates expose the Company to fair value interest rate risk. The investment committee is responsible for setting the interest rates relating to loans with related parties.

During 2020 and 2019, the Company's largest exposure to interest rate risk arose from the subordinated loan liabilities which are at fixed rates of interest therefore giving rise to fair value interest rate risk. The Company's operating cash flows are substantively independent of changes in market interest rates. Up to the statement of financial position date, the Company did not have any hedging policy with respect to the interest rate risk as exposure to such risks was not deemed to be significant by the directors.

The directors are of the view that in light of a reasonably possible shift in market interest rates, the impact on fair value would not be material and accordingly, a sensitivity analysis for interest rate risk disclosing how profit or loss and equity would have been affected by changes in interest rates that were reasonably possible at the statement of financial position date is not deemed necessary.

(b) Credit risk

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

- Receivables arising out of direct insurance operations - such amounts are due by intermediaries and government agencies and this risk is therefore not deemed to be significant as there are no indicators that these units will be unable to meet their obligations.

- Reinsurers' share of technical provisions and accrued profit commission - such amounts are mainly due by reputable reinsurers (rated AA-), and this risk is therefore not deemed to be significant as there are no indicators that these business units will be unable to meet their obligations.

- Cash and cash equivalents - the Company seeks to manage this risk by only undertaking transactions with reputable counterparties which carried a rating of A+ therefore having low credit risk.

The carrying amounts disclosed on Notes 10, 11 and 12 represent the maximum exposure to credit risk. The Company does not hold any collateral as security to its credit risk.

(c) Liquidity risk

The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

3. Management of insurance and financial risk - continued

3.2 Financial risk management – continued

(c) Liquidity risk - continued

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its insurance liabilities and its financial liabilities, which comprise principally creditors, and the subordinated loans (refer to notes 13 and 14). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month period and ensures that no additional financing facilities are expected to be required over the coming year. The Company's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from insurance and reinsurance transactions.

The table below analyses the Company's financial liabilities (including insurance liabilities) into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows other than in relation to technical provisions for which the below represents the expected cash flows.

	Up to one year	Between one and two years	Between three and five years	Beyond Five Years	Total
	€	€	€	€	€
As at 31 December 2019					
Core					
Trade and other payables	99,209	-	-	-	**99,209**
Lease liabilities	86,137	86,404	184,680	-	**357,221**
Cell					
Technical provisions					
- IBNR	25,002,326	770,675	14,485	-	**25,787,486**
- UPR	-	-	-	-	**-**
Trade and other payables	16,569,184	-	-	-	**16,569,184**
Subordinated loans	775,100	775,100	5,325,300	9,800,000	**16,675,500**
Taxation payable	-	402,470	-		**402,470**
	42,531,956	**2,034,649**	**5,524,465**	**9,800,000**	**59,891,070**

	Up to one year	Between one and two Years	Between three and five years	Beyond Five Years	Total
	€	€	€	€	€
As at 31 December 2020					
Core					
Trade and other payables	268,602	-	-	-	**268,602**
Lease liabilities	46,018	106,595	27,797	-	**180,410**
Taxation payable	-	198,032	-	-	**198,032**
Cell					
Technical provisions					
- IBNR	134,159,741	815,478	1,450,626	-	**136,425,845**
- UPR	38,775	-	-	-	**38,775**
Trade and other payables	64,935,994	-	-	-	**64,935,994**
Subordinated loans	775,100	775,100	5,110,200	9,240,000	**15,900,400**
Taxation payable	405,280	3,199,180	-		**3,604,460**
	200,629,509	**5,094,386**	**6,588,623**	**9,240,000**	**221,552,518**

3. **Management of insurance and financial risk** - continued

3.3 Capital risk management

The Company defines capital as Shareholder's Equity. The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by the Maltese insurance regulator (MFSA);
- 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 commensurate with the level of risk.

The Company's Minimum Capital Requirement Absolute Floor stands at €2,500,000 as per paragraph 5.6.4 of Chapter 5 ('Valuation of assets and liabilities, technical provisions, own funds, Solvency Capital Requirement, Minimum Capital Requirement and investment rules') of Part B of the Insurance Rules.

In order to maintain or adjust the capital structure, the Company may issue new shares or capitalise contributions received from its shareholders. The Company is required to hold regulatory capital for its general insurance business in compliance with Maltese insurance legislation and the rules issued by the Malta Financial Services Authority (MFSA). During the reporting year, the Company has complied will all externally imposed capital requirements during the year.

Any transactions that may affect the Company's solvency position are immediately reported to the directors and shareholders for resolution, prior to notifying MFSA. Any potential shortfall in capital requirements necessitates the development of a recovery plan with a list of possible actions.

The insurance business regulations that came into force on 1 January 2016 as a result of the Solvency II Directive stipulate that the Company must hold eligible own funds to cover the solvency capital requirement (SCR) and eligible basic own funds to cover the minimum capital requirement (MCR). The SCR shall be calculated either in accordance with the standard formula or using a full or partial internal model (PIM) as approved by the Regulator. The Company must immediately inform the Regulator where it observes that its SCR or MCR are no longer complied with or where there is risk of non-compliance in the following six months for SCR and three months for MCR.

During the year, the Company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

Based on management calculations to date, the Company is sufficiently capitalised and was compliant at all times with the regulatory capital requirements as stipulated by the MFSA which are in line with the Solvency II requirements. As at 31 December 2020 and 2019 the Company's eligible own funds adequately covered the required SCR and MCR.

3.4 Fair value estimation

At 31 December 2020 and 2019 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. In the case of fixed interest-bearing liabilities (subordinated loans) there were no significant movements in the risk free rate and risk premium since origination of the liability and period end.

At 31 December 2020 and 2019 the carrying amount of the Company's other financial assets and liabilities approximated their fair values.

4. Net operating expenses

	Core		Cell		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Administrative expenses	**2,563,485**	1,738,820	**5,146,035**	2,178,195	**7,709,520**	3,917,015
Acquisition costs	**-**	-	**23,067,827**	7,075,630	**23,067,827**	7,075,630
	2,563,485	1,738,820	**28,213,862**	9,253,825	**30,777,347**	10,992,645
Allocated as follows:						
Technical account	**-**	-	**23,067,827**	7,075,630	**23,067,827**	7,075,630
Non-technical account	**2,563,485**	1,738,820	**5,146,035**	2,178,195	**7,709,520**	3,917,015
	2,563,485	1,738,820	**28,213,862**	9,253,825	**30,777,347**	10,992,645

Expenses which are directly related to the acquisition and servicing of insurance contracts are included in the technical account. Administrative expenses which are not directly related to the acquisition and servicing of insurance contracts are included in the non-technical profit and loss account. During the year, the Core charged a facility fee to the Cell in terms of an agreement between the two. The facility fee amounting to €2,986,921 (2019: €1,738,820) is included as other income for the Core and an administrative expense for the Cell.

<u>Auditor's fees</u>

Fees charged by the auditor (excluding VAT) for services rendered during the financial year/ period ended 31 December relate to the following:

	2020	2019
	€	€
Statutory audit	**109,125**	60,000
Solvency II audit	**18,375**	15,000
	127,500	75,000

Administrative expenses include the following:

	Core		Cell		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Management fees	**35,000**	40,833	**50,000**	58,333	**85,000**	99,166
Staff costs and directors' fees (Note 5)	**1,093,553**	710,948	**-**	-	**1,093,553**	710,948
Depreciation and amortisation	**152,928**	165,662	**-**	-	**152,928**	165,662

5. Staff costs and directors' fees

	Core		Cell		Total	
	2020 **€**	2019 €	**2020** **€**	2019 €	**2020** **€**	2019 €
Salaries and related costs	**467,955**	243,324	**-**	-	**467,955**	243,324
Directors' fees	**614,520**	456,670	**-**	-	**614,520**	456,670
Social security costs	**11,078**	10,954	**-**	-	**11,078**	10,954
	1,093,553	710,948	**-**	-	**1,093,553**	710,948

The average number of persons appointed/employed in the Core (Cell: none) during the year/ period was:

	2020	2019
Directors	**6**	5
Managerial	**3**	3
Technical	**4**	3
	13	11

6. Interest expense

	Core		Cell		Total	
	2020 **€**	2019 €	**2020** **€**	2019 €	**2020** **€**	2019 €
Interest expense on lease	**11,521**	-	**-**	-	**11,521**	-
Interest expense on bank	**1,660**	-	**171,604**	-	**173,264**	-
Interest expense on subordinated loans	**-**	-	**775,100**	-	**775,100**	-
Allocated to non-technical account	**13,181**	-	**946,704**	-	**959,885**	-

7. Tax expense

	Core		Cell		Total	
	2020 **€**	2019 €	**2020** **€**	2019 €	**2020** **€**	2019 €
Current tax expense	**198,032**	-	**3,201,990**	402,470	**3,400,022**	402,470
Tax expense	**198,032**	-	**3,201,990**	402,470	**3,400,022**	402,470

7. **Tax expense** - continued

The current tax charge is made up of Malta tax payable at the applicable rate of 35%. There is no difference between the theoretical and effective tax charge, resulting in the following overview:

	Core		**Cell**		**Total**	
	2020 €	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Profit before tax	**410,255**	-	**9,234,194**	1,149,916	**9,644,449**	1,149,916
Tax on profit at 35%	**143,589**	-	**3,231,968**	402,470	**3,375,557**	402,470
Adjusted for tax effect of:						
Disallowed expenses	**54,443**	-	**-**	-	**54,443**	-
Capital allowances	**-**	-	**(32,788)**	-	**(32,788)**	-
Under provision in the prior period	**-**	-	**2,810**	-	**2,810**	-
Tax charge	**198,032**	-	**3,201,990**	402,470	**3,400,022**	402,470

8. Intangible asset - Core

	Computer Software €
Period ended 31 December 2019	
Additions	175,627
Amortisation charge	(43,907)
Closing net book amount	**131,720**
As at 31 December 2019	
Cost	175,627
Accumulated amortisation	(43,907)
Net book amount	**131,720**
Year ended 31 December 2020	
Opening net book amount	131,720
Additions	41,159
Amortisation charge	(54,196)
Closing net book amount	**118,683**
As at 31 December 2020	
Cost	216,786
Accumulated amortisation	(98,103)
Net book amount	**118,683**

These assets are considered to be non-current in nature.

9. Tangible assets - Core

	Computer equipment €	Office furniture, fixtures and fittings €	Total €
Period ended 31 December 2019			
Additions	197,021	95,208	292,229
Depreciation charge	(49,255)	(9,522)	(58,777)
Closing net book amount	**147,766**	**85,686**	**233,452**
As at 31 December 2019			
Cost	197,021	95,208	292,229
Accumulated depreciation	(49,255)	(9,522)	(58,777)
Net book amount	**147,766**	**85,686**	**233,452**
Year ended 31 December 2020			
Opening net book amount	147,766	85,686	233,452
Additions	9,067	-	9,067
Depreciation charge	(51,522)	(9,520)	(61,042)
Closing net book amount	**105,311**	**76,166**	**181,477**
As at 31 December 2020			
Cost	206,088	95,208	301,296
Accumulated depreciation	(100,777)	(19,042)	(119,819)
Net book amount	**105,311**	**76,166**	**181,477**

These assets are considered to be non-current in nature.

10. Trade and other receivables

	Core		Cell		Total	
	2020 €	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Receivables arising out of direct insurance operations						
Due from intermediary	**-**	-	**18,659,715**	619,079	**18,659,715**	619,079
Due from government agencies	**-**	-	**83,492,350**	18,250,810	**83,492,350**	18,250,810
	-	-	**102,152,065**	18,869,889	**102,152,065**	18,869,889
Other receivables						
Receivable from immediate parent	**81,793**	48,146	**-**	10,000,000	**81,793**	10,048,146
Receivable from the Cell	**1,151,908**	552,612	**-**	-	**1,151,908**	552,612
Receivable from a sister company	**41,746**	15,327	**-**	-	**41,746**	15,327
	1,275,447	616,085	**-**	10,000,000	**1,275,447**	10,616,085
Other prepayments and deferred acquisition costs						
Other prepayments	**48,855**	76,304	**-**	-	**48,855**	76,304
Deferred acquisition costs	**-**	-	**5,817**	775,436	**5,817**	775,436
	48,855	76,304	**5,817**	775,436	**54,672**	851,740
	1,324,302	692,389	**102,157,882**	29,645,325	**103,482,184**	30,337,714

Amounts receivable from government agencies relate to equalisation fund receivable from Zorginstituut Nederland (2020: €83,421,609; 2019: €18,232,977) and contributions receivable from CAK (Central Administration Office) (2020: €70,741; 2019: €17,833).

Amounts receivable from immediate parent, Cell and sister Company are unsecured, repayable on demand and interest-free.

Receivables are considered to be current in nature.

11. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents are current in nature and comprise the following:

	Core		Cell		Total	
	2020 €	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Cash at bank - current portion	**1,512,195**	1,502,960	**21,653,228**	21,231,272	**23,165,423**	22,734,232

12. Insurance liabilities and reinsurance assets

	Cell	
	2020	2019
	€	€
Gross technical provisions		
Claims incurred but not reported	**136,425,845**	25,787,486
Provision for unearned premiums	**38,775**	-
	136,464,620	25,787,486
Reinsurers' share of technical provisions		
Claims incurred but not reported	**(115,940,654)**	(20,629,989)
Provisions for unearned premiums	**(32,960)**	-
	(115,973,614)	(20,629,989)
Net technical provisions		
Claims incurred but not reported	**20,485,191**	5,157,497
Provision for unearned premiums	**5,815**	-
	20,491,006	5,157,497

Claims incurred but not reported in relation to short term insurance contracts are substantially current in nature since these would normally be settled within the normal operating cycle (Note 3.2c).

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of total claims cost incurred for each underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

The Company internally aggregates claims information by reference to the year in which the policy was underwritten (underwriting-year basis). As a result, the tables below present gross claims development on an underwriting year basis.

Underwriting year	2019	2020	**Total**
	€	€	**€**
Estimates of ultimate claims costs:			
- at end of financial year	110,540,41(	482,640,51(	
- one year later	114,566,65(		
Current estimates of cumulative claims	114,566,65(	482,640,51(	**597,207,175**
Cumulative payments to date	(113,697,311)	(347,084,019)	**(460,781,330)**
Liability recognised in statement of financial position	869,345	135,556,50(	**136,425,845**

12. Insurance liabilities and reinsurance assets - continued

Movements in insurance liabilities and reinsurance assets

(a) Claims and loss adjustment expenses (including IBNR)

	Gross €	Reinsurance €	Net €
Claims settled during the period	(84,752,924)	67,802,339	(16,950,585)
Movement in liabilities			
- arising from current year claims	110,540,410	(88,432,328)	22,108,082
Total as at 31 December 2019	**25,787,486**	**(20,629,989)**	**5,157,497**
Claims settled during the year	(376,028,406)	318,191,275	(57,837,131)
Movement in liabilities			
- arising from current year claims	482,640,519	(410,280,943)	72,359,576
- arising from prior year claims	4,026,246	(3,220,997)	805,249
Total as at 31 December 2020	**136,425,845**	**(115,940,654)**	**20,485,191**

(b) Provision for unearned premiums

	Gross €	Reinsurance €	Net €
Net charge/(credit) to profit and loss	38,775	(32,960)	5,815
Total as at 31 December 2020	**38,775**	**(32,960)**	**5,815**

For the period ending 31 December 2019 the Company has no provision for unearned premiums.

13. Trade and other payables

	Core		Cell		Total	
	2020 €	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Payables arising out of direct insurance operations						
Payable to reinsurer	**-**	-	**62,885,024**	15,022,177	**62,885,024**	15,022,177
	-	-	**62,885,024**	15,022,177	**62,885,024**	15,022,177
Accruals and other payables						
Accruals and other payables	**268,602**	99,209	**317,737**	994,395	**586,339**	1,093,604
Payable to Core	**-**	-	**1,151,908**	552,612	**1,151,908**	552,612
	268,602	99,209	**1,469,645**	1,547,007	**1,738,247**	1,646,216
Payables to related party						
Payable to intermediate parent (Note 14)	**-**	-	**581,325**	-	**581,325**	-
	-	-	**581,325**	-	**581,325**	-
Current portion	**268,602**	99,209	**64,935,994**	16,569,184	**65,204,596**	16,668,393

13. Trade and other payables - continued

All payables are considered to be current in nature.

14. Subordinated loans

	Cell	
	2020	2019
	€	€
Subordinated loans – non-current portion	**10,000,00(**	10,000,000

The subordinated loans balance comprises two loan agreements for amounts of €7m and €3m respectively. Both subordinated loans are owed to a related entity and are unsecured. Loans of €7m and €3m bear interest on the capital at a rate of 8% and 7.17%, respectively, set on the drawdown date. Interest is payable yearly on the last day of each calendar year. Interest payable at year-end is disclosed in Note 13.

The €7m loan is repayable after 10 years, with an option to repay after a minimum of five years. The €3m loan is repayable after five years. Further related disclosure is presented in note 3.3.

15. Share capital

	2020	2019
	€	€
Authorised share capital:		
44,000,000 Ordinary Shares of €1 each	**44,000,000**	44,000,000
6,000,000 Ordinary Cell “A – NLCare Cell” Shares of €1 each	**6,000,000**	6,000,000
	50,000,000	50,000,000
Core		
Issued and fully paid share capital:		
2,501,200 Ordinary Shares of €1 each	**2,501,200**	2,501,200
Cell		
Issued and fully paid up share capital:		
6,000,000 Ordinary Cell “A – NLCare Cell” Shares of €1	**6,000,000**	6,000,000
Total share capital	**8,501,200**	8,501,200

All ordinary Core shares rank *pari passu* for all intents and purposes of law and shall have the right to one vote per share. All ordinary Core shares shall have the right to receive dividends and to participate in the profits of the Core.

Cell shares are issued at par value or at a premium. Each class of Cell shares shall be constituted as a separate Cell for purposes of the PCC Regulations. Cell holders shall only have the right to one vote per share at the meetings of their class of Cell Shares. All Cell shares have the right to receive Cellular dividend and to participate in the profits of the respective Cell.

16. Capital contribution

The capital contribution in cash of €12,000,000 was made by the Company’s immediate parent company (the “Contributor”) on 26th December 2019 and it forms part of the Company’s capital and reserves as at 31 December 2020 and 2019. Further information on capital risk management is disclosed in note 3.3.

The potential distribution of the capital contribution to the Contributor is subject to prior consent of the Regulator and provided it is no longer used to cover the required own funds or margin of solvency.

17. Cash from operations

Reconciliation of profit before tax to cash from/(used in) operations:

	Core		Cell		Total	
	2020 €	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Profit for the year/period before tax	**410,255**	-	**9,234,194**	1,149,916	**9,644,449**	1,149,916
Adjustment for:						
Interest payable	**13,181**	-	**946,704**	-	**959,885**	-
Depreciation and amortization	**152,928**	165,662	**-**	-	**152,928**	165,662
Lease revaluation	**10,940**	-	**-**	-	**10,940**	-
Movement in:						
Technical provisions (net)	**-**	-	**15,328,589**	5,157,497	**15,328,589**	5,157,494
Trade and other receivables	**(631,912)**	(692,389)	**(82,506,739)**	(19,645,326)	**(83,138,651)**	(20,337,715)
Trade and other creditors	**169,393**	99,209	**47,784,586**	16,569,185	**47,953,979**	16,668,394
Cash from/(used in) operations	**124,785**	(427,518)	**(9,212,666)**	3,231,272	**(9,087,881)**	2,803,754

Non-cash transaction
The financial statements as 31 December 2019 include a non-cash transaction of €10m, relating to subordinated loans (Note 14) which were received by the Company in January 2020.

18. Leases – as a lessee

The Company (Core) leases office space, motor vehicles and other leases. The lease terms for these leases run for various periods, up to a maximum remaining period of four years, until 2024.

18.1 Right-of-use assets

Information about leases for which the Company is a lessee is presented below:

	Offices €	**Motor vehicles €**	**Other leases €**	**Total €**
Period ended 31 December 2019				
Additions	250,679	105,888	103,521	460,088
Depreciation charge	(31,992)	(13,733)	(17,254)	(62,979)
Closing net book amount	**218,687**	**92,155**	**86,267**	**397,109**
As at 31 December 2019				
Cost	250,679	105,888	103,521	460,088
Accumulated depreciation	(31,992)	(13,733)	(17,254)	(62,979)
Net book amount	**218,687**	**92,155**	**86,267**	**397,109**
Year ended 31 December 2020				
Opening net book amount	218,687	92,155	86,267	397,109
Additions/ (Reversals)	(32,534)	518	(103,521)	(135,537)
Depreciation charge	(36,149)	(23,748)	-	(59,897)
Depreciation reversal	4,881	-	17,254	22,135
Closing net book amount	**154,885**	**68,925**	**-**	**223,810**
As at 31 December 2020				
Cost	218,145	106,406	-	324,551
Accumulated depreciation	(63,260)	(37,481)	-	(100,741)
Net book amount	**154,885**	**68,925**	**-**	**223,810**

18. Leases – as a lessee - continued

18.2 Lease liabilities

	2020 **€**	2019 €
Total discounted lease liabilities	**180,410**	357,221
Current	**46,018**	85,016
Non-current	**134,392**	272,205
	180,410	357,221

The maturity analysis of lease liabilities is disclosed in note 3.2 (c).

	2020 **€**	2019 €
Amounts recognised in profit or loss		
- Interest on lease liabilities	**11,521**	-
Amounts recognised in the statement of cashflows		
- Total cash outflow for leases	**63,664**	102,866

18.3 Extension option

Some leases contain extension options exercisable by the Company up to two years before the end of the contract period. Where applicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by the Company and not by the lessors. The Company assesses at the lease commencement whether it is reasonably certain to exercise the extension options and subsequently reassess whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control. The extension options provided to the Company was assessed by management and it was concluded that one extension option exercisable by the Company is reasonably certain to be exercised.

19. Related party transactions and balances

The ultimate parent company of Eucare Insurance PCC Limited is Marev B.V. and the ultimate controlling party of the group is Mr. H. Laeven.

The directors consider all companies forming part of Marev B.V. Group to be related parties.

Since the ultimate shareholder is also indirectly a controlling shareholder of Aevitae B.V., the directors consider this intermediary to be a related party.

19. Related party transactions and balances - continued

Details of significant transactions and balances carried out during the year/period with related parties are as follows:

	Cell	
	2020	2019
	€	€
Acquisition and administrative costs paid to intermediary	**(20,803,951)**	(6,350,912)
Acquisition costs recharged by intermediary	**(1,290,682)**	(871,933)

- Fee income of €2,986,921 (2019: €1,738,820) charged by Core to the Cell is included in note 4.
- Directors' fees for the year/period are disclosed in note 5.
- Interest expense on subordinated loans from related party is included in note 6.
- Receivables from related parties are disclosed in note 10.
- Payables to related parties are disclosed in note 13.
- Subordinated loan from related party is disclosed in note 14.
- Capital contribution from related party is disclosed in note 16.

The Cell's premium of €277,390,861 (2019: €72,878,784) is derived from third parties but underwritten through the related party intermediary. The Cell's gross claims paid to third parties but advanced by the related party intermediary amounted to €376,022,957 (2019: €84,752,924).

20. Dividend

The Directors do not propose a final dividend for 2020 (2019: Nil). The directors propose that the balance of retained earnings amounting to €6,991,873 (2019: €747,446) be carried forward to the next financial year.

21. Significant events during the period and subsequent to the reporting date

In view of the uncertainties relating to the Covid-19 pandemic (refer to note 3.1) which has continued in 2021, regular risk assessments are being carried out on an on-going basis to monitor the financial impact that the pandemic may have on the Company and to take any action as deemed necessary.

Based on known information at the date of reporting, management's assessment shows that the Company will be able to absorb the effects of the pandemic, and in particular the Company would still remain above the Minimum Capital Requirement (MCR) as well as the Solvency Capital Requirement (SCR). This gives comfort to the Board of Directors that the Company will have adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubt upon the Company's ability to continue as a going concern.

Other than the Covid-19 pandemic, there were no particular important events affecting the Company which occurred after the reporting period.

22. Statutory Information

EUCare Insurance PCC Limited is a limited liability Company and is incorporated in Malta. The immediate parent Company is ECHC Limited, a Company with its registered address at 16, Europa Centre, John Lopez Street, Floriana, Malta. The individual financial statements of the Company are incorporated in the Consolidated Financial Statements of ECHC Limited. Copies of the consolidated accounts of ECHC Limited will be available from the Company's Floriana office.

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Independent Auditors' Report

To the Shareholders of Eucare Insurance PCC Limited

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eucare Insurance PCC Limited (the "Company"), which comprise the statement of financial position as at 31 December 2020, the profit and loss account, statements of other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

(a) give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

(b) have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and the Insurance Business Act, 1998 (Chapter 403, Laws of Malta) (the ''Insurance Business Act'').

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 *Auditors' responsibilities for the audit of the financial statements* section of our report. During the course of our audit, we maintained our independence from the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta) (''APA''), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period (selected from those communicated to the board of directors), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter, together with our response by way of the audit procedures we performed to address that matter in our audit, and key observations arising with respect to such risks of material misstatement.

Estimates for gross premiums written

Accounting policy 1.13(a) and 1.13(b) to the financial statements and notes 2 and 3.1 further disclosures

'Contributions from the Dutch Health Insurance Risk Equalisation Fund' (''HIREF'') amounting to €254.4 million (2019: €49.6 million) included in 'Gross premiums written'

Estimation of HIREF premium

The estimate of premium income from the Dutch Health Insurance Risk Equalisation Fund (''HIREF''), involves the assessment of future settlements of premium which requires judgement, since this is based on the following key assumption: that the health profile of the insured population at any point in time is assumed to be consistent with its historical health profile. This inherently introduces a degree of uncertainty given that the process for final determination of the HIREF contributions is typically finalised over a period of four and half years. During such period, the actual health profile of the insured population might change.

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Key audit matters (continued)

Estimates for gross premiums written (continued)

Estimation of Article 33 premium

The Company may be entitled to receive further contributions if the estimated healthcare costs related to COVID-19 throughout the year of the pandemic and the following calendar year, exceed a certain threshold (application of Article 33 of the Dutch Healthcare Act).

Due to the degree of estimation uncertainty underlying these estimates, the aggregate premiums recognised in the financial statements may result to be different from the actual amounts and these differences may be material.

Our response

As part of our audit procedures, we evaluated the appropriateness of the Company's (i) HIREF premium estimate and (ii) the non-recognition of premium with respect to the application of Article 33 of the Dutch Healthcare Act, by performing substantive procedures, which included:

- Inspecting correspondence exchanged with the administrator of the HIREF to evaluate the appropriateness of the data used by the Company in estimating the elements of the premium noted in this key audit matter;
- Evaluating whether the assumptions used to determine the HIREF premium are appropriate, by applying our knowledge of the Dutch healthcare insurance industry;
- Assessing the Company's position on the estimation uncertainty surrounding the HIREF premium and the non-recognition of premium attributable to Article 33 of the Dutch Healthcare Act by applying our knowledge on the insurance healthcare industry and by evaluating whether all the relevant available data was taken into consideration;
- Assessing the adequacy of the financial statements disclosures in relation to the estimation uncertainty relating to the (i) HIREF premium and (ii) the non-applicability of Article 33 of the Dutch Healthcare Act.

The disclosures referred to in this key audit matter are considered to be of fundamental importance in fully understanding the financial statements and, in particular, the estimation uncertainties that exist, which could materially impact premiums reported for subsequent financial periods.

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Key audit matters (continued)

Estimates for claims incurred but not reported (''IBNR'')

Accounting policy 1.13(d) to the financial statements and notes 2, 3.1 and 12 for further disclosures

'IBNR' amounting to €136.4 million (2019: €25.8 million) included in 'Technical Provisions'

The Company based its estimation of the IBNR provision by making use of different actuarial methodologies. The main assumption underlying the estimation of the IBNR provision is that past claims development experience can be used to project future claims.

The IBNR provision also reflects the estimation of compensation to be provided to healthcare providers in view of the outbreak of the global COVID-19 pandemic in financial year 2020. In order to protect healthcare providers from the uncertainties brought about by the Covid-19 pandemic, the Company provided supporting measures to assist the healthcare providers to overcome financial challenges and the estimation of this element of IBNR also requires judgement.

Due to the degree of such inherent estimation uncertainty underlying the calculation of IBNR, the amounts recognised in the statement of financial position may result to be materially different from those eventually settled.

Our response

As part of our audit procedures, we evaluated the appropriateness of the Company's reserving methodologies used in determining the IBNR provision and its quantum, by performing substantive procedures, which included:

- together with our own actuarial specialist, we applied our industry knowledge and experience in assessing the appropriateness of the methodologies, assumptions and evaluating the results of the analyses performed by the Company on the IBNR provision;

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Key audit matters (continued)

Estimates for claims incurred but not reported ("IBNR") (continued)

Our response (continued)

- testing the elements used in estimating the IBNR provision by assessing the Company's claims historical data, claims received subsequent to year-end that relate to the reporting period and other data received from medical institutions;

- assessing notes in the financial statements to evaluate their adequacy in disclosing the matters surrounding the estimation uncertainties involved in estimating the IBNR provision.

We have no key observations to report, specific to this matter.

Other Matter

The financial statements for the Company as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 21 April 2020.

Other information

The directors are responsible for the other information. The other information comprises the 'Directors' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the directors' report, on which we report separately below in our 'Report on Other Legal and Regulatory Requirements'.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act, 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.

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Responsibilities of the directors for the financial statements (continued)

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.

The directors are also responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Auditors' responsibilities for the audit of the financial statements (continued)

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Auditors' responsibilities for the audit of the financial statements (continued)

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 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 auditors' 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

2 Report on Other Legal and Regulatory Requirements

Opinion on the directors' report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act.

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Opinion on the directors' report (continued)

Pursuant to article 179(3) of the Act, we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and

- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements; and

- we have not identified material misstatements in the directors' report

Matters on which we are required to report by exception by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were appointed as auditors by the shareholders on 25 January 2021, for the Company's first financial reporting period;

- our opinion on our audit of the financial statements is consistent with the additional report, required to be issued by the Audit Regulation (as referred to in the Act), and provided to the board of directors; and

- we have not provided any of the prohibited services as set out in the APA.

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

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

Pursuant to articles 179(10) and 179(11) of the Act, we have nothing to report to you with respect to the following matters:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Thane Micallef.

KPMG
Registered Auditors

31 May 2021