EUCARE INSURANCE PCC LIMITED

Annual Report and Financial Statements
31 December 2019

Company Registration No. C 88658

Directors' report

The directors present their report and the audited financial statements for the period ended 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. The company presently has one cell ('NL Care Cell').

Incorporation

The Company was incorporated in Malta on 8 October 2018 and accordingly these financial statements cover the period from incorporation to 31 December 2019.

Performance review

As at the end of the reporting period, the Company had one cell. During the period under review, the Company registered an aggregated net profit before taxation of €1,149,916. This profit is fully attributable to NLCare Cell. The cell had premium written and earned amounting to €122,670,264.

The Company opted for the standard formula under the Solvency II regime to calculate the Solvency Capital Requirement ('SCR') as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

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

The directors consider the financial position as at 31 December 2019 to be satisfactory.

Financial Performance

The Profit and Loss account is set out on pages 15 and 16.

Gross premiums written amounted to €122,670,264. The premium is fully earned during the period under review. The company has reinsurance arrangements in place resulting in earned premiums net of reinsurance for 2019 of €24,521,067. Gross claims incurred amount to €110,540,410. Reinsurance recoverable claims amount to €88,432,328. Further details on premiums, claims and reserves are provided in the notes to the financial statements.

Total administrative expenses amounted to €2,178,195, mainly arising from staff costs, legal and professional fees and contributions to the Association of Dutch Health Insurers (ZN). Acquisition costs amounted to €7,075,630 whilst commissions and profit commissions income amounted to €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 2019 amount to €74,464,216.

Directors' report - continued

Performance Review - continued

Non-Financial Performance

The Company was registered on the 8th October 2018. The initial activities during the start-up phase as well as after the Company's inception and licencing by the MFSA were targeted towards implementing the Company's operations and governance structure in preparation for its inception of insurance business as from January 1st 2019.

The Board of Directors set 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 in conjunction with the proper oversight of the partner's processes and operational activities. This cooperation model has proven to be successful and will be a stepping stone to extend EUCARE's activities into other insurance lines of business and into other European countries. During 2019 insurance activities were largely focused on providing health care insurance in the Netherlands but at the same time preparations for the addition of personal accident, sickness and income protection lines have also been carried out, resulting in the addition of these products to the Company's portfolio as from January 1st 2020.

The Directors are convinced that the activities performed in the calendar year of 2019 will serve as a solid basis for the further development and growth of the Company. A belief that is recognized and shared by the Company's shareholders trust in the Company, injecting additional capital into the Company to support future growth.

Dividends

The directors do not propose a dividend for 2019. The directors propose that the balance of retained earnings amounting to €747,446 be carried forward to the next financial year.

Risk Management

Risk Management Framework

The Risk Management Framework of Eucare is governed by the Risk Management Policy which was approved by the Board of Directors ("the Board") of Eucare. The Risk Management framework of Eucare enables the Company to identify its risks and considers the impact and probability of each risk occurring. The mitigating actions required are then determined to align the risk exposure to the risk appetite established by the Board of Directors. These mitigating actions may take the form of management actions, internal controls and/or risk transfer mechanisms.

The Risk Management Policy is integrated into the management, performance monitoring and assurance systems of the Company to ensure that all regulatory requirements and technical and prudential monitoring are embedded in all elements of its work, partnerships and collaborations and existing service agreements.

This enables early identification of factors whether internally or externally driven, which may prevent the Company from achieving its strategic objectives. The Risk Management Policy provides the framework in which risks can be managed, mitigated and monitored regardless of source and the process to be followed. The establishment of an adequate risk management framework which is proportionate to the nature, scale and complexity inherent to the business supports the Company in ensuring it maintains sufficient capital to meet all existing and imminent business risks.

Directors' report - continued

Risk Management - continued

Risk Management Framework - continued

The Risk Management policy therefore aims to ensure the efficient management of capital resources, and the achievement of strategic goals in the interests of the Company's policyholders, shareholders, and other stakeholders and in full compliance with all applicable legislation and regulatory requirements.

Risk Management System

The Risk Management policy sets out the Risk Management System which is based upon a number of sub-policies each of which are approved by the Board of Directors and setting the tone at the top for the management of risks by own management and third party service providers in the achievement of the strategic objectives set.

The Risk Management System encompasses various aspects of the Risk Management Function such as the Risk Management Process, the Company's Risk Appetite, and the Risk Register Assessment. The Risk Management Policy also sets out the various responsibilities of the different parties within Eucare to ensure fulfilment of the Risk Management strategy established by the Board of Directors.

Risk Appetite

Risk appetite is an important element of the Risk Management System and is established by the Board of Eucare. The Risk appetite is set and expressed within the underpinning Risk Management sub-Policies and the Risk Register in terms of:

- Activities and associated risks that the Company accepts and those it avoids i.e. will not engage in, those to be transferred via reinsurance or other contracts and those requiring mitigation through control and other mitigating factors; and
- The ranking attributed to each risk within the Risk Register i.e. management's view as to whether the risk is adequately controlled or if further work is required to mitigate the risk.

The Risk Register is reviewed at least on a quarterly basis and presented to the Board at every Board meeting. Each review encompasses a re-evaluation and re-assessment of the identified risks along with the respective executive controls and other mitigating factor in place for each risk. Moreover, new and emerging risks which the Company may become exposed to are identified at each risk register review.

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.

Directors' report - continued

Risk Management - continued

ORSA Process - continued

Eucare's risk assessment and management system, as established by the Board, and implemented by management, allows the Company to demonstrate that adequate operational procedures are in place. It has been established in a way that is appropriate to the size, nature and complexity of the Company and effectively identifies, measures, monitors and controls all significant risks. The risk assessment and management system aim at promptly reporting any issues relating to risk assessment and management.

Any significant decision that affects the Company has the support of at least two persons who are legally responsible for the running of the Company or have the necessary delegated decision-making power granted.

Risk Profile

Being 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 2019 Eucare has underwritten health insurance business in the Netherlands. Accordingly, Eucare acknowledges underwriting risk, market risk, and operational risk as the primary and most significant risks of the Company.

Other 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 be well 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.

Post Balance Sheet Events

Since 31st December 2019, the spread of the coronavirus, more commonly known as COVID-19, has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. The outbreak was declared a Public Health Emergency of International Concern by the World Health Organisation on 30th January 2020 and as a pandemic on 11th March 2020.

Eucare has carried out a risk assessment of the effect that Covid-19 could have on its business operations, turnover, profitability and the ultimate effect on the solvency of the Company, taking into consideration a number of factors which are considered to be materially impacted as a result of the pandemic. 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.

Notwithstanding the results of its first assessment, the Company however remains cautious given the early state of the pandemic and the uncertainty regarding the exact actual future developments and its consequent effects.

The directors and management are not aware of any other significant events occurring after 31 December 2019.

Further information regarding COVID-19 can be found in Note 21 of these financial statements.

Directors' report - continued

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. The company is currently working into expanding into other European countries. The customer model will remain the same. The Company will continue 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. Specifically for the Netherlands, the Company has expanded its insurance offerings to cover sickness and income protection due to absenteeism. EUCARE is actively seeking to engage additional distribution partners for these offerings.

Directors

The directors of the Company who were appointed and held office during the period were:

Mr. Hubertus Hendrikus Laeven
Mr. Arndt François Jean Pierre van den Beuken
Mr. Alfred Lupi (appointed on 24th October 2018)
Mr. Hans Kadiks (appointed on 24th October 2018)
Mr. James Portelli (appointed on 19th December 2018)
Mr. George McClennen (appointed on 23rd December 2019)

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

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 the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that 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.

Directors' report - continued

Auditors

PricewaterhouseCoopers 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

21 April 2020

Independent auditor's report

To the Shareholders of Eucare Insurance PCC Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Eucare Insurance PCC Limited's financial statements give a true and fair view of the company's financial position as at 31 December 2019, and of the company's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Eucare Insurance PCC Limited's financial statements, set out on pages 15 to 47, comprise:

- the profit and loss account and statement of comprehensive income for the period ended 31 December 2019;
- the statement of financial position as at 31 December 2019;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report - continued

To the Shareholders of Eucare Insurance PCC Limited

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

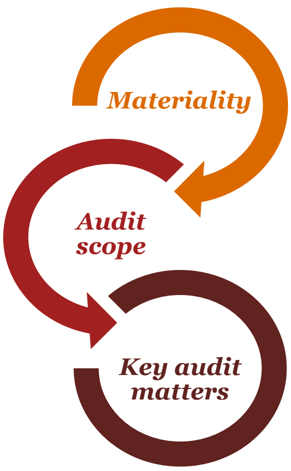
The non-audit services that we have provided to the company, in the period from 8 October 2018 to 31 December 2019 are disclosed in note 4 to the financial statements.

Emphasis of Matter

We draw attention to Note 21 that refers to the uncertainties associated with COVID-19. This matter is considered to be of fundamental importance to the understanding of the financial statements due to its nature and significance. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



Overall materiality: €1,226,000, which represents 1% of gross premiums written

Valuation of receivable from the Dutch Health Insurance Risk Equalisation Fund

Valuation of incurred but not reported claims provision

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€1,226,000
How we determined it	1% of gross premiums written
Rationale for the materiality benchmark applied	We chose gross premiums written as reflected in the profit and loss account as a benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the company. We selected 1% based on our professional judgement, noting that it is also within the range of commonly accepted revenue-related benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €61,300 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's 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. 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.

Key audit matters	How our audit addressed the key audit matters
Valuation of receivable from the Dutch Health Insurance Risk Equalisation Fund	
The estimation of contributions, and therefore valuation of receivables, from the Dutch Health Insurance Risk Equalisation Fund ('the Fund') is an inherently uncertain process, involving, *inter alia,* assumptions about the development of healthcare costs and the allocation of such costs to equalisation fund budgets parameters in the Netherlands. A change in assumptions could result in a material change in the amounts contributed to the Company, and therefore receivable from the Fund. The fact that the Company is in its first period of operation, and that the determination of the amount due by the Fund is finalised over a four year period, increases the element of uncertainty. Further information is included in notes 1.13, 2, 3 and 9 to the financial statements. The Company has recognised contributions within revenue amounting to €49.6m for the period ended 31 December 2019, and an estimated amount due as at 31 December 2019 described as 'amount due from government agencies' of €18.2m within the financial statements. We focused on this area due to its significance, inherent subjectivity and complexity	Our audit procedures addressing the valuation of the Company's receivable from the Dutch Health Insurance Risk Equalisation Fund, included the following procedures involving our experts: • we read the actuarial report and engaged in related discussions with the Company's actuary and management; • we applied our industry knowledge and experience in understanding and evaluating the methodology, models and assumptions used; • we challenged the Company's estimation process, engaging in various discussions with the actuarial and management team as part of this process; • we tested the mathematical accuracy of the Company's calculations on a sample basis; • we read through relevant correspondence from the administrator of the Dutch Health Insurance Risk Equalisation Fund; • we considered the underlying data utilised for the purposes of the Company's actuarial models, including the outcome of reporting received from the intermediary's independent auditor; and • we considered the extent of related disclosures to the financial statements. Based on the work performed we found the recognised amounts to be consistent with the explanations and evidence obtained.

Key audit matters	How our audit addressed the key audit matters
Valuation of incurred but not reported claims provision ('IBNR')	
Claim reserves are a judgmental estimate in the financial statements. The assumptions and methodologies applied by management are an area of focus for us. This is especially so in light of the fact that the Company is in its first period of operation, and that a significant amount of claims are paid in the year subsequent to that in which the policies are underwritten. The valuation of insurance provisions is judgemental, and requires a number of assumptions to be made that have estimation uncertainty, requiring judgement in the selection of key assumptions and methodologies. The ultimate cost of claims is subject to uncertainty in terms of both frequency and severity. Further information is included in notes 1.13, 2, 3.1 and 11 to the financial statements. The Company has recognised an IBNR provision of €25.8m as at 31 December 2019 within the financial statements. We focused on this area due to its significance and inherent subjectivity.	Our audit procedures addressing the valuation of the Company's IBNR provision, included the following procedures involving our actuarial experts: • we read the Company's actuarial function report, and engaged in related discussions with the Company's actuary and management; • we applied our industry knowledge and experience in understanding and evaluating the methodology, models and assumptions used; • we considered the underlying data utilised for the purposes of the Company's actuarial models, including the outcome of reporting received from the intermediary's independent auditor; • we tested the mathematical accuracy of the Company's IBNR calculations on a sample basis; and • we considered the extent of related disclosures to the financial statements. Based on the work performed, we found the recorded IBNR provision to be consistent with the explanations and evidence obtained.

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 auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

Independent auditor's report - *continued*

To the Shareholders of Eucare Insurance PCC Limited

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

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers, and suppliers, and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Independent auditor's report *- continued*

To the Shareholders of Eucare Insurance PCC Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.

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

Appointment

We were first appointed as auditors of the Company by directors resolution on 4 April 2019.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Romina Soler
Partner

21 April 2020

Profit and loss account
Technical account – general business

		Period from 8 October 2018 to 31 December 2019		
		Core	**Cell**	**Total**
	Notes	€	€	€
Earned premiums, net of reinsurance				
Gross premiums written		-	122,670,264	122,670,264
Outward reinsurance premiums		-	(98,149,197)	(98,149,197)
Net premiums written		-	24,521,067	24,521,067
Earned premiums, net of reinsurance		-	24,521,067	24,521,067
Commissions and profit commissions income		-	7,990,756	7,990,756
Total technical income		-	32,511,823	32,511,823
Claims incurred, net of reinsurance				
Claims paid				
- gross amount	11	-	84,752,924	84,752,924
- reinsurers' share	11	-	(67,802,339)	(67,802,339)
		-	16,950,585	16,950,585
Change in the provision for claims				
- gross amount	11	-	25,787,486	25,787,486
- reinsurers' share	11	-	(20,629,989)	(20,629,989)
		-	5,157,497	5,157,497
Claims incurred, net of reinsurance		-	22,108,082	22,108,082
Net operating expenses	4	-	7,075,630	7,075,630
Total technical charges		-	29,183,712	29,183,712
Balance on the technical account for general business (page 16)		-	3,328,111	3,328,111

The notes on pages 20 to 47 form an integral part of the financial statements.

Profit and loss account
Non-technical account

	Notes	Period from 8 October 2018 to 31 December 2019 Core	 Cell	 Total
		€	€	€
Balance on the technical account for general business (page 15)		-	3,328,111	3,328,111
Other income	4	1,738,820	-	1,738,820
Administration expenses	4	(1,738,820)	(2,178,195)	(3,917,015)
Profit before tax		-	1,149,916	1,149,916
Tax expense	6	-	(402,470)	(402,470)
Profit for the period		-	747,446	747,446

Statement of comprehensive income

	Period from 8 October 2018 to 31 December 2019 Core	 Cell	 Total
	€	€	€
Profit for the period – total comprehensive income	-	747,446	747,446

The notes on pages 20 to 47 form an integral part of the financial statements.

Statement of financial position

As at 31 December

		Core	Cell	Total
		2019	2019	2019
ASSETS	Notes	€	€	€
Intangible assets	7	131,720	-	131,720
Tangible assets	8	233,452	-	233,452
Right-of-use assets	17.1	397,109	-	397,109
Reinsurers' share of technical provisions	11	-	20,629,989	20,629,989
Receivables				
Debtors arising out of direct insurance operations	9	-	18,869,889	18,869,889
Other receivables	9	616,085	10,000,000	10,616,085
Other prepayments and deferred acquisition cost	9	76,304	775,436	851,740
Cash at bank	10	1,502,960	21,231,272	22,734,232
Total assets		2,957,630	71,506,586	74,464,216
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	14	2,501,200	6,000,000	8,501,200
Capital contribution	15	-	12,000,000	12,000,000
Retained earnings		-	747,446	747,446
Total equity		2,501,200	18,747,446	21,248,646
Subordinated loans	13	-	10,000,000	10,000,000
Technical provisions				
Provision for claims incurred but not reported	11	-	25,787,486	- 25,787,486
Creditors				
Creditors arising out of direct insurance operations	12	-	15,022,177	15,022,177
Accruals and other payables	12	99,209	1,547,007	1,646,216
Lease liabilities	17.2	357,221	-	357,221
Tax liability		-	402,470	402,470
Total liabilities		456,430	52,759,140	53,215,570
Total equity and liabilities		2,957,630	71,506,586	74,464,216

The notes on pages 20 to 47 form an integral part of the financial statements.

The financial statements on pages 15 to 47 have been authorised for issue by the Board on 21 April 2020 and were signed on its behalf by:

Hubertus Hendrikus Laeven
Director

Arndt François Jean Pierre van den Beuken
Director

Statement of changes in equity

As at 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	14	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	14	6,000,000	-	-	6,000,000
Capital contribution	15	-	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	14	8,501,200	-	-	8,501,200
Capital contribution	15	-	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 20 to 47 form an integral part of the financial statements.

Statement of cash flows

		Period from 8 October 2018 to 31 December 2019		
		Core	**Cell**	**Total**
	Notes	€	€	€
Net cash (used in/) generated from operating activities	16	(427,518)	3,231,272	2,803,754
Cash flows in investing activities				
Purchase of intangible fixed assets	7	(175,627)	-	(175,627)
Purchase of tangible fixed assets	8	(292,229)	-	(292,229)
Net cash used in investing activities		(467,856)	-	(467,856)
Cash flows from financing activities				
Proceeds from issue of share capital	14	2,501,200	6,000,000	8,501,200
Proceeds from capital contribution	15	-	12,000,000	12,000,000
Payment of lease liabilities	17.2	(102,866)	-	(102,866)
Net cash from financing activities		2,398,334	18,000,000	20,398,334
Net movement in cash and cash equivalents		1,502,960	21,231,272	22,734,232
Cash and cash equivalents at the beginning of period		-	-	-
Cash and cash equivalents at end of period	10	1,502,960	21,231,272	22,734,232

The notes on pages 20 to 47 form an integral part of the financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

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 2019, the Company had one cell, NLCare Cell. Cellular assets and liabilities are separately identifiable from 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.

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.

As the Company was incorporated on 8 October 2018, a 14-month period has been presented in the financial statements.

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 balance sheet 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.

1. Summary of significant accounting policies - continued

1.2 Basis of preparation - continued

Standards interpretation and amendments to published standards early adopted by the company

During the period, the Company early adopted IFRS 16 'Leases'.

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

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 8 October 2018. 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 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 ('Insurance Contracts') is effective for annual reporting periods beginning on or after 1 January 2021 (with exposure draft proposing to defer application on 1 January 2023) but is not yet endorsed by the EU, with comparative figures required. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. The Standard will require the Company to measure its insurance contracts under the general model or a simplified version of this called the Premium Allocation Approach, subject to eligibility.

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.

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 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. **Summary of significant accounting policies** - continued

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.

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 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.

1. Summary of significant accounting policies - continued

1.6 Leases - continued

This policy is applied to contract 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 remeasurements 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.

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 remeasured 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 remeasured 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 financial position.

1. Summary of significant accounting policies - continued

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 that are recognised in profit or loss. Impairment losses are presented as a separate line item in the statement of comprehensive income.

The Company's financial assets are classified as financial assets at amortised cost. They are included in current assets, except for 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;
(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.

1. Summary of significant accounting policies – continued

1.7 Financial assets - continued

1.7.3 Subsequent measurement of financial assets - continued

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

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.

1. Summary of significant accounting policies – continued

1.7 Financial assets - continued

1.7.4 Impairment of financial assets subject to IFRS 9 – 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 the other receivables which primarily comprise the receipt of funds in relation to the subordinated loans. The identified expected credit loss was immaterial in light of the quality of the assets in question. Bank balances 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. Subsequent to the end of the reporting period, the funds pertaining to the subordinated loans were received.

1.7.5 Impairment of financial assets subject to IFRS 4

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 which are measured at amortised cost.

1. Summary of significant accounting policies – continued

1.8 Receivables

Receivables primarily comprise amounts due from intermediaries and Dutch government agencies for services performed in the ordinary course of business, and other receivables due in relation to the receivable from the subordinated loans. 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 above.

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 balance sheet 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, using the liability method, 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.

1. Summary of significant accounting policies – continued

1.12 Current and deferred tax - continued

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.

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 balance sheet date is reported as a provision for unearned premium.

This item also includes contributions from the Dutch Health Insurance Risk Equalisation Fund (see Note 1.13 (b)).

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

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 Health Insurance Risk Equalisation Fund are determined based on the relevant financial year risk equalisation model and assessments of future settlements. The estimated amount receivable from the Dutch Health Insurance Risk Equalisation Fund as at the year end is included in debtors 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. Given that certain costs are incurred in the year before business incepts, the Company defers these costs such that they are recognised as expenses in the following year, when the related premium is to be earned. All other costs are recognised as expenses when incurred.

1. **Summary of significant accounting policies** - continued

1.13 Insurance contracts - continued

Recognition and measurement -continued

(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 balance sheet 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 balance sheet date, including the related claims handling costs.

In the context of this being the Company's first period of operation, in estimating the level of the provisioning, the Company has placed reliance on information provided by its agent in the Netherlands and supplemented this with current estimates pertaining to *inter alia* inflation. Whilst the directors consider that the provision for these claims is fairly stated on the basis of the information currently available to them, the ultimate liability may vary as a result of subsequent information and events, and may result in significant adjustments to the amount provided.

Adjustments to the amount provided are reflected in the financial statements in the accounting period in which the adjustments arise.

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

(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.

(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 debtors), 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 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.

1. Summary of significant accounting policies - continued

1.13 Insurance contracts - continued

Recognition and measurement - continued

(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 balance sheet 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.

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.

(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 receivable from the Dutch Health Insurance Risk Equalisation Fund

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. An amount of €49.6m of contributions from the Health Insurance Risk Equalisation Fund has been recognised as revenue within premiums written in the income statement, and €18.2m is the estimated amount receivable as at 31 December 2019, as disclosed in Note 9 to the financial statements.

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 this system. The measurement of contributions due from the Dutch Health Insurance Risk Equalisation Fund, involves the assessment of future settlements, and is therefore dependent on key assumptions around, inter alia, the development of national healthcare costs, and the allocation of healthcare costs to Equalisation Fund budget parameters. This inherently introduces a degree of uncertainty, which is higher in the initial years of operation, and given that the process for final determination of the contributions from the fund is typically finalised over a period of four years. Management considers the basis for the estimate to be reasonable, when also considering the involvement of actuarial experts in the process.

Should the final settlement regarding the equalisation fund contribution vary by 1% when compared to the currently estimated contributions, the profit before tax would increase or decrease by €480,000.

Ultimate liability arising from claims made under insurance contracts

The measurement of insurance liabilities is an inherently uncertain process, as there are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for claims. The nature of the business written during 2019 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 a statistical estimates to cater for IBNR, which relies on data provided by the intermediary, duly supplemented with management's knowledge of the market and independent actuarial advice. Given that this is the Company's first year of operations, the estimation process is inherently more uncertain until experience develops, and involved consideration of alternative methodologies and a range of outcomes. Notwithstanding the uncertainties, the directors believe that the estimated provision for IBNR as at 31 December 2019 is reasonable, having also considered actuarial advice. Should the IBNR estimate vary by 1%, the profit before tax would increase or decrease by €245,500 before considering reinsurance.

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. The Company is also subject to the risk that actual contributions from the Risk Equalization Fund are less than originally estimated by the Company. During the year, the Company wrote premium solely in the Netherlands.

Underwriting strategy

Health Insurance in the Netherlands is compulsory for all Dutch residents and foreigners working in the country. In as far as the Basic health insurance packages are concerned Eucare has no selection abilities. This means that each risk must be accepted with no exclusions or premium variances. Premiums for Basic Insurance were published by the Company in accordance with Dutch Regulations in November 2018 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 Eucare also offered a range of supplementary and dental insurance products. These products are not compulsory and therefore Eucare has more flexible pricing and acceptance criteria.

The Company's underwriting strategy seeks diversity between Basic, Supplementary and Dental business lines 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 with a reinsurer of international repute, excellent financial standing and regulated in the EU, 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. 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 reinsurer has a credit rating of AA-.

Contributions from Dutch Health Insurance Equalisation Fund

Eucare also faces uncertainties, specifically due the basic health care cover, as a result of the estimation of future contributions receivable from the Dutch Health Insurance Equalisation Fund, 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.

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

Management of risk

The Company has a number of measures in place to mitigate these uncertainties. The estimated receivables from the Dutch Health Insurance Equalisation Fund are based on Best Estimates of expected amounts. Estimates of the compensation from the Dutch Health Insurance Equalisation Fund are re-assessed throughout the year and adjustments to the provision are made accordingly.

Furthermore, Eucare 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 insurance cover provided by the Company is on an "occurrence basis" by reference to when treatment is provided. The event giving rise to a claim for service cover usually occurs at the time that treatment is provided and the cause is easily determinable. The claim will thus be notified in accordance with the policy terms and conditions and can be settled without delay. These are therefore classified as 'short-tailed', meaning that expense deterioration and investment return will be of negligible importance.

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. Uncertainty associated with the ultimate liability for claims outstanding is not considered to be significant given that the losses incurred are typically short-term in nature. Nonetheless, 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 independent actuarial advice.

The Company is also exposed to an unexpected accumulation of losses in a single year or arising from one event. With Eucare being a health insurance company, single events that are likely to result in an accumulation of losses include a pandemic affecting the insured population. Further information is presented in Note 21 pertaining to Covid-19.

However, a number of mitigating factors are in place to reduce this exposure. The application of a deductible which is payable by the insured party on the majority of insurance policies sold by the Company reduces Eucare’s exposure to a high volume of claims for small claims amounts. Moreover, the Company has reinsurance agreements in place to ensure adequate proportionate risk transfer in the case of such eventualities.

Given the Company’s risk profile and target market, the Board is nonetheless aware that the risk of a pandemic may put the Company under significant solvency and financial pressures. However, as part of the Company’s ORSA process, scenarios reproducing the impact of a pandemic on Eucare’s portfolio indicate that the Company has in place adequate controls, reinsurance and capital structure to be able to adequately withstand such an event.

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

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 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 balance sheet date, the Company did not have any hedging policy with respect to 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 balance sheet 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:

- Debtors 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.

- Other receivables which primarily comprise the receipt of funds in relation to the subordinated loans. The identified expected credit loss was immaterial in light of there being no deterioration of credit risk from origination of the asset. Subsequent to the end of the reporting period, the funds pertaining to the subordinated loans were received.

- Reinsurers' share of technical provisions and accrued profit commission - such amounts are due by a reputable reinsurer (rated AA-), and this risk is therefore not deemed to be significant as there are no indicators that this business unit will be unable to meet the obligation.

- Cash at bank - 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 9, 10 and 11 represent the maximum exposure to credit risk. The Company does not hold any collateral as security to its credit risk.

3. Management of insurance and financial risk - continued

3.2 Financial risk management – continued

(c) Liquidity risk

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, the subordinated loans (refer to notes 12, and 13). 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 €**	**Total €**
As at 31 December 2019				
Core				
Creditors, accruals 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	14,484	**25,787,486**
Creditors, accruals and other payables	16,569,184	-	-	**16,569,184**
Subordinated loans	760,029	785,865	13,145,614	**14,691,508**
Taxation payable	-	402,470	-	**402,470**
	42,516,885	**2,045,415**	**13,344,778**	**57,907,078**

3. Management of insurance and financial risk - continued

3.3 Capital risk management

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.

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).

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 period, 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.

As at 31 December 2019 the Company's eligible own funds adequately covered the required SCR and MCR on the basis of the unaudited data. The Cell's and Company's unaudited available own funds, in terms of Solvency II, as at 31 December 2019 amounted to €29,856,125 and €12,069,313, respectively.

3.4 Fair value estimation

At 31 December 2019 the carrying amounts of cash at bank, debtors, creditors and accrued expenses 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 2019 the carrying amount of the Company's other financial assets and liabilities approximated their fair values.

4. Net operating expenses

	Core	Cell	Total
	Period from 8 October 2018 to 31 December 2019		
	€	€	€
Administrative expenses	1,738,820	2,178,195	3,917,015
Acquisition costs	-	7,075,630	7,075,630
	1,738,820	9,253,825	10,992,645
Allocated as follows:			
Technical account	-	7,075,630	7,075,630
Non-technical account	1,738,820	2,178,195	3,917,015
	1,738,820	9,253,825	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 period the Core recharged an amount equivalent to administrative expenses to the cell in terms of an agreement between the two.

Auditor's fees

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

	Period from 8 October 2018 to 31 December 2019
	€
Statutory audit	60,000
Other assurance services	15,000
	75,000

Administrative expenses are analysed as follows:

	Core	Cell	Total
	Period from 8 October 2018 to 31 December 2019		
	€	€	€
Management fees	40,833	58,333	99,166
Fees charged by the Core	-	1,738,820	1,738,820
Staff costs and directors' fees (Note 5)	710,948	-	710,948
Subscriptions and licences	3,957	191,578	195,535
Legal and professional fees	156,676	85,951	242,627
Actuarial fees	290,069	-	290,069
Depreciation and amortisation	165,662	-	165,662
Other expenses	370,675	103,513	474,188
	1,738,820	2,178,195	3,917,015

5. Staff costs and directors' fees

	Core	Cell	Total
	Period from 8 October 2018 to 31 December 2019		
	€	€	€
Salaries and related costs	243,324	-	243,324
Directors' fees	456,670	-	456,670
Social security costs	10,954	-	10,954
	710,948	-	710,948

The average number of persons appointed/employed in the core (cell: none) during the period was:

	2019
Directors	5
Managerial	3
Technical	3
	11

6. Tax expense

	Core	Cell	Total
	Period from 8 October 2018 to 31 December 2019		
	€	€	€
Current tax expense	-	402,470	402,470
Tax expense	-	402,470	402,470

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
	2019	2019	2019
	€	€	€
Profit before tax	-	1,149,916	1,149,916
Tax on profit at 35%	-	402,470	402,470
Tax charge	-	402,470	402,470

7. Intangible assets - 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**

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

8. 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**

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

9. Debtors and prepayments

	Core	Cell	Total
	2019	2019	2019
	€	€	€
Debtors arising out of direct insurance operations			
Due from intermediaries	-	619,079	619,079
Due from government agencies	-	18,250,810	18,250,810
	-	18,869,889	18,869,889
Other receivables			
Receivable from intermediate parent	48,146	10,000,000	10,048,146
Receivable from the cell	552,612	-	552,612
Receivable from a sister Company	15,327	-	15,327
	616,085	10,000,000	10,616,085
Other prepayments and deferred acquisition costs			
Other prepayments	76,304	-	76,304
Deferred acquisition costs	-	775,436	775,436
	76,304	775,436	851,740
	692,389	**29,645,325**	**30,337,714**

Amounts receivable from government agencies relate to equalisation fund receivable from Zorginstituut Nederland (€18,232,977) and contributions receivable from CAK (Central Administration Office) (€17,833).

Amounts receivables from intermediate parent, cell and sister Company are unsecured, repayable on demand and interest-free.

Receivables are considered to be current in nature.

10. 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
	2019	2019	2019
	€	€	€
Cash at bank – current portion	1,502,960	21,231,272	**22,734,232**

11. Insurance liabilities and reinsurance assets

	Cell
	2019
	€
Gross technical provisions	
Claims incurred but not reported	25,787,486
	25,787,486
Reinsurers' share of technical provisions	
Claims incurred but not reported	(20,629,989)
	(20,629,989)
Net technical provisions	
Claims incurred but not reported	5,157,497
	5,157,497

Claims incurred but not reported are substantially current in nature (Note 3.2c).

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 at 31 December 2019	**25,787,486**	**(20,629,989)**	**5,157,497**

12. Creditors, accruals and other payables

	Core	Cell	Total
	2019	2019	2019
	€	€	€
Creditors arising out of direct insurance operations			
- Payable to reinsurer	-	15,022,177	15,022,177
	-	15,022,177	15,022,177
Accruals and other payables	99,209	994,395	1,093,604
Payable to core	-	552,612	552,612
	99,209	**16,569,184**	**16,668,393**
Current portion	**99,209**	**16,569,184**	**16,668,393**

All payables are considered to be current in nature.

13. Subordinated loans

	Cell
	2019
	€
Subordinated loans – non-current portion	10,000,000

The subordinated loans balance comprises two loan agreements for amounts of €7m and €3m respectively. Both subordinated loans are owed to an intermediate parent company 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.

The €7m loan is repayable after 10 year, 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.

14. Share capital

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

15. Capital contribution

The capital contribution in cash of €12,000,000 was made by the Company's immediate parent company on 26th December 2019 and it forms part of the Company's capital and reserves as at 31 December 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.

16. Cash from operations

Reconciliation of profit before tax to cash from operations:

	Core	Cell	Total
	2019 €	2019 €	2019 €
Profit for the period before tax	-	1,149,916	1,149,916
Adjustment for:			
Depreciation and amortisation	165,662	-	165,662
Movements in:			
Technical provisions (net)	-	5,157,497	5,157,497
Debtors and prepayments	(692,389)	(19,645,326)	(20,337,715)
Creditors and accruals	99,209	16,569,185	16,668,394
Cash from operations	**(427,518)**	**3,231,272**	**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 13) which were received by the Company after the year end.

17. 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 five years, until 2024.

17.1 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**

17. Leases – as a lessee - continued

17.2 Lease liabilities

	2019
	€
Total discounted lease liabilities	357,221
Current	85,016
Non-current	272,205
	357,221

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

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

17.3 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.

18. Related party transactions and balances

The ultimate parent Company of EUCare Insurance PCC Limited is HL Revelations B.V. and the ultimate controlling party of the group is H.Laeven.

All companies forming part of HL Revelations B.V. are considered by the directors to be related parties.

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

18. **Related party transactions and balances** - continued

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

	Period from 8 October 2018 to 31 December 2019 €
Acquisition and administrative costs payable to intermediary	(6,350,912)
Acquisition costs recharged by intermediary	(871,933)

- Fee income of €1,738,820 charged by Core to the Cell.
- Directors' fees for the period are disclosed in note 5.
- Receivables from related parties are disclosed in note 9.
- Subordinated loan from related party is disclosed in note 13.
- Capital contribution from related party is disclosed in note 15.

Gross premium underwritten of €72,878,784 is derived from third parties but underwritten through the related party intermediary.

19. Dividend

The Directors do not propose a final dividend for 2019. The directors propose that the balance of retained earnings amounting to €747,446 be carried forward to the next financial year.

20. 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 ultimate parent Company of EUCare Insurance PCC Limited is HL Revelations B.V., a Company registered in the Netherlands registered under Chamber of Commerce number 69652201. The individual financial statements of the Company are incorporated in the Consolidated Financial Statements of HL Revelations B.V. Copies of the consolidated accounts of HL Revelations B.V. will be available from the Company's Floriana office.

21. Events after the reporting period

Since 31st December 2019, the spread of the coronavirus, more commonly known as COVID-19, has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantine, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an overall economic slowdown.

Covid-19 is leaving in its track a devastating effect on people's wellbeing bringing about a large number of infectious cases, with lung related diseases requiring urgent need of expensive treatments, hospitalisation and an unprecedented demand for ICU hospital beds. This has also led to a number of deaths, mainly affecting the older age groups. The outbreak was declared a Public Health Emergency of International Concern by the World Health Organisation on 30th January 2020 and as a pandemic on 11th March 2020.

21. Events after the reporting period - continued

In a number of countries this demand for treatment resulted in a consequent shortage of medical staff and hospital beds, and for this reason, most countries, including The Netherlands, have taken the strategy of attempting to flatten the curve of reported cases rather than having to deal with a surge of urgent medical cases in a short span of time.

Eucare has carried out a risk assessment of the effect that Covid-19 could have on its business operations, turnover, profitability and the ultimate effect on the solvency of the Company, taking into consideration a number of factors which are considered to be materially impacted as a result of the pandemic. 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. Nonetheless, Eucare is mindful of the fact that the Covid-19 global and national scenario requires constant scrutiny and its impact needs to be assessed on a frequent basis, 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. Although there are no such indications at this point in time, and a first assessment confirms that the Company is able to absorb a negative effect on the main reinsurer's credit rating, it should be noted that the Company is dependent on the reinsurers' future financial stability, given the quota share reinsurance agreement. Therefore, the Company is constantly monitoring the reinsurers' credit rating and other statements, in order to be able to take immediate action if deemed necessary.

In March of 2020, the Company activated its business continuity plan to ensure a seamless approach to home working and has ensured that the partnering Managing General Agent in the Netherlands has also taken all the necessary steps to ensure business continuity in all areas.

Notwithstanding the results of its first assessment, the Company however remains cautious given the early state of the pandemic, and the uncertainty regarding the exact actual future developments and its consequent effects. However, based on the information known to date, the directors consider the going concern basis of preparation of these financial statements to be appropriate.