EUCARE INSURANCE PCC LIMITED

Annual Report and Financial Statements
31 December 2022

Company Registration No. C 88658

Directors' report

The directors present their report and the audited financial statements of Eucare Insurance PCC Limited (the "Company" or "Eucare") for the year ended 31 December 2022.

Principal activity

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

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

Performance review

As at the end of the reporting year, the Company had one Cell ('NLCare Cell' or the 'Cell'). During the year under review, the Company reported an aggregated loss before taxation of €6,596,794 (2021: profit before taxation of €8,111,039). This loss is attributable to NLCare Cell. The Cell had gross written premium amounting to €559,272,182 (2021: €540,862,307).

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

Financial Performance

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

Gross written premium increased by 3.40%, amounting to €559,272,182 (2021: €540,862,307). The Company has reinsurance arrangements in place resulting in earned premiums net of reinsurance for 2022 of €93,240,378 (2021: €86,750,928). Gross claims incurred increased by 6.86% over the year, amounting to €530,179,424 in 2022 (2021: €496,161,522). Reinsurance recoverable claims amounted to €436,705,147 (2021: €417,193,676), resulting in an increase of 4.68%. Further details on unearned premiums, claims and reserves are provided in the notes to the financial statements.

Total administrative expenses amounted to €8,749,325 (2021: €8,399,479). Acquisition costs amounted to €22,105,816 (2021: €22,377,759) whilst commissions and profit commission income amounted to €22,453,130 (2021: €29,231,798). Additional details on net operating expenses are provided in note 7 to the financial statements.

The Company's total assets as at 2022 amount to €257,078,548 (2021: €233,532,001), an increase of 10.08% over 2021. This is mainly due to an increase in cash and cash equivalents.

During 2022, Eucare registered further growth on its income protection portfolio. This is a result of increased business with existing intermediaries which was observed both in the Netherlands as well as in France. During the year in review the Company experienced a slight reduction in the number of insured persons in its health portfolio which was due to significant competition in the market. Whilst the inflow of new insured members was less than the outflow of insured persons seeking alternative arrangements, the Company registered turnover growth and at the same time ensuring that the Company maintained its objective to continue to retain premium prices commensurate with the risks involved.

The losses experienced during 2022 where mostly the result of adverse claims experience in France aggravated further by the impact of Covid-19 related claims and increased health costs in the Netherlands due to 'one-time' increased costs for pharmaceuticals and hospital support costs that are not expected to recur in 2023. Although the war in Ukraine had no direct effect on the Company's performance, indirect consequences to its underlying investments portfolio were experienced thus contributing to the overall negative result for the year.

Directors' report - continued

Performance review - continued

Non-Financial Performance

Similar to 2021, it is Eucare's strategy to continue diversifying its insurance portfolio, both in terms of products and business sourced as well as in terms of geographical location. The Company is encouraged by the business growth from the new lines of business introduced in prior years whilst at the same time has monitored and taken corrective action to improve performance where necessary. The Company seeks to further develop these efforts by considering new business opportunities for distribution in the European Economic Area. In turn this provides diversification, new strategic income streams and reduces dependency on individual sources of business.

In conjunction with this future strategy, the Company will at the same time continue to assess its market penetration in the regions it operates in with a view to fostering customer loyalty whilst simultaneously maintaining premium levels reflective of the underlying risks.

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

Covid-19 Pandemic

The Covid-19 pandemic has had a significant impact on healthcare in the Netherlands, especially throughout 2020 and 2021 and Eucare was eligible for compensation under Article 33 of the Dutch Healthcare Act concerning catastrophe situations. Although the compensations from Article 33 were applicable for underwriting year 2020 and 2021, further Covid-19 claims relating to underwriting year 2021 have been recognised and incurred in 2022. Accordingly, the compensation emanating from Article 33 of the Dutch Healthcare Act has been revised and the increase is included with gross written premiums in 2022.

The uncertainties emanating from determining the amount of the catastrophe contribution have decreased significantly from previous years, mainly since the majority of healthcare cost for 2020 and 2021 have been recognised in 2022. The Company has been and will be able to incorporate Covid-19 related costs in its premium determination exercise for 2023 and going forward.

Dividends

The Company did not pay any dividend to shareholders during 2022 and the directors do not recommend the payment of a final dividend (2021: €752,664).

Risk Management

Risk Management System

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

Directors' report - continued

Risk Management - continued

Risk Management System - continued

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

Risk Appetite

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

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

ORSA Process

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

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

Risk Profile

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

Primary risks are considered to be risks which are inherent to the nature and scope of Eucare's business strategy. In 2022 Eucare has underwritten health, income protection, and personal accident insurance business in the Netherlands, and also income protection in France. Accordingly, Eucare acknowledges underwriting risk and operational risk as the primary and most significant risks of the Company.

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

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

Further information pertaining to the Company's insurance and financial risk management is included in Notes 5.1 and 5.2 of these financial statements.

Events after the reporting date

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

Directors' report - continued

Future Developments

Eucare's ambition continues to be focused on growth and profitability as a European insurer in various European Union territories. The Company's core activities will be directed on the protection of important aspects of people's lives, in particular their health, their family and their income.

Whilst the Company is in a growth stage and in its fifth year of active operations it will continue to maximise and showcase its strengths both in existing and new potential territories. This within the ambit of significant international sector trends including mergers, consolidations and takeovers which effectively limit the ultimate consumer choices. Eucare believes it is in an advantageous position due to its flexibility and customer focus. International developments are therefore considered as significant opportunities for the Company to attract demand driven portfolios, to project long term stability and to ultimately focus on core processes with partners that share the same beliefs and objectives.

Sustainability and profitable growth are important elements in the Company's strategy and it seeks to ensure this by presenting a solid financial position, long term sustainable ambitions and service excellence. At the same time Eucare's objective is to foster risk diversification both in terms of product lines as well as by geographical location. In 2023, the Company shall therefore continue to write business in France and the Netherlands through its current intermediaries and shall develop and strengthen its current distribution networks.

The Company strives to carefully assess new initiatives with the intent of growing existing and new lines of business thus having a balanced portfolio mix and consequently being less dependent on one class or source of business.

Eucare will continue to actively study healthcare, accident and income protection possibilities in other European Countries. The strategy is to pursue its outlook of seeking new partnerships in all the territories it is licensed in and also to enhance its offering by designing new and affordable products. Its intention is to continue to retain its business model, that is, to focus on the regulatory, financial and insurance risk related key functions, whist leaving the customer facing operations to selected partners in the local target markets.

Whilst continuing to increase its development initiatives the Company will also carefully reflect on its past performance with a view to correcting its existing portfolio. In 2023 a number of correcting factors have already been implemented and the Company has an optimistic outlook for the coming years. Such corrective factors included both the application of updated experience related pricing as well enhanced claims control processes where necessary in both France and The Netherlands. The Company has also experienced a more positive health renewal season and growth in membership numbers due to increased renewal activity initiatives taken by its MGA for health insurance in the Netherlands.

Eucare will apply IFRS 17 *Insurance Contracts* for the first time on 1 January 2023. The Company's implementation process will involve a change in accounting policies, processes and controls with input from actuarial specialists. The Board is monitoring the progress of the implementation plan to ensure that the necessary priority is given to the implementation of IFRS 17.

Directors

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

Mr. Hubertus Hendrikus Laeven (resigned 30 June 2022)
Mr. Hans Kadiks (resigned 1 January 2023)
Mr. Arndt François Jean Pierre van den Beuken
Mr. Alfred Lupi
Mr. James Portelli
Mr. George McClennen

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

Directors' report - continued

Statement of directors' responsibilities for the financial statements

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

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

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

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

Auditors

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

The directors' report was approved and signed by:

Arndt François Jean Pierre van den Beuken
Director

James Portelli
Director

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

6th April 2023

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

		Core		Cell		Total	
	Notes	**2022 €**	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Earned premiums, net of reinsurance							
Gross premiums written		**-**	-	**559,272,182**	540,862,307	**559,272,182**	540,862,307
Outward reinsurance premiums		**-**	-	**(466,194,430)**	(453,908,196)	**(466,194,430)**	(453,908,196)
Net premiums written		**-**	-	**93,077,752**	86,954,111	**93,077,752**	86,954,111
Change in the gross provision for unearned premiums	16	**-**	-	**162,626**	(170,223)	**162,626**	(170,223)
Change in the provision for unearned premiums, reinsurers' share	16	**-**	-	**-**	(32,960)	**-**	(32,960)
		-	-	**162,626**	(203,183)	**162,626**	(203,183)
Earned premiums, net of reinsurance		**-**	-	**93,240,378**	86,750,928	**93,240,378**	86,750,928
Commissions and profit commissions income		**-**	-	**22,453,130**	29,231,798	**22,453,130**	29,231,798
Total technical income		**-**	-	**115,693,508**	115,982,726	**115,693,508**	115,982,726
Claims incurred, net of reinsurance							
Claims paid							
- gross amount	16	**-**	-	**540,650,864**	490,680,596	**540,650,864**	490,680,596
- reinsurers' share	16	**-**	-	**(452,568,564)**	(414,404,107)	**(452,568,564)**	(414,404,107)
		-	-	**88,082,300**	76,276,489	**88,082,300**	76,276,489
Change in the provision for claims and recoveries							
- gross amount		**-**	-	**(10,471,440)**	5,480,926	**(10,471,440)**	5,480,926
- reinsurers' share		**-**	-	**15,863,417**	(2,789,569)	**15,863,417**	(2,789,569)
		-	-	**5,391,977**	2,691,357	**5,391,977**	2,691,357
Claims incurred, net of reinsurance		**-**	-	**93,474,277**	78,967,846	**93,474,277**	78,967,846
Net operating expenses	7	**-**	-	**22,105,816**	22,377,759	**22,105,816**	22,377,759
Total technical charges		**-**	-	**115,580,093**	101,345,605	**115,580,093**	101,345,605
Balance on the technical account for general business (page 8)		**-**	-	**113,415**	14,637,121	**113,415**	14,637,121

The notes on pages 13 to 53 form an integral part of the financial statements.

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

	Notes	Core 2022 €	Core 2021 €	Cell 2022 €	Cell 2021 €	Total 2022 €	Total 2021 €
Balance on the technical account for general business (page 7)		**-**	-	**113,415**	14,637,121	**113,415**	14,637,121
Investment income	6	**-**	-	**127,513**	-	**127,513**	-
Other income	7	**3,109,034**	2,995,963	**-**	-	**3,109,034**	2,995,963
Investment expenses and charges	6	**-**	-	**(148,563)**	-	**(148,563)**	-
Administration expenses	7	**(3,096,523)**	(2,968,618)	**(5,652,802)**	(5,430,861)	**(8,749,325)**	(8,399,479)
Impairment gain/(loss) on financial assets	5.2 (c)	**834**	(1,846)	**(82,797)**	(91,455)	**(81,963)**	(93,301)
Interest expense	9	**(12,507)**	(16,249)	**(954,398)**	(1,013,016)	**(966,905)**	(1,029,265)
(Loss)/profit before tax		**838**	9,250	**(6,597,632)**	8,101,789	**(6,596,794)**	8,111,039
Tax (expense) / credit	10	**(42)**	169,187	**329,882**	2,333,122	**329,840**	2,502,309
(Loss)/profit for the year		**796**	178,437	**(6,267,750)**	10,434,911	**(6,266,954)**	10,613,348

Statement of comprehensive income
Year ended 31 December

		Core 2022 €	Core 2021 €	Cell 2022 €	Cell 2021 €	Total 2022 €	Total 2021 €
(Loss)/profit for the year		**796**	178,437	**(6,267,750)**	10,434,911	**(6,266,954)**	10,613,348
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent period:							
Changes in the fair value of debt instrument at FVOCI	20	**-**	**-**	**(319,028)**	-	**(319,028)**	**-**
Income tax relating to components of other comprehensive income	20	**-**	**-**	**15,951**	-	**15,951**	**-**
Other comprehensive loss for the year		**-**	-	**(303,077)**	-	**(303,077)**	-
Total comprehensive (loss)/income for the year attributable to ordinary shareholders		**796**	178,437	**(6,570,827)**	10,434,911	**(6,570,031)**	10,613,348

The notes on pages 13 to 53 form an integral part of the financial statements.

Statement of financial position

As at 31 December

		Core		Cell		Total	
	Notes	**2022** **€**	2021 €	**2022** **€**	2021 €	**2022** **€**	2021 €
ASSETS							
Intangible assets	12	**337,492**	172,851	**-**	-	**337,492**	172,851
Tangible assets	13	**89,538**	129,092	**-**	-	**89,538**	129,092
Right-of-use assets	23.1	**106,998**	166,521	**-**	-	**106,998**	166,521
Financial investments	11	**-**	-	**2,949,138**	-	**2,949,138**	-
Reinsurers' share of technical provisions	16	**-**	-	**102,866,806**	118,730,223	**102,866,806**	118,730,223
Trade and other receivables	14	**1,120,414**	1,129,039	**103,608,456**	103,113,204	**104,728,870**	104,242,243
Term deposits	11	**-**	-	**490,885**	-	**490,885**	-
Cash and cash equivalents	15	**1,648,635**	1,680,004	**43,860,186**	8,411,067	**45,508,821**	10,091,071
Total assets		**3,303,077**	3,277,507	**253,775,471**	230,254,494	**257,078,548**	233,532,001
EQUITY							
Capital and reserves							
Share capital	19	**2,501,200**	2,501,200	**6,000,000**	6,000,000	**8,501,200**	8,501,200
Capital contribution	21	**-**	-	**12,752,664**	12,752,664	**12,752,664**	12,752,664
Other reserves	20	**-**	-	**(303,077)**	-	**(303,077)**	-
Retained earnings		**391,456**	390,660	**10,194,147**	16,461,897	**10,585,603**	16,852,557
Total equity		**2,892,656**	2,891,860	**28,643,734**	35,214,561	**31,536,390**	38,106,421
LIABILITIES							
Subordinated loans	18	**-**	-	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Technical provisions	16	**-**	-	**143,620,175**	148,940,049	**143,620,175**	148,940,049
Trade and other payables	17	**337,440**	252,486	**71,511,562**	36,099,884	**71,849,002**	36,352,370
Lease liabilities	23.2	**72,981**	133,161	**-**	-	**72,981**	133,161
Total liabilities		**410,421**	385,647	**225,131,737**	195,039,933	**225,542,158**	195,425,580
Total equity and liabilities		**3,303,077**	3,277,507	**253,775,471**	230,254,494	**257,078,548**	233,532,001

The notes on pages 13 to 53 form an integral part of the financial statements.

The financial statements on pages 7 to 53 have been authorised for issue by the Board on 6th April 2023 and were signed on its behalf by:

Arndt François Jean Pierre van den Beuken
Director

James Portelli
Director

Statement of changes in equity

For the year ended 31 December 2021

	Notes	Core Share capital €	Core Capital contribution €	Core Retained earnings €	Core Total €
Balance as at 1 January 2021		2,501,200	-	212,223	2,713,423
Comprehensive income					
Profit for the year		-	-	178,437	178,437
- Total comprehensive income		-	-	178,437	178,437
Balance at 31 December 2021		**2,501,200**	**-**	**390,660**	**2,891,860**

	Notes	Cell Share capital €	Cell Capital contribution €	Cell Retained earnings €	Cell Total €
Balance as at 1 January 2021		6,000,000	12,000,000	6,779,650	24,779,650
Comprehensive income					
Profit for the year		-	-	10,434,911	10,434,911
- Total comprehensive income		-	-	10,434,911	10,434,911
Transactions with owners					
Capital contribution	21	-	752,664	-	752,664
Dividend distribution	25	-	-	(752,664)	(752,664)
- Total transactions with owners		-	752,664	(752,664)	-
Balance at 31 December 2021		**6,000,000**	**12,752,664**	**16,461,897**	**35,214,561**

	Notes	Total Share capital €	Total Capital contribution €	Total Retained earnings €	Total Total €
Balance as at 1 January 2021		8,501,200	12,000,000	6,991,873	27,493,073
Comprehensive income					
Profit for the year		-	-	10,613,348	10,613,348
- Total comprehensive income		-	-	10,613,348	10,613,348
Transactions with owners					
Capital contribution	21	-	752,664	-	752,664
Dividend distribution	25	-	-	(752,664)	(752,664)
- Total transactions with owners		-	752,664	(752,664)	-
Balance at 31 December 2021		**8,501,200**	**12,752,664**	**16,852,557**	**38,106,421**

The notes on pages 13 to 53 form an integral part of the financial statements.

Statement of changes in equity - continued

For the year ended 31 December 2022

		Core				
	Notes	**Share capital €**	**Capital contribution €**	**Retained earnings €**	**Other reserves €**	**Total €**
Balance as at 1 January 2022		2,501,200	-	390,660	-	2,891,860
Comprehensive income						
Profit for the year		-	-	796	-	796
- Total comprehensive income		-	-	796	-	796
Balance at 31 December 2022		**2,501,200**	**-**	**391,456**	**-**	**2,892,656**

		Cell				
		Share capital €	**Capital contribution €**	**Retained earnings €**	**Other reserves €**	**Total €**
Balance as at 1 January 2022		6,000,000	12,752,664	16,461,897	-	35,214,561
Comprehensive loss						
Loss for the year		-	-	(6,267,750)	-	(6,267,750)
Other comprehensive loss for the year	20	-	-	-	(303,077)	(303,077)
- Total comprehensive loss		-	-	(6,267,750)	(303,077)	(6,570,827)
- Total transactions with owners		-	-	-	-	-
Balance at 31 December 2022		**6,000,000**	**12,752,664**	**10,194,147**	**(303,077)**	**28,643,734**

		Total				
		Share capital €	**Capital contribution €**	**Retained Earnings €**	**Other reserves €**	**Total €**
Balance as at 1 January 2022		8,501,200	12,752,664	16,852,557	-	38,106,421
Comprehensive loss						
Loss for the year		-	-	(6,266,954)	-	(6,266,954)
Other comprehensive loss for the year		-	-	-	(303,077)	(303,077)
- Total comprehensive loss		-	-	(6,266,954)	(303,077)	(6,570,031)
- Total transactions with owners		-	-	-	-	-
Balance at 31 December 2022		**8,501,200**	**12,752,664**	**10,585,603**	**(303,077)**	**31,536,390**

The notes on pages 13 to 53 form an integral part of the financial statements.

Statement of cash flows
Year ended 31 December

		Core		Cell		Total	
	Notes	**2022** **€**	2021 €	**2022** **€**	2021 €	**2022** **€**	2021 €
Cash generated from/ (used in) operating activities							
Cash generated from / (used in) operations	22	**367,691**	395,981	**40,229,080**	(11,823,865)	**40,596,771**	(11,427,884)
Interest paid		**(4,769)**	(5,396)	**(954,398)**	(1,013,016)	**(959,167)**	(1,018,412)
Interest received		**-**	-	**47,483**	-	**47,483**	-
Tax paid		**(42)**	-	**-**	(405,280)	**(42)**	(405,280)
Net cash generated from /(used in) operating activities		**362,880**	390,585	**39,322,165**	(13,242,161)	**39,685,045**	(12,851,576)
Cash flows used in investing activities							
Purchases of investments (net of disposal)		**-**	-	**(3,873,046)**	-	**(3,873,046)**	-
Additions of intangible assets	12	**(295,341)**	(144,486)	**-**	-	**(295,341)**	(144,486)
Purchase of tangible assets	13	**(30,990)**	(11,544)	**-**	-	**(30,990)**	(11,544)
Cash used in investing activities		**(326,331)**	(156,030)	**(3,873,046)**	-	**(4,199,377)**	(156,030)
Cash flows (used in)/ generated from financing activities							
Proceeds from capital contribution	21	**-**	-	**-**	752,664	**-**	752,664
Payment of dividend	25	**-**	-	**-**	(752,664)	**-**	(752,664)
Payment of lease liabilities	23.2	**(67,918)**	(66,746)	**-**	-	**(67,918)**	(66,746)
Net cash used in financing activities		**(67,918)**	(66,746)	**-**	-	**(67,918)**	(66,746)
Net movement in cash and cash equivalents		**(31,369)**	167,809	**35,449,119**	(13,242,161)	**35,417,750**	(13,074,352)
Cash and cash equivalents at the beginning of year		**1,680,004**	1,512,195	**8,411,067**	21,653,228	**10,091,071**	23,165,423
Cash and cash equivalents at end of year	15	**1,648,635**	1,680,004	**43,860,186**	8,411,067	**45,508,821**	10,091,071

The notes on pages 13 to 53 form an integral part of the financial statements.

Notes to the financial statements

1. General information

Eucare Insurance PCC Limited ("the Company") is a limited liability company registered in Malta under the Companies Act, 1995 (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 2022 and 2021, the Company had one cell, NLCare Cell.

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, 1995 (Cap. 386). They are prepared under the historical cost convention.

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

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

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies (see note 4 – Critical accounting estimates and judgements in applying accounting policies).

The statement of financial position is organised in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Company's assets and liabilities provided within the notes to the financial statements.

Going concern

The Directors are required to assess the Company's ability to continue in operational existence for the foreseeable future to enable the financial statements to be prepared on a going concern basis. In making this assessment, the Directors have considered the Company's current performance, its business plan, its solvency and liquidity forecasts and the impact of Covid-19 global pandemic.

The Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubt upon the Company's ability to continue as a going concern. Thus, the Directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

Standards, interpretation and amendments to published standards effective in 2022

During the year, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

2. **Basis of preparation** - continued

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 January 2022. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU. The Company will apply IFRS 17 *Insurance Contracts* for the first time on 1 January 2023. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and are expected to have a material impact on the Company's financial statement in the period of initial application.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. This is the date at which the entity plans to adopt the new standard. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts and investment contracts with discretionary participation features. When identifying contracts in the scope of IFRS 17, in some cases the Company has assessed whether a set or series of contracts need to be treated as a single contract and whether goods and services components must be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

Estimated Impact of the Adoption of IFRS 17

The Company is considering the overall implications of the standard and its impact on the Company's financial results and position. In the coming period, the Company will be finalising the preliminary choices made in 2022 on key policy decisions and defining the opening balance sheet. The Company will continue the in-depth analysis of the implications of the implementation of IFRS 17. As at 31st December 2022, it was not practicable to reliably quantify the effects on the Company's financial position or performance once this standard is adopted.

Level of Aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined firstly by identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is then divided into annual cohorts and each annual cohort into three groups, as follows:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Groups of reinsurance contracts are established such that each group may comprise of a single contract.

Contract Boundaries

Cash flows are considered to be within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

2. Basis of preparation - continued

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

IFRS 17 Insurance Contracts - continued

Measurement Model

IFRS 17 introduces a general model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin. In addition, a simplified measurement approach is permitted for short-duration contracts. Given that most of the insurance products offered by the Company include a coverage term which is not longer than one year, this simplified model (the Premium Allocation Approach) is expected to be applied under this new standard.

As required by IFRS 17, the Company shall adjust the estimates of future cash flows to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of cash flows.

Although the Premium Allocation Approach is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following main changes are expected to be applied:

- Under IFRS 17, the Company will discount the future cash flows when measuring liabilities for incurred claims; and
- IFRS 17 requires the fulfilment cash flows to include a risk adjustment for non-financial risk. This is not explicitly allowed for under the current standard.

Disclosures

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected contractual service margin emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 is expected to be applied using a full retrospective approach to the extent practicable. Under this approach, the Company as at 1 January 2022 will:

- identify, recognise and measure each group of insurance and reinsurance contract as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied. These would include the reinsurer's share of technical provisions, trade and other receivables, technical provisions and trade and other payables. Under IFRS 17, these would be included in the measurement of the insurance contracts; and
- recognise any resulting net different in equity.

3. Summary of significant accounting policies

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

3.1 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.

3. Summary of significant accounting policies - continued

3.1 Foreign currency translation - continued

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 and loss account.

3.2 Intangible assets – Computer software

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

During the year, the Company also acquired new software which is still in the course of development. No amortisation has been charged to date since the asset is still under development. Amortisation commences when the depreciable asset is available for use.

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

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 3.3.1).

3.3 Tangible assets – Property 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. The depreciation rates used are:

	%
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 3.3.1).

3.3.1 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.

3. Summary of significant accounting policies - continued

3.4 Leases

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

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

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

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

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

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

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

3.4.1 As a lessee

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

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

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

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

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

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

3. Summary of significant accounting policies - continued

3.4.1 As a lessee - continued

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

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

3.5 Financial instruments

3.5.1 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 settlement 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.

3.5.2 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.

On initial recongition, financial assets are classified into the following categories:

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

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. The business model refers to how an entity manages its financial assets in order to generate cash flows, which the Company determines at portfolio level of the financial assets rather than at an instrument level because this best reflects the way the business is managed and information is provided to management.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

The Company's investment portfolio acquired during 2022 (2021: Nil) is being actively managed to maximise the yield on investments and sell when there is the right opportunity or when the investments' credit risk is not within the desired risk level. For these reasons, it is considered that Company's business model is to 'Hold to Collect and Sell'. This is in line with management's expectation that the Company's objectives will be achieved by both holding the financial asset to collect contractual cashflows and in some instances selling the financial assets, in line with the Company's selling parameters.

3. Summary of significant accounting policies - continued

3.5 Financial instruments - continued

3.5.2 Classification and initial measurement of financial assets - continued

The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The exception to this would be the term deposits held by the portfolio manager on the Company's behalf which are measured at amortised cost.

As the contractual cash flows of the debt securities held are solely payments of principal and interest, held primarily with the business objective to 'hold to collect and sell', such financial assets are recognised initially at fair value with changes in the market value recognised in other comprehensive income (OCI).

Other financial assets recognised at amortised cost comprise trade and other receivables and cash and cash equivalents and term deposits in the statement of financial position (notes 3.6 and 3.7 respectively). Note 3.11 includes further information in relation to insurance receivables. The Company's financial assets are included in current assets. However, those with maturities greater than 12 months after the reporting period are classified as non-current assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3.5.3 Subsequent measurement and derecognition of financial assets

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

(i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The subsequent measurement of financial assets depends on the type of assets being dealt with. For debt instruments the subsequent measurement depends on the classification of a financial assets that is based on whether it will pass both the contractual cashflows characteristics and the business model test.

Given the Company's business model is to 'hold to collect and sell' and that debt instruments would satisfy the contractual cash flows characteristics test, the subsequent measurement of debt instruments would be at FVOCI. In this case, the debt instruments are shown at their market value in the statement of financial position and for the purpose of recognising interest revenue, the effective interest rate method should be applied to such assets based on the amortised cost. Gains and losses are recognised in OCI, except for the following items which are recognised in profit or loss:

- Interest revenue using the effective interest rate method;
- Expected credit losses and reversals; and
- Foreign exchange gains and losses

When the financial assets are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

3. Summary of significant accounting policies - continued

3.5 Financial instruments - continued

3.5.3 Subsequent measurement and derecognition of financial assets - continued

After initial recognition, other financial assets 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 amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and loss and any impairment loss are recognised in profit or loss. Any gain or loss made on the derecognition of the financial assets is recognised in profit or loss.

The Company is required to derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. When the financial asset is derecognised, the cumulative gains or losses previously recognised in OCI are reclassified from equity to profit and loss.

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

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

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

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

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

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

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

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

At each reporting date, the Company assesses whether financial assets carried at amortised cost and FVOCI 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.

Loss allowances for financial assets measured at amortised cost and FVOCI are deducted from the gross carrying amount of the assets and recognised in the profit and loss account (See Note 5.2). Impairment testing of insurance and other receivables is described in notes 3.5.5 and 3.6.

3. Summary of significant accounting policies - continued

3.5 Financial instruments - continued

3.5.4 Impairment of financial assets subject to IFRS 9 ‘Financial Instruments’ - continued

The Company’s financial assets in scope of IFRS 9 mainly pertain to its portfolio of debt securities and term deposits, cash and cash equivalents and trade and other receivables which primarily comprise of amounts due from portfolio manager, and intermediaries and Dutch government agencies for services performed in the ordinary course of business. Debt securities, term deposits and cash and cash equivalents are considered to be in ‘Stage 1’ given their low credit risk arising from low default percentages as a result of the credit quality chosen. Other receivables are considered to be ‘Stage 1’ given that there has not been a significant increase in credit risk since origination as the Company monitors credit rating or financial position periodically.

3.5.5 Impairment of financial assets subject to IFRS 4 ‘Insurance Contracts’

For assets subject to IFRS 4 (see Note 3.11) 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.

3.5.6 Classification and measurement of financial liabilities

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

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

3.6 Receivables

Receivables primarily comprise amounts due from investment portfolio manager in relation to monies held for the purpose of meeting short-term cash commitments, and amounts due from intermediaries and Dutch government agencies in relation to business of insurance carried out by the Company. 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 3.5.5 and 3.11 (h) contain further information pertaining to insurance receivables. For other receivables, the Company uses the impairment process described in Note 3.5.4.

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

3. Summary of significant accounting policies - continued

3.7 Cash and cash equivalents and term deposits

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include demand deposits held with banks which are held for operational purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. As at 31st December 2022, the Company did not have any term deposits with a maturity of three months or less from the date of acquisition.

3.8 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.

3.9 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.

3.10 Current and deferred tax

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

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

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

As a result of fiscal unity, applicable from year of assessment 2021, any current and deferred tax assets or liabilities shall be derecognised by the Company and a payable or receivable to parent company, as the principal taxpayer of the fiscal unit, is recognised instead.

3.11 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.

3. Summary of significant accounting policies - continued

3.11 Insurance contracts - continued

Recognition and measurement

(a) Premiums

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

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

Premiums written comprise amounts invoiced to the policyholder, as well as amounts contributed from the Dutch Health Insurance Risk Equalization Fund (HIREF) and the contribution from the Catastrophe Scheme (Article 33 of the Dutch Healthcare Act) as described in Note 3.11 (b) and Note 3.11 (c) respectively.

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

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

(c) Premium – contributions from the Catastrophe Scheme (Article 33 of the Dutch Healthcare Act).

For underwriting year 2020 and 2021, the gross written premiums for health insurance also includes the contribution from the Catastrophe Scheme. Based on this scheme provided by law, higher Covid-19 related costs incurred by healthcare insurers in the Netherlands are largely compensated by additional contributions from the Dutch HIREF. During the second wave of the pandemic in 2021, it became clear that the Covid-19 related expenses will be well above the threshold of 4% of the average Risk Equalisation Fund for 2020 and thus, health insurers received compensation for this. Such scheme applies to Covid-19 expenses incurred in two years (2020 and 2021) combined.

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

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

Given the lack of information available at the time of reporting in 2020, the expected compensations emanating from Article 33 of the Dutch Healthcare Act were not recognised in the financial statements. As a result, expected compensations under such scheme for policy years 2020 and 2021 were recognised as income and included within premiums written in 2021 and 2022 financial statements. As further explained in note 4, the revised best estimate of the expected contribution from the Catastrophe Scheme is reflected in these financial statements.

(d) 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.

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

3.11 Insurance contracts - continued

Recognition and measurement - continued

(e) Claims

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

Provision is made for claims outstanding and claims incurred but not reported ("IBNR") which comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the reporting date. The Company is able to estimate IBNR by due observance of claims patterns in previous months and years and by considering different actuarial methodologies. Further to estimating the total net claims amount via the most appropriate extrapolation method, the ultimate cost also includes other additional reserves for medical expenses and other costs expected. Historical data, information obtained from government agencies and assumptions are applied in the derivation of these reserves. Further disclosure on the uncertainty surrounding the estimate of the ultimate liability arising from claims made under insurance contracts is disclosed in Note 4.

(f) Liability adequacy test

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

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

(g) Reinsurance contracts held

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

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

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account. The Company gathers the objective evidence that a reinsurance asset is impaired using the processes described in note 3.5.5 as this asset is subject to IFRS 4 and not IFRS 9.

(h) 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 3.5.4).

3. Summary of significant accounting policies - continued

3.12 Offsetting financial instruments

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

3.13 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 3.11 dealing with insurance contracts.

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

(b) Investment income

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

3.14 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.

4. 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 judgements that have a significant risk of resulting in a material adjustment in the reported amount of assets and liabilities within the next financial year are discussed below:

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

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

As further described in Note 5.1, the private health insurance product offering in the Netherlands consists of two parts: basic health insurance and supplementary health insurance. Coverage within basic health insurance is compulsory and reflects what is determined by law. The basic health system does not permit risk selection by insurers for basic insurance. Premiums are fixed for an annual term and some insured persons such as minors are by law not required to pay a premium.

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

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

Following the calculation of the HIREF, the Zorginstituut performs some additional ex-post corrections to distribute the available budget fairly over health care insurers. These ex-post corrections are not performed on an individual insured level, but are performed based on the numbers of the total Dutch population. They include flanking, criterium neutrality and the recalculation of fixed costs. Given the level of uncertainty and the lack of available data, amounts could not be estimated reliably and the Company considered it adequate not to include any amounts related to ex-post corrections in the estimated HIREF contributions. Due to the Covid-19 pandemic, there were two additional one-time flanking rules which Eucare followed. Furthermore, in 2022, another additional flanking rule was introduced because of the additional uncertainty caused by the introduction of a model particularly for mental healthcare. The overall impact of the flanking exercise was considered by the Company and it was determined not to make any adjustments to the results for the year 2022. This is mainly due to the uncertainties that result in the data not being completely reliable, including the uncertainty as with respect to reported claims at a national level at this point in time. Furthermore, for mental healthcare, there is uncertainty that was brought about by the introduction of a new reporting system introduced in 2022.

During the financial year ended 31 December 2022, an amount of €275.0m (2021: €235.8m) of contributions from the HIREF has been recognised as revenue within premiums written in the profit and loss account.

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

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

Article 33 of the Dutch Healthcare Act concerns the catastrophe scheme. As explained in Note 3.11 (c), this scheme stipulates that a healthcare insurer can receive an extra contribution from the Healthcare Insurance Equalisation Fund if the medical expenses per insured person exceed a certain threshold value as a result of a pandemic, calculated over the calendar year of the outbreak and the following calendar year. The reimbursement cannot exceed the medical expenses incurred. The medical expenses to which the scheme applies are:

- Regular direct costs for Covid-19 care for Covid-19 patients;
- Surcharges on regular rates due to increased costs as a result of the Covid-19 pandemic;
- Indirect additional costs.

During 2022, further Covid-19 claims relating to underwriting year 2021 have been recognised and incurred in 2022. Accordingly, the compensation emanating from Article 33 of the Dutch Healthcare Act has been revised and the increase is included with gross written premiums in 2022, being a total increase of €4.7m.

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

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

For underwriting years 2021 and 2020, the effect of the Covid-19 on 2022 is limited to changes in estimates made in previous years. From the year 2022, the contribution in relation to Article 33 is no longer applicable. Furthermore, the uncertainties emanating from determining the amount of this catastrophe contribution has decreased significantly from previous year. The Company was able to re-assess its Covid-19 related costs based on the further developed claims for policy years 2020 and 2021. Since the Covid-19 related costs have increased, the Company recognised the corresponding increase in expected catastrophe contribution.

Management is confident that all necessary and available information at the time of performing the calculation has been used to derive the best possible estimate.

Ultimate liability arising from claims made under insurance contracts

The measurement of ultimate liability arising from claims involves the application of judgement and estimate based calculations. The nature of the main business is such that the majority of claims are expected to be settled by the end of the next reporting period and is hence deemed to be of a relatively short-tail nature. As described in Note 3.11, technical provisions are mainly based on statistical estimates to cater for IBNR. The Company is able to estimate this provision by due observance of claims patterns in previous months and years and by considering different actuarial methodologies. Further to estimating the total net claims amount via the most appropriate extrapolation method, the ultimate cost also includes other additional reserves for medical expenses and other costs including ambulance transportation, acute mental healthcare and treatment received abroad. Historical data, information obtained from government agencies and assumptions are applied in the derivation of these reserves.

Specifically for policy years 2020 to 2022, the Company evaluated the impact of the Covid-19 pandemic on claims patterns. The Company included in its reserves an estimate for specific arrangements to compensate hospitals for loss of income and additional Covid-19-related costs to assist them to overcome financial challenges.

Furthermore, for mental healthcare there was increased uncertainty in the current year, brought about by the introduction of the new reporting system.

Due to the degree of estimation uncertainty underlying the assumption that past claims experience is adequate to project future claims the amounts recognised may be materially different from actual results.

Notwithstanding this element of uncertainty, management believes that the estimated provision for IBNR (Note 16 as at 31 December 2022 is adequate.

5. 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.

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

5. Management of insurance and financial risk - continued

5.1 Insurance risk - continued

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

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

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

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

After having estimated the risk equalisation amount that an insurer can expect based on calculations on the individual insured, the Zorginstituut performs some additional ex-post corrections to distribute the available budget fairly over health care insurers. These ex-post corrections are not performed on an individual insured level, but are performed based on the numbers of the total Dutch population. They include flanking, criterium neutrality and the recalculation of fixed costs. Given the level of uncertainty and the lack of available data, amounts could not be estimated reliably and the Company considered it adequate not to include any amounts related to ex-post corrections in the estimated HIREF contributions.

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

The health portfolio has also been affected by the Covid-19 pandemic. As Covid-19 related treatment is covered through the Basic policy, Eucare, through NLCare Cell has incurred additional claims relating to the treatment provided to infected policyholders, especially for years 2020 and 2021.

The impact on other insurance portfolios such as income protection and personal accident was insignificant. Whilst the size of these portfolios is relatively small when compared to the totality of Eucare's portfolio, although there were some claims emanating from sickness due to Covid-19, the employment arrangement of remote working for employees had a positive impact on work accident claims which offset any Covid-19 related claims.

During 2022, the impact of Covid-19 has been less distruptive than previous years. The uncertainties in healthcare costs for the year have decreased significantly over the previous years, as more information on Covid-19 related claims become available. Consequently, health insurance companies are able to take into consideration the possible impact of 'Long Covid' into their pricing strategies and thus, this will be seen as part of the normal operations of an insurance company. Besides the short-term impacts, specific consideration has also been given to the possible medium-term and long-term impacts of the Covid-19 pandemic in relation to Eucare's strategy and risk profile. The assessment carried out by the Company confirmed that the potential negative impact of 'Long Covid' on the capital and risk position of Eucare was not significant, and although it remains present, the Company has a good capital and liquidity position that can withstand such stress scenario.

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

Underwriting strategy

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

Premiums for Basic Insurance sold in 2022 were published by the Company in November 2021 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.

5. Management of insurance and financial risk - continued

5.1 Insurance risk - continued

Underwriting strategy - continued

In addition to the Basic insurances the Company also offered a range of supplementary health and dental insurance products, as well as personal accident and income protection products. These products are not compulsory and therefore the Company has the possibility of making use of pricing and selection criteria.

In 2021, Eucare started to offer Income Protection insurance in France to statuary institutions whereby public employers are required to provide public employees compensation in events resulting in the loss of income. Being a statutory and obligatory type of insurance, the cover provided is standardised for all providers, and although Eucare has the liberty to price as considered reasonable, it is subject to the submission of public tender documents and supporting quotations.

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

Reinsurance strategy

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

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

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

Contributions from Dutch Health Insurance Risk Equalisation Fund (HIREF)

The Company also faces uncertainties, specifically due the basic health care cover, as a result of the estimation of future contributions receivable from the Dutch HIREF, which is expected to compensate for a proportion of claims payments made by the Company. The Company also faces uncertainties mainly arising from political decisions and growing competition. This is because the majority of the activities of the Company is governed by the Dutch Health Insurance Act. Notes 3.11(b) and 4 contain further information in this respect.

Contributions from Dutch Health Insurance Risk Equalisation Fund (Article 33 – Catastrophe Scheme)

Article 33 of the Dutch Healthcare Act concerning catastrophe situations, stipulates that health insurance companies may receive additional contributions if the pandemic related costs throughout the year of the pandemic and the following calendar year, exceed a certain threshold as described in note 3.11 (c) and Note 4.

The reimbursement cannot exceed the medical expenses incurred. The medical expenses to which the scheme applies are:

- Regular direct costs for Covid-19 care for Covid-19 patients;
- Surcharges on regular rates due to increased costs as a result of the Covid-19 pandemic;
- Indirect additional costs.

5. Management of insurance and financial risk - continued

5.1 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 HIREF and the Catastrophe Scheme are based on best estimates of expected amounts. Estimates of the compensation from the Dutch HIREF are re-assessed throughout the four and half years until the final settlement by the responsible government agency, the Zorginstituut Nederland, and adjustments to the provision are made accordingly.

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

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

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

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

The Company is also exposed to an unexpected accumulation of losses in a single year or arising from one event. Although this risk is not prevalent for health insurance, the Covid-19 pandemic illustrated the possibility of a shift in claims. As governments imposed several social restrictions and eventual ceasing/delay of non-emergency healthcare, the Company experience a decrease in the level of expected claims. Moreover, this was followed by a subsequent rise in the level of claims following the easing of such restrictions. Nonetheless, taking into consideration the other risks underwritten by Eucare, such as income protection, an unexpected accumulation of losses is most likely in the event of an accident where there is a concentration of insured persons, such as the work place or in a stadium.

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

Eucare has been eligible for compensation under Article 33 of the Dutch Healthcare Act concerning catastrophe situations, as explained earlier under this note. The uncertainties emanating from determining the amount of the catastrophe contribution have decreased significantly from previous years. The Company was able to re-assess its Covid-19 related costs based on the further developed claims for policy years 2020 and 2021 and since these costs have increased, the Company recognised the corresponding increase in expected catastrophe contribution. The increase of €4.7m is included with gross written premiums in 2022.

The Company was able to incorporate Covid-19 related costs in its premium determination exercise for 2023 and going forward.

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

5. Management of insurance and financial risk - continued

5.2 Financial risk management

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance 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 and currency risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

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

(a) Market risk

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

Cash flow and fair value interest rate risk

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

Similar to previous years, the Company was exposed to interest rate risk 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.

The Company is also exposed to interest rate risk through its investment portfolio, which is made up of debt securities. Fair value interest rate risk is the risk that the relative value of a security will worsen due to an interest rate increase. Interest rate risk is mitigated through the distribution of fixed interest investments over a range of maturity dates. Moreover, the Company's investment policy limits the amount of investment in any one asset class or towards any one counterparty.

The total assets and liabilities subject to interest rate risk are the following:

	Core		Cell		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Assets at floating interest rates						
- listed debt securities	**-**	-	**294,929**	-	**294,929**	-
Assets at fixed interest rates						
- financial investments	**-**	-	**2,654,209**	-	**2,654,209**	-
- term deposits	**-**	-	**490,885**	-	**490,885**	-
	-	-	**3,440,023**	-	**3,440,023**	-

	Core		Cell		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Liabilities at fixed interest rates						
- Subordinated loans	**-**	-	**10,000,000**	10,000,000	**10,000,000**	10,000,000
	-	-	**10,000,000**	10,000,000	**10,000,000**	10,000,000

5. Management of insurance and financial risk - continued

5.2 Financial risk management - continued

(a) Market risk - continued

Cash flow and fair value interest rate risk - continued

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

The directors are of the view that as at 31 December 2022, the Company's main exposure to fair value interest rate risk is on listed fixed interest rate debt securities.

Up to the statement of financial position date, the Company did not have any hedging policy with respect to the interest rate risk as exposure to such risks was not deemed to be significant by the directors. If interests at that date would have been 100 basis points lower with all other variables held constant, the impact on equity would have been of a maximum increase of €148,980. An increase of 100 basis points with all other variables held constant would have resulted in equity being €138,619 lower.

(b) Currency risk

Currency risk relates to the risk of fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates. The Company may experience losses arising from a decrease in value of its assets held in foreign currency. As the Company's technical reserves arising from its core operation are wholly denominated in euro due to the fact that all insurance policies are written in euro, funds are largely invested in euro instruments and exposure to foreign currencies is minimal.

At 31 December 2022, foreign currency exposure on debt securities, principally consisting of the US dollar, amounted to €454,225 (2021: nil). If the above currency had weakened or strengthened by 10% against the euro with all other variables held constant, pre-tax profit for the year would have been lower by €45,422 (2021: nil) or higher by €45,422 (2021: nil).

(c) 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. The objectives and policies of the Company aim to prevent and detect risks of default.

Key areas where the Company is exposed to credit risk are:

- Investment portfolios of debt securities and term deposits - The Company has assigned discretionary power to its investment manager to take decisions to sell any investments with high default risk. The investment policy in place defines asset allocation and diversification and this policy is reviewed at least annually. The investment reports containing investment performance, including credit ratings are reviewed monthly by management and sample checks carried out.

- Receivables arising out of direct insurance operations - such amounts are due by intermediaries and government agencies and this risk is therefore not deemed to be significant as there are no indicators that these units will be unable to meet their obligations. The Company has policies and processes in place to apply oversight and monitoring of its appointed intermediaries, including review of audited financial statements and going concern assessments. The Company also ensures internal controls and business continuity plans are in place and tested and reviews agreements with its partners on a yearly basis.

- Reinsurers' share of technical provisions and accrued profit commission - such amounts are mainly due by reputable reinsurers (rated AA- in 2022 and 2021), and this risk is therefore not deemed to be significant as there are no indicators that these business units will be unable to meet their obligations. The Company reviews credit ratings and solvency positions on an ongoing basis.

- Cash and cash equivalents - the Company seeks to manage this risk by only undertaking transactions with reputable counterparties which carried a rating of A+ therefore having low credit risk. The Company reviews credit ratings and solvency positions on an ongoing basis.

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

5.2 Financial risk management - continued

(c) Credit risk - continued

The carrying amounts disclosed on Notes 11, 14 and 15 represent the maximum exposure to credit risk. The Company does not hold any collateral as security to its credit risk.

The Company has the following types of financial assets that are subject to the expected credit loss model:

- Financial investments
- Term deposits
- Cash and cash equivalents
- Trade and other receivables
  - Due from related parties
  - Due from insurance intermediaries
  - Due from government agencies
  - Due from portfolio manager

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI. Unless specifically indicated, the amounts in the table represent gross carrying amounts. All assets were subject to a 12-month expected credit loss allowance since the Company has observed no significant deterioration in credit quality since initial recognition or low credit risk is involved.

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Financial investments						
Debt securities	**-**	**-**	**2,960,382**	-	**2,960,382**	-
Loss allowance	**-**	-	**(11,244)**	-	**(11,244)**	-
Fair value	**-**	-	**2,949,138**	-	**2,949,138**	-
Trade and other Receivables						
Receivables arising out of direct insurance operations						
Due from intermediaries	**-**	-	**14,785,286**	10,048,853	**14,785,286**	10,048,853
Loss allowance	**-**	-	**(130,562)**	(88,167)	**(130,562)**	(88,167)
Amortised cost	**-**	-	**14,654,724**	9,960,686	**14,654,724**	9,960,686
Due from government agencies	**-**	-	**87,348,168**	93,025,343	**87,348,168**	93,025,343
Loss allowance	**-**	-	**(1,310)**	(1,395)	**(1,310)**	(1,395)
Amortised cost	**-**	-	**87,346,858**	93,023,948	**87,346,858**	93,023,948
Other receivables						
Receivable from immediate parent	**189,512**	155,308	**345,833**	-	**535,345**	155,308
Loss allowance	**-**	(1,398)	**-**	-	**-**	(1,398)
Amortised cost	**189,512**	153,910	**345,833**	-	**535,345**	153,910
Receivable from the Cell	**850,005**	934,426	**-**	-	**850,005**	934,426
Loss allowance	**(64)**	(70)	**-**	-	**(64)**	(70)
Amortised cost	**849,941**	934,356	**-**	-	**849,941**	934,356
Receivable from sister company	**36,644**	-	**-**	-	**36,644**	-
Loss allowance	**(330)**	-	**-**	-	**(330)**	-
Amortised cost	**36,314**	-	**-**	-	**36,314**	-

5. Management of insurance and financial risk - continued

5.2 Financial risk management - continued

(c) Credit risk - continued

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Receivable from portfolio manager	**-**	-	**1,203,835**	-	**1,203,835**	-
Loss allowance	**-**	-	**(5,145)**	-	**(5,145)**	-
Amortised cost	**-**	**-**	**1,198,690**	**-**	**1,198,690**	**-**
Term deposits						
Term deposits	**-**	-	**500,423**	-	**500,423**	-
Loss allowance	**-**	-	**(9,538)**	-	**(9,538)**	-
Amortised cost	**-**	**-**	**490,885**	**-**	**490,885**	**-**
Cash and cash equivalents						
Cash at bank	**1,649,253**	1,680,382	**43,876,639**	8,412,960	**45,525,892**	10,093,342
Loss allowance	**(618)**	(378)	**(16,453)**	(1,893)	**(17,071)**	(2,271)
Amortised cost	**1,648,635**	1,680,004	**43,860,186**	8,411,067	**45,508,821**	10,091,071

The loss allowance reconciles to the closing balance as follows:

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Balance at 1 January	**1,846**	-	**91,455**	-	**93,301**	-
Increase / (Decrease) in loss allowance recognised in profit and loss during the year	**(834)**	1,846	**82,797**	91,455	**81,963**	93,301
At 31 December	**1,012**	1,846	**174,252**	91,455	**175,264**	93,301

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

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

5.2 Financial risk management - continued

(c) Credit risk - continued

These assets are analysed in the table below using Standard & Poor's rating (or equivalent).

	Core		Cell		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
BBB- to AAA	**1,648,636**	1,680,004	**134,925,290**	101,435,015	**136,573,926**	103,115,019
BB- to BB+	**-**	-	**274,720**	-	**274,720**	-
B- to B+	**-**	-	**257,690**	-	**257,690**	-
Not rated	**1,075,767**	1,088,266	**15,388,614**	9,960,686	**16,464,381**	11,048,952
	2,724,403	2,768,270	**150,846,314**	111,395,701	**153,570,717**	114,163,971

(d) Liquidity risk

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

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 of trade and other payables, and the subordinated loans (refer to notes 16, 17 and 18). 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. Furthermore, the Company invests its assets in listed investments that can be readily disposed of.

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 following table shows the cash flows expected to arise pertaining to insurance and other liabilities as well as the contractual maturity of financial assets as at reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial Assets	**No fixed maturity**	**Up to one year**	**Between one and two years**	**Between three and five years**	**Beyond five years**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
As at 31 December 2022						
Core						
Trade and other receivables	-	1,120,414	-	-	-	**1,120,414**
Cash and cash equivalents	1,648,635	-	-	-	-	**1,648,635**
Cell						
Financial investments	-	6,111	-	1,540,543	1,402,484	**2,949,138**
Reinsurers' share of technical provisions	-	103,515,816	(2,157,234)	885,203	623,021	**102,866,806**
Trade and other receivables	1,198,690	96,710,830	5,698,936	-	-	**103,608,456**
Term deposits	-	490,885	-	-	-	**490,885**
Cash and cash equivalents	43,860,186	-	-	-	-	**43,860,186**
	46,707,511	**201,844,056**	**3,541,702**	**2,425,746**	**2,025,505**	**256,544,520**

5. Management of insurance and financial risk - continued

5.2 Financial risk management - continued

(d) Liquidity risk - continued

Financial Assets	No fixed maturity	Up to year	Between one and two years	Between three and five years	Beyond five years	Total
	€	€	€	€	€	€
As at 31 December 2021						
Core						
Trade and other receivables	-	1,129,039	-	-	-	**1,129,039**
Cash and cash equivalents	1,680,004	-	-	-	-	**1,680,004**
Cell						
Reinsurers' share of technical provisions	-	123,574,921	(5,683,181)	838,483	-	**118,730,223**
Trade and other receivables	-	97,414,818	5,698,386	-	-	**103,113,204**
Cash and cash equivalents	8,411,067	-	-	-	-	**8,411,067**
	10,091,071	**222,118,778**	**15,205**	**838,483**	**-**	**233,063,537**

Financial Liabilities	Up to one year	Between one and two years	Between three and five years	Beyond five Years	Total
	€	€	€	€	€
As at 31 December 2022					
Core					
Trade and other payables	337,440	-	-	-	**337,440**
Lease liabilities	57,373	10,338	5,270	-	**72,981**
Cell					
Technical provisions					
- IBNR	135,687,105	4,915,984	2,100,741	767,697	**143,471,527**
- Claims outstanding	102,276	-	-	-	**102,276**
- UPR	46,372	-	-	-	**46,372**
Trade and other payables	71,511,562	-	-	-	**71,511,562**
Subordinated loans	775,100	3,775,100	1,680,000	8,680,000	**14,910,200**
	208,517,228	**8,701,422**	**3,786,011**	**9,447,697**	**230,452,358**

Financial Liabilities	Up to one year	Between one and two years	Between three and five years	Beyond five years	Total
	€	€	€	€	€
As at 31 December 2021					
Core					
Trade and other payables	251,931	555	-	-	**252,486**
Lease liabilities	59,724	40,390	33,047	-	**133,161**
Cell					
Technical provisions					
- IBNR	147,894,610	(407,308)	1,168,249	-	**148,655,551**
- Claims outstanding	75,500	-	-	-	**75,500**
- UPR	208,998	-	-	-	**208,998**
Trade and other payables	35,690,852	409,032	-	-	**36,099,884**
Subordinated loans	775,100	775,100	4,895,100	8,680,000	**15,125,300**
	184,956,715	**817,769**	**6,096,396**	**8,680,000**	**200,550,880**

5. Management of insurance and financial risk - continued

5.3 Capital risk management

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

- to comply with the insurance capital requirements required by the Maltese insurance regulator (MFSA);
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurate with the level of risk.

The Company's Minimum Capital Requirement Absolute Floor stands at €2,700,000 as per paragraph 5.6.4 of Chapter 5 ('Valuation of assets and liabilities, technical provisions, own funds, Solvency Capital Requirement, Minimum Capital Requirement and investment rules') of Part B of the Insurance Rules.

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

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

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

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

Based on management calculations to date, the Company is sufficiently capitalised and was compliant at all times with the regulatory capital requirements as stipulated by the MFSA which are in line with the Solvency II requirements. As at 31 December 2022 and 2021 the Company's eligible own funds adequately covered the required SCR and MCR.

5.4 Fair value estimation

When measuring the fair values of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels following the fair value hierarchy below:

- Level 1: quoted market price – assets and liabilities with quoted prices for identical assets or liabilities in active markets.
- Level 2: valuation technique using observable inputs – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: valuation technique with significant unobservable inputs – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2022 and 2021 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

5. Management of insurance and financial risk - continued

5.4 Fair value estimation - continued

Regarding its investment portfolio, the Company considers that, whenever it is available, the best evidence of fair value is a quoted price in an actively traded market. The fair values of financial instruments that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. Where a financial instrument has a quoted price in an active market, the fair value of the total holding of the financial instrument is calculated as the product of the number of units and quoted price.

If there is no price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The Company refers to the evaluated prices obtained from its portfolio manager which includes market-based pricing factors.

The fair value hierarchy of the Company's financial investments is disclosed in Note 11.

At 31 December 2022 and 2021 the carrying amount of the Company's other financial assets and liabilities approximated their fair values.

6. Investment return

Investment income

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Interest receivable from financial assets that are not at fair value through profit or loss	**-**	-	**72,284**	-	**72,284**	-
Exchange differences	**-**	-	**55,229**	-	**55,229**	-
	-	-	**127,513**	-	**127,513**	-

Investment expenses and charges

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Net loss from disposal of financial assets	**-**	-	**114,887**	-	**114,887**	-
Investment expenses	**-**	-	**25,780**	-	**25,780**	-
Exchange differences	**-**	-	**7,896**	-	**7,896**	-
	-	-	**148,563**	-	**148,563**	-
Total investment loss	**-**	-	**(21,050)**	-	**(21,050)**	-

7. Net operating expenses

	Core		Cell		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Administrative expenses	**3,096,523**	2,968,618	**5,652,802**	5,430,861	**8,749,325**	8,399,479
Acquisition costs	**-**	-	**22,105,816**	22,377,759	**22,105,816**	22,377,759
	3,096,523	2,968,618	**27,758,618**	27,808,620	**30,855,141**	30,777,238
Allocated as follows:						
Technical account	**-**	-	**22,105,816**	22,377,759	**22,105,816**	22,377,759
Non-technical account	**3,096,523**	2,968,618	**5,652,802**	5,430,861	**8,749,325**	8,399,479
	3,096,523	2,968,618	**27,758,618**	27,808,620	**30,855,141**	30,777,238

Expenses which are directly related to the acquisition and servicing of insurance contracts are included in the technical account. Administrative expenses which are not directly related to the acquisition and servicing of insurance contracts are included in the non-technical profit and loss account. During the year, the Core charged a facility fee to the Cell in terms of an agreement between the two. The facility fee amounting to €3,109,034 (2021: €2,995,963) is included as other income for the Core and an administrative expense for the Cell.

Auditor's fees

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

	2022	2021
	€	€
Statutory audit	**161,610**	132,150
Solvency II audit	**21,000**	20,000
Non-assurance fees	**-**	6,350
	182,610	158,500

Administrative expenses include the following:

	Core		Cell		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Management fees	**37,500**	37,500	**60,000**	60,000	**97,500**	97,500
Staff costs and directors' fees (Note 8)	**1,422,374**	1,250,883	**-**	-	**1,422,374**	1,250,883
Depreciation and amortisation	**260,767**	213,120	**-**	-	**260,767**	213,120

8. Staff costs and directors' fees

	Core		Cell		Total	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Salaries and related costs	**774,566**	576,591	**-**	-	**774,566**	576,591
Directors' fees	**627,184**	660,388	**-**	-	**627,184**	660,388
Social security costs	**20,624**	13,904	**-**	-	**20,624**	13,904
	1,422,374	1,250,883	**-**	-	**1,422,374**	1,250,883

8. Staff costs and directors' fees - continued

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

	2022	2021
Directors	**6**	6
Managerial	**6**	5
Technical	**4**	2
	16	13

9. Interest expense

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Interest expense on lease	**7,738**	10,853	**-**	-	**7,738**	10,853
Interest expense on bank	**4,769**	5,396	**179,298**	237,916	**184,067**	243,312
Interest expense on subordinated loans	**-**	-	**775,100**	775,100	**775,100**	775,100
Allocated to non-technical account	**12,507**	16,249	**954,398**	1,013,016	**966,905**	1,029,265

10. Tax expense

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Current tax (expense) / credit	**(42)**	169,187	**329,882**	2,333,122	**329,840**	2,502,309
Tax (expense) / credit	**(42)**	169,187	**329,882**	2,333,122	**329,840**	2,502,309

Since the prior year, ECHC Group has applied the fiscal unity under the Consolidated Group (Income Tax) Rules. All companies forming part of this fiscal unit, including Eucare Insurance PCC Limited, are allowed to apply a blended tax rate of 5% on their taxable profits. There is no difference between the theoretical and effective tax charge, resulting in the following overview:

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
(Loss)/profit before tax	**838**	9,250	**(6,597,632)**	8,101,789	**(6,596,794)**	8,111,039
Tax on profit at 5%	**(42)**	(463)	**329,882**	(405,089)	**329,840**	(405,552)
Adjusted for tax effect of:						
Disallowed expenses	**-**	(92)	**-**	(15,229)	**-**	(15,321)
Capital allowances	**-**	-	**-**	11,286	**-**	11,286
Over provision in the prior period*	**-**	169,742	**-**	2,742,154	**-**	2,911,896
Tax (expense) / credit	**(42)**	169,187	**329,882**	2,333,122	**329,840**	2,502,309

*The over provision of tax in the prior period relates to the re-measurement of the tax charge for year of assessment 2021 using the effective tax rate of 5% as a result of the application of the fiscal unity rules.

11. Financial investments

The financial investments are summarised by measurement category in the table below.

	Core		Cell		Total	
	2022 **€**	2021 €	**2022** **€**	2021 €	**2022** **€**	2021 €
Fair value through other comprehensive income	**-**	-	**2,949,138**	-	**2,949,138**	-
Amortised cost	**-**	-	**490,885**	-	**490,885**	-
	-	-	**3,440,023**	-	**3,440,023**	-

(a) Investments at fair value through other comprehensive income

	Core		Cell		Total	
	2022 **€**	2021 €	**2022** **€**	2021 €	**2022** **€**	2021 €
Debt securities – fixed interest:						
-Government bonds (listed)	**-**	-	**277,452**	-	**277,452**	-
-Other corporate bonds (listed)	**-**	-	**2,376,757**	-	**2,376,757**	-
Debt securities – floating interest:						
-Other corporate bonds (listed)	**-**	-	**294,929**	-	**294,929**	-
Total investments at fair value through other comprehensive income	**-**	-	**2,949,138**	-	**2,949,138**	-

Financial investments mature as follows:

	Core		Cell		Total	
	2022 **€**	2021 €	**2022** **€**	2021 €	**2022** **€**	2021 €
Within one year	**-**	-	**6,111**	-	**6,111**	-
Between one and two years	**-**	-	**-**	-	**-**	-
Between three and five years	**-**	-	**1,540,543**	-	**1,540,543**	-
Beyond five years	**-**	-	**1,402,484**	-	**1,402,484**	-
	-	-	**2,949,138**	-	**2,949,138**	-

Reconciliation of financial investments at fair value through other comprehensive income

	Core		Cell		Total	
	2022 **€**	2021 €	**2022** **€**	2021 €	**2022** **€**	2021 €
At beginning of reporting year	**-**	-	**-**	-	**-**	-
Additions	**-**	-	**4,264,783**	-	**4,264,783**	-
Maturities	**-**	-	**-**	-	**-**	-
Disposals	**-**	-	**(985,373)**	-	**(985,373)**	-
Fair value movements recorded in other comprehensive income	**-**	-	**(319,028)**	-	**(319,028)**	-
Impairment allowance	**-**	-	**(11,244)**	-	**(11,244)**	-
At end of reporting year	**-**	-	**2,949,138**	-	**2,949,138**	-

11. Financial investments - continued

(a) Investments at fair value through other comprehensive income - continued

Fair value hierarchy

	2022 Level 1 €	2022 Level 2 €	2022 Level 3 €
31 December			
Financial investments			
Debt securities	-	2,949,138	-
Total financial assets shown at fair value	**-**	**2,949,138**	**-**

Fair value measurements classified as Level 2 is mainly made up of Corporate debt securities and government debt securities, in view of their trading characteristics.

(b) Investments at amortised cost

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Term deposits	**-**	-	**490,885**	-	**490,885**	-
	-	-	**490,885**	-	**490,885**	-

Maturity of deposits with banks:

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Within 3 months	**-**	-	**97,260**	-	**97,260**	-
Within 1 year but exceeding 3 months	**-**	-	**393,625**	-	**393,625**	-
	-	-	**490,885**	-	**490,885**	-

The above deposits earn interest as follows:

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
At fixed rates	**-**	-	**490,885**	-	**490,885**	-
	-	-	**490,885**	-	**490,885**	-

Information about the Company's exposure to credit risks and impairment losses for financial investments is included in Note 5.2(c). The maturity analysis of financial investments is disclosed in note 5.2(d).

12. Intangible asset - Core

	Computer Software €
Year ended 31 December 2021	
Opening net book amount	118,683
Additions	144,486
Amortisation charge	(90,318)
Closing net book amount	**172,851**
As at 31 December 2021	
Cost	361,272
Accumulated amortisation	(188,421)
Net book amount	**172,851**
Year ended 31 December 2022	
Opening net book amount	172,851
Additions	
- Purchases	161,526
- Internally developed	133,815
Amortisation charge	(130,700)
Closing net book amount	**337,492**
As at 31 December 2022	
Cost	656,613
Accumulated amortisation	(319,121)
Net book amount	**337,492**

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

13. Tangible assets - Core

	Computer equipment €	Office furniture, fixtures and fittings €	Total €
Year ended 31 December 2021			
Opening net book amount	105,311	76,166	181,477
Additions	11,544	-	11,544
Depreciation charge	(54,408)	(9,521)	(63,929)
Closing net book amount	**62,447**	**66,645**	**129,092**
As at 31 December 2021			
Cost	217,632	95,208	312,840
Accumulated depreciation	(155,185)	(28,563)	(183,748)
Net book amount	**62,447**	**66,645**	**129,092**
Year ended 31 December 2022			
Opening net book amount	62,447	66,645	129,092
Additions	23,440	7,550	30,990
Depreciation charge	(60,269)	(10,275)	(70,544)
Closing net book amount	**25,618**	**63,920**	**89,538**
As at 31 December 2022			
Cost	241,072	102,758	343,830
Accumulated depreciation	(215,454)	(38,838)	(254,292)
Net book amount	**25,618**	**63,920**	**89,538**

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

14. Trade and other receivables

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Receivables arising out of direct insurance operations						
Due from intermediaries	-	-	**14,654,724**	9,960,686	**14,654,724**	9,960,686
Due from government agencies	-	-	**87,346,858**	93,023,948	**87,346,858**	93,023,948
	-	-	**102,001,582**	102,984,634	**102,001,582**	102,984,634
Other receivables						
Receivable from immediate parent	**189,512**	153,910	**345,833**	-	**535,345**	153,910
Receivable from the Cell	**849,941**	934,356	**-**	-	**849,941**	934,356
Receivable from a sister company	**36,314**	-	**-**	-	**36,314**	-
Receivable from portfolio manager	**-**	-	**1,198,690**	-	**1,198,690**	-
	1,075,767	1,088,266	**1,544,523**	-	**2,620,290**	1,088,266
Other prepayments and deferred acquisition costs						
Other prepayments	**44,647**	40,773	**43,141**	40,002	**87,788**	80,775
Deferred acquisition costs	**-**	-	**19,210**	88,568	**19,210**	88,568
	44,647	40,773	**62,351**	128,570	**106,998**	169,343
	1,120,414	1,129,039	**103,608,456**	103,113,204	**104,728,870**	104,242,243

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

Information about the Company's exposure to credit risks and impairment losses for trade and other receivables is included in Note 5.2(c).

Receivables are considered to be current in nature.

15. 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	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
Cash at bank - current portion	**1,648,635**	1,680,004	**43,860,186**	8,411,067	**45,508,821**	10,091,071

Information about the Company's exposure to credit risks and impairment losses for cash and cash equivalents is included in Note 5.2(c).

16. Insurance liabilities and reinsurance assets

	Cell	
	2022	2021
	€	€
Gross technical provisions		
Provision for claims	**143,573,803**	148,731,051
Provision for unearned premiums	**46,372**	208,998
	143,620,175	148,940,049
Reinsurers' share of technical provisions		
Provision for claims	**(102,866,806)**	(118,730,223)
	(102,866,806)	(118,730,223)
Net technical provisions		
Provision for claims	**40,706,997**	30,000,828
Provision for unearned premiums	**46,372**	208,998
	40,753,369	30,209,826

Claims incurred but not reported in relation to short term insurance contracts are substantially current in nature since these would normally be settled within the normal operating cycle (Note 5.2d).

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

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

Underwriting year	2019 €	2020 €	2021 €	2022 €	**Total** **€**
Estimates of ultimate claims costs:					
- at end of financial year	110,540,410	482,640,519	503,187,545	526,451,330	
- one year later	114,566,656	483,347,984	512,475,248		
- two years later	113,657,448	483,179,926			
- three years later	113,580,089				
Current estimates of cumulative claims	113,580,089	483,179,926	512,475,248	526,451,330	**1,635,686,593**
Cumulative payments to date	(113,439,343)	(481,655,377)	(503,282,144)	(393,735,926)	**(1,492,112,790)**
Liability recognised in statement of financial position	140,746	1,524,549	9,193,104	132,715,404	**143,573,803**

16. Insurance liabilities and reinsurance assets - continued

Movements in insurance liabilities and reinsurance assets

(a) Provision for claims

	Gross €	Reinsurance €	Net €
Total as at 1 January 2021	136,425,845	(115,940,654)	20,485,191
Claims settled during the year	(490,680,596)	414,404,107	(76,276,489)
Movement in liabilities			
- arising from current year claims	503,187,545	(418,276,982)	84,910,563
- arising from prior year claims	(201,743)	1,083,306	881,563
Total as at 31 December 2021	**148,731,051**	**(118,730,223)**	**30,000,828**
Claims settled during the year	(540,650,864)	452,568,564	(88,082,300)
Movement in liabilities			
- arising from current year claims	526,451,330	(432,280,354)	94,170,976
- arising from prior year claims	9,042,286	(4,424,793)	4,617,493
Total as at 31 December 2022	**143,573,803**	**(102,866,806)**	**40,706,997**

The change in claims and loss adjustment expenses amounting to €5,157,248 (2021: €12,305,206) has been netted off with the change in recoveries in arriving at the €10,471,440 (2021: €5,480,926) change in the provision for claims, gross amount, in the profit and loss account.

(b) Provision for unearned premiums

	Gross €	Reinsurance €	Net €
Total as at 1 January 2021	38,775	(32,960)	5,815
Net charge to profit and loss	170,223	32,960	203,183
Total as at 31 December 2021	**208,998**	**-**	**208,998**
Total as at 1 January 2022	208,998	-	208,998
Net (credit) to profit and loss	(162,626)	-	(162,626)
Total as at 31 December 2022	**46,372**	**-**	**46,372**

17. Trade and other payables

	Core		Cell		Total	
	2022 **€**	2021 €	**2022** **€**	2021 €	**2022** **€**	2021 €
Payables arising out of direct insurance operations						
Payable to reinsurers	**-**	-	**68,976,269**	33,515,146	**68,976,269**	33,515,146
Payable to intermediaries	**-**	-	**958,124**	566,864	**958,124**	566,864
	-	-	**69,934,393**	34,082,010	**69,934,393**	34,082,010
Accruals and other payables						
Accruals and other payables	**336,843**	220,014	**323,862**	222,390	**660,705**	442,404
Payable to Core	**-**	-	**850,005**	934,426	**850,005**	934,426
	336,843	220,014	**1,173,867**	1,156,816	**1,510,710**	1,376,830
Payables to related parties						
Payable to immediate parent	**597**	28,845	**403,302**	861,058	**403,899**	889,903
Payable to a sister company	**-**	3,627	**-**	-	**-**	3,627
	597	32,472	**403,302**	861,058	**403,899**	893,530
	337,440	252,486	**71,511,562**	36,099,884	**71,849,002**	36,352,370

Trade and other payables are split as follows:

	Core		Cell		Total	
	2022 **€**	2021 €	**2022** **€**	2021 €	**2022** **€**	2021 €
Current	**337,440**	251,931	**71,511,562**	35,690,852	**71,849,002**	35,942,783
Non-Current	**-**	555	**-**	409,032	**-**	409,587
	337,440	252,486	**71,511,562**	36,099,884	**71,849,002**	36,352,370

The maturity analysis of trade and other payables is disclosed in note 5.2(d).

18. Subordinated loans

	Cell	
	2022 **€**	2021 €
Subordinated loans – non-current portion	**10,000,000**	10,000,000

The subordinated loans balance comprises two loan agreements for amounts of €7m and €3m respectively. Both subordinated loans are owed to a related entity and are unsecured. Loans of €7m and €3m bear interest on the capital at a rate of 8% and 7.17%, respectively, set on the drawdown date. Interest is payable yearly on the last day of each calendar year. Interest payable at year-end is disclosed in Note 24.

The €7m loan is repayable after 10 years, with an option to repay after a minimum of five years. The €3m loan is repayable after five years. Further related disclosure is presented in Note 5.2 relates to liquidity risk and 5.3 on capital risk management.

19. Share capital

	2022	2021
	€	€
Authorised share capital:		
44,000,000 Ordinary Shares of €1 each	**44,000,000**	44,000,000
6,000,000 Ordinary Cell "A – NLCare Cell" Shares of €1 each	**6,000,000**	6,000,000
	50,000,000	50,000,000
Core		
Issued and fully paid share capital:		
2,501,200 Ordinary Shares of €1 each	**2,501,200**	2,501,200
Cell		
Issued and fully paid up share capital:		
6,000,000 Ordinary Cell "A – NLCare Cell" Shares of €1 each	**6,000,000**	6,000,000
Total share capital	**8,501,200**	8,501,200

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

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

20. Other reserves

This reserve records fair value changes on financial investments at FVOCI, representing unrealised gains or losses not available for distribution.

	Core		**Cell**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021
	€	€	**€**	€	**€**	€
Balance at 1 January	**-**	-	**-**	-	**-**	-
Fair value movements	**-**	-	**(319,028)**	-	**(319,028)**	-
Income tax relating to components of other comprehensive income (note 3.10)	**-**	-	**15,951**	-	**15,951**	-
Balance at 31 December	**-**	-	**(303,077)**	-	**(303,077)**	-

21. Capital contribution

	Cell	
	2022	2021
	€	€
Opening balance on 1 January	**12,752,664**	12,000,000
Additions during the year	**-**	752,664
Closing balance on 31 December	**12,752,664**	12,752,664

21. **Capital contribution** - continued

Capital contributions may from time to time be provided by Company's shareholders to the Company. This is not a loan, but an unconditional transfer of funds, classified as an un-distributable reserve.

The capital contribution in cash of €12,000,000 was made by the Company's immediate parent company (the "Contributor") on 26th December 2019. Another contribution in cash of €752,664 was made by the Contributor on 31st August 2021. All contributions together form part of the Company's capital and reserves as at 31 December 2022. Further information on capital risk management is disclosed in note 5.3.

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.

22. Cash from operations

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

	Core		Cell		Total	
	2022 €	2021 €	**2022 €**	2021 €	**2022 €**	2021 €
(Loss)/profit before tax	**838**	9,250	**(6,597,632)**	8,101,789	**(6,596,794)**	8,111,039
Adjustment for:						
Interest receivable	**-**	-	**(69,156)**	-	**(69,156)**	-
Interest payable	**12,507**	16,249	**954,398**	1,013,016	**966,905**	1,029,265
Realised losses from disposal of investments	**-**	-	**114,887**	-	**114,887**	-
Depreciation and amortisation	**260,767**	213,120	**-**	-	**260,767**	213,120
Lease revaluation	**-**	7,061	**-**	-	**-**	7,061
Impairment allowance	**(834)**	1,846	**82,797**	91,455	**81,963**	93,301
Movement in:						
Technical provisions (net)	**-**	-	**10,612,902**	9,635,172	**10,612,902**	9,635,172
Trade and other receivables	**9,459**	193,417	**(610,675)**	(964,026)	**(601,216)**	(770,609)
Trade and other payables	**84,954**	(44,962)	**35,741,559**	(29,701,271)	**35,826,513**	(29,746,233)
Cash generated from / (used in) operations	**367,691**	395,981	**40,229,080**	(11,823,865)	**40,596,771**	(11,427,884)

23. Leases – as a lessee - Core

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

23.1 Right-of-use assets

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

	Offices	**Motor vehicles**	**Total**
	€	**€**	**€**
Year ended 31 December 2021			
Opening net book amount	154,885	68,925	223,810
Additions/ (Reversals)	3,052	(1,468)	1,584
Depreciation charge	(36,150)	(23,017)	(59,167)
Depreciation reversal	-	294	294
Closing net book amount	**121,787**	**44,734**	**166,521**
As at 31 December 2021			
Cost	221,197	104,938	326,135
Accumulated depreciation	(99,410)	(60,204)	(159,614)
Net book amount	**121,787**	**44,734**	**166,521**
Year ended 31 December 2022			
Opening net book amount	121,787	44,734	166,521
Depreciation charge	(36,149)	(23,374)	(59,523)
Closing net book amount	**85,638**	**21,360**	**106,998**
As at 31 December 2022			
Cost	221,197	104,938	326,135
Accumulated depreciation	(135,559)	(83,578)	(219,137)
Net book amount	**85,638**	**21,360**	**106,998**

23.2 Lease liabilities

	2022	2021
	€	€
Total discounted lease liabilities	**72,981**	133,161
Current	**57,373**	59,724
Non-current	**15,608**	73,437
	72,981	133,161

The maturity analysis of lease liabilities is disclosed in note 5.2 (d).

	2022	2021
	€	€
Amounts recognised in profit and loss		
- Interest on lease liabilities	**7,738**	10,853
Amounts recognised in the statement of cashflows		
- Total cash outflow for leases	**67,918**	66,746

23. Leases – as a lessee - Core - continued

23.3 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 the one extension option exercisable by the Company has been exercised during the year.

24. Related party transactions and balances

24.1 Parent and ultimate controlling party

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

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

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

24.2 Transactions with key management personnel

Key management personnel compensation comprises the following:

	Cell	
	2022	2021
	€	€
Short-term employee benefits	**855,308**	878,039

Compensation of the Company's key management personnel includes wages, salaries and social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits (health and life insurances, car hire and accommodation).

During this year and the prior reporting period there were no other transactions and outstanding balances with key management personnel.

24. Related party transactions and balances - continued

24.3 Other related party transactions

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

	Notes	Transaction values for the year ended		Balance outstanding as at	
		2022	2021	**2022**	2021
		€	€	**€**	€
Related party intermediary:					
Gross premium underwritten derived from third parties but underwritten through the related party intermediary		**266,579,947**	271,582,547		
Gross claims paid to third parties but advanced by the related party intermediary		**(532,066,869)**	(492,225,139)		
Acquisition and administrative costs payable to intermediary		**(20,832,399)**	(21,983,199)		
Net balance due by intermediary		**-**	-	**14,506,931**	9,705,522
Other related parties:					
Fee income charged by Core to the Cell and balance receivable from Cell	7	**3,109,034**	2,995,963	**850,005**	934,356
Fee income charged by sister company to Core and balance payable by Core	17	**23,600**	67,957	**-**	(3,627)
Interest expense on subordinated loans from related party	9,18	**775,100**	775,100	**-**	-
Receivables from immediate parent and sister company		**-**	-	**571,989**	153,910
Payables to immediate parent	17	**-**	-	**(403,898)**	(889,903)
Subordinated loan from related party	18	**-**	-	**(10,000,000)**	(10,000,000)
Capital contribution from immediate parent	21	**-**	752,664	**(12,752,664)**	(12,752,664)
Dividend distribution to immediate parent	25	**-**	752,664	**-**	-

25. Dividend

No dividend was paid or declared during the year (2021: €752,664) to ordinary shareholders.

26. Events after the reporting date

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

27. Commitments

Eucare as a participant in the first layer of the Dutch Reinsurance Programme for terrorism claims has a maximum exposure of €638,045 for year 2022 (2021: €682,036).

28. Statutory Information

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

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Independent Auditors' Report

To the Shareholders of Eucare Insurance PCC Limited

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eucare Insurance PCC Limited (the "Company"), which comprise the statement of financial position as at 31 December 2022, the profit and loss account, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

(a) give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta) ("APA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Key audit matters

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

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

Estimates for gross premiums written

Accounting policy 3.11 (b) to the financial statements and notes 4 and 5.1 for further disclosures

'Contributions from the Dutch Health Insurance Risk Equalisation Fund (HIREF) amounting to €275.0 million (2021: €235.8 million) included in 'Gross premiums written'.

Estimation of HIREF premium

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

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Key audit matters (continued)

Estimates for gross premiums written (continued)

Estimation of further contributions

Following the calculation of the HIREF premium, the external administrator of the HIREF performs some additional ex-post corrections to distribute the available budget fairly over all health care insurers active in the Netherlands. Given the level of uncertainty and the lack of available data, these further adjustments could not be estimated reliably and the Company did not include any amounts related to ex-post corrections in the estimated HIREF contributions.

Due to the degree of estimation uncertainty underlying the estimation of the HIREF premium and further adjustments, the amounts recognised in the financial statements may result to be different from the actual amounts and these differences may be material.

Our response

As part of our audit procedures, we evaluated the appropriateness of the Company's (a) HIREF premium estimate, and (b) the non-recognition of ex-post corrections, by performing substantive procedures, which included:

- inspecting correspondence exchanged with the external administrator of the HIREF to evaluate the data used by the Company in estimating the elements of the premium recognised;

- understanding those elements of the Dutch healthcare insurance industry relevant to our audit procedures and applying our knowledge and experience, we:

  i. evaluated whether the method, the main assumption applied and the data used in estimating the HIREF premium are appropriate. We also evaluated the use of internal data held by the Company in estimating this premium;

  ii. assessed the Company's view on the estimation uncertainty surrounding the HIREF and the non-recognition of ex-post corrections also by evaluating whether all the relevant available data was taken into consideration; and

  iii. assessed the adequacy of the financial statements disclosures in relation to the estimation uncertainty relating to (a) the HIREF premium and (b) the non-recognition of ex-post corrections.

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Key audit matters (continued)

Estimates for gross premiums written (continued)

Key observation

The disclosures in the financial statements relevant to the above explain the estimation uncertainties that exist, which could materially impact premiums reported for subsequent financial periods.

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

Accounting policy 3.11(e) to the financial statements and notes 4, 5.1 and 16 for further disclosures

'IBNR' amounting to €143.5 million (2021: €148.7 million) included in 'Technical Provisions'

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

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

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

Our response

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

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Key audit matters (continued)

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

Our response (continued)

- together with our own actuarial specialist, for the majority of the IBNR provision (excluding hospital arrangements) recorded, we applied our industry knowledge and experience to develop an independent estimate and compared this estimate to the amount recorded by the Company;
- tested the data elements underlying the estimated IBNR provision (also, excluding hospital arrangements) by reference to the Company's relevant premiums and claims historical data;
- assessed the adequacy of the IBNR provision relating to hospital arrangements by applying our knowledge and experience in assessing the appropriateness of the main assumption used and tested this calculation by reference to relevant agreements and internal data;
- assessed the Company's view on the estimation uncertainty surrounding the IBNR provision; and
- assessed the notes in the financial statements to evaluate the adequacy of the disclosures of the relevant considerations surrounding the estimation uncertainty involved in estimating the IBNR provision.

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

Other information

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

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

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act and the Insurance Business Act, and for such internal control as they 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 or to cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

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

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

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

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

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

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

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

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

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

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

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

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

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

2 Report on Other Legal and Regulatory Requirements

Opinion on the directors' report

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

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

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

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

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

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

2 Report on Other Legal and Regulatory Requirements (continued)

Opinion on the directors' report (continued)

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements; and
- we have not identified material misstatements in the directors' report.

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

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

- we were appointed as auditors by the shareholders on 25 January 2021, and subsequently reappointed at the Company's general meeting for the financial year thereafter. The period of total uninterrupted engagements is three years;
- our opinion on our audit of the financial statements is consistent with the additional report, required to be issued by the Audit Regulation (as referred to in the Act), and provided to the board of directors; and
- we have not provided any of the prohibited services as set out in the APA.

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Independent Auditors' Report (continued)

To the Shareholders of Eucare Insurance PCC Limited

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

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

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

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

KPMG
Registered Auditors

6 April 2023