SIGAL UNIQA GROUP AUSTRIA SH.A.

Financial statements

for the year ended 31 December 2022

with Independent Auditor’s Report

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Independent Auditor's Report

To the shareholder of Sigal Uniqa Group Austria SH.A.:

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sigal Uniqa Group Austria SH.A (the "Company") as at 31 December 2022, and the Company's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Kosovo Council for Financial Reporting (KCFR) that are relevant to our audit of the financial statements in the Republic of Kosovo. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the KCFR.

Non-audit services

To the best of our knowledge and belief, we have not provided any non-audit services that are prohibited under Article 5 "Prohibition of Provision of Non-Auditing Services" of the Administrative Instruction No. 02/2019 "On the Independence of Statutory Auditors and Auditing Firms".

Our audit approach

Overview

Materiality	• Overall Company materiality: EUR 166 thousand, which represents approximately 1% of gross written premiums.
Key audit matters	• Estimates of insurance contract liabilities for the non-life business

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

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

Materiality

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

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

Overall Company materiality	EUR 166 thousand
How we determined it	Approximately 1% of gross written premiums
Rationale for the materiality benchmark applied	The Company is profit oriented. Nevertheless, due to volatility of the profit of the Company it is deemed that it does not appropriately represent the relative size of the Company's operations which makes it less relevant as a benchmark for determining materiality. Therefore, a more appropriate performance-related measure which is more relevant and indicative of the operations of the Company and its performance as compared to profit for the year, being gross written premiums, were used as a materiality benchmark. We chose 1% which we believe is within the range of acceptable quantitative materiality thresholds for this specific benchmark in the circumstances.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Estimates of insurance contract liabilities for the non-life business (Note 20 of the financial statements) Claims reserves for the non-life business is related to: ● Claims Reported but Not Settled Reserve ("RBNS"); ● Incurred but not reported reserve ("IBNR"); and The Company recorded RBNS, IBNR as presented in Note 20 of the financial statements – as Insurance contract liabilities in the amount of EUR 20,362,219. The estimates of claims reserves were considered a key audit matter due to the relative large proportion of claims reserves in the total liabilities of the Company, their potential impact on the results of the Company and the level of judgement involved in	We performed the following procedures in respect of insurance contract liabilities as of 31 December 2022: • We assessed and tested the design and operating effectiveness of selected controls, in connection with the claims cycle related to reserves. • For a sample of claim files, we tested that the claim reserve is reassessed regularly and is periodically updated with relevant new information received. • We applied specific risk criteria to the RBNS population as at 31 December 2022 in order to identify any unusual items. The criteria were defined based on our knowledge and understanding of the Company's activity and the industry. • For a sample of claim files identified after applying each risk criteria we requested and received an explanation with respect to the

Key audit matter	How our audit addressed the key audit matter
assessing the sufficiency of such reserves. Even though all types of reserves specified above are estimated for claims incurred that the Company will need to settle in the future, the nature of the estimates and the required degree of judgement is different. RBNS is estimated and updated monthly based on information on claims reported to the Company, so that the accumulated reserve is sufficient to cover the future settlement of those claims based on the specifics of each claim. IBNR is determined based on the Company's estimation of the expected claims for events that have already been incurred but not yet reported. Actuarial methods are used in the estimation alongside historical data for a representative period such that IBNR is sufficient to cover incurred claims to be reported in the following financial periods.	reserve assessment from the Company's management. Where necessary we corroborated the explanations by reference to relevant supporting documents. • For IBNR we evaluated the Company's methodology used, and further we validated the input data used in the Company's models. With respect to IBNR our actuarial specialists assessed the reasonableness of assumptions used in the calculation of the management. • Where material differences between our expectations and management estimates were found, we investigated them further. • To consider potential bias in the management estimate we have assessed the adequacy of the estimated RBNS and IBNR reported as of the end of the prior reporting period i.e., 31 December 2021 against claims paid and claims in reserve during 2022 ("run-off analysis"), and assessed the results of this analysis against managements estimates of RBNS and IBNR as of 31 December 2022.

Reporting on other information

Management is responsible for the other information. The other information comprises supplementary schedules that include the "Solvency Margin", "Table for Capital Calculation" and "Assets deemed to back insurance liabilities" (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 18 October 2022, representing a total period of uninterrupted engagement appointment of one year.

The statutory auditor on the audit engagement resulting in this independent auditor's report is Jonid Lamllari.

Statutory Auditor
Jonid Lamllari

5 May 2023
Prishtina, Kosova

(All amounts are expressed in EUR unless otherwise stated)

	Note	31 December 2022	31 December 2021 Restated[1]	1 January 2021 Restated[1]
Assets				
Cash and cash equivalents	10	795,189	1,017,993	709,632
Term deposits	11	16,159,681	13,799,509	12,988,077
Securities held at amortised cost	12	982,962	982,962	-
Insurance receivables	13	1,544,791	1,713,583	1,823,833
Deferred acquisition costs	14	898,677	620,562	586,384
Reinsurance assets	15	9,637,474	3,810,049	4,247,811
Property, equipment and right of use assets	16	2,781,227	2,755,055	2,578,365
Intangible assets	17	47,749	27,668	39,287
Other assets	18	553,828	530,690	754,150
Total assets		**33,401,578**	**25,258,071**	**23,727,539**
Liabilities				
Insurance contract liabilities	20	20,362,219	13,090,284	12,009,984
Unearned premium reserve	21	6,318,795	5,743,859	5,740,213
Unexpired risk reserve	21	274,276	283,797	283,797
Income tax payable		4,702	77,455	79,695
Lease liabilities	22	282,393	427,078	91,653
Insurance and other payable	23	1,333,946	1,296,036	1,460,990
Deferred income tax liability		130,456	104,247	76,565
Total liabilities		**28,706,787**	**21,022,756**	**19,742,897**
Equity				
Share capital	19	6,000,000	6,000,000	6,000,000
Revaluation reserve	19	988,640	752,759	689,076
Accumulated losses		(2,293,849)	(2,517,444)	(2,704,434)
Total equity		**4,694,791**	**4,235,315**	**3,984,642**
Total liabilities and equity		**33,401,578**	**25,258,071**	**23,727,539**

These financial statements have been approved by the Executive Management of the Company on 5 May 2023 and signed on their behalf by:

Mr. Perparim Drini
Chief Executive Officer

Mrs. Valbona Bardhoshi
Chief Financial Officer

[1] The statement of financial position at 1 January 2021 and 31 December 2021 have been subject to restatement of the amounts as explained in note 3

The notes on pages 5 to 33 are an integral part of these financial statements.

(All amounts are expressed in EUR unless otherwise stated)

	Notes	2022	2021 Restated[2]
Gross written premiums	24	16,493,296	14,069,809
Change in the gross provision for unearned premiums	21	(574,936)	(3,646)
Change in unexpired risk reserve	21	9,521	-
Insurance premium revenue		**15,927,881**	**14,066,163**
Premium ceded to reinsurers	25	(1,931,414)	(1,193,408)
Reinsurers share of change in the provision for unearned premiums		14,508	(477,391)
Net premium earned		**14,010,975**	**12,395,364**
Other income	30	148,057	178,324
Interest income	11,12	281,360	219,906
Net income		**14,440,392**	**12,793,594**
Claims paid	20	(8,954,477)	(7,661,760)
Reinsurer's share of claims paid	20	1,515,879	570,892
Change in gross claims reserves	20	(7,271,935)	(1,080,300)
Change in reinsurance share of claims reserves	20	5,812,917	39,629
Net insurance claims		**(8,897,616)**	**(8,131,539)**
Acquisition costs	26	(1,524,459)	(1,521,996)
Share of costs of Kosovo Insurance Bureau ("KIB")	27	(206,930)	(169,408)
Administrative expenses	28	(3,123,920)	(2,579,711)
Impairment of insurance receivables	13	(178,880)	(156,506)
Profit/(loss) before income tax		**508,587**	**234,434**
Income tax expenses	29	(284,992)	(232,904)
Net profit/(loss) for the year		**223,595**	**1,530**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss in subsequent periods			
Revaluation of property	16,19	235,881	249,143
Total comprehensive profit for the year		**459,476**	**250,673**

[2] The statement of profit or loss and other comprehensive for the year ended 31 December 2021 has been subject to restatement of the amounts as explained in note 3.

The notes on pages 5 to 33 are an integral part of these financial statements.

(All amounts are expressed in EUR unless otherwise stated)

	Share capital	Revaluation reserve for PPE	Accumulated losses	Total
Balance at 1 January 2021	**6,000,000**	**765,640**	**(2,357,225)**	**4,408,415**
Correction of prior year errors (net of tax) (note 3)	-	(76,564)	(347,209)	(423,773)
Adjusted balance at 1 January 2021	**6,000,000**	**689,076**	**(2,704,434)**	**3,984,642**
Profit for the year (restated) – note 3	-	-	1,530	1,530
Other comprehensive income for the year (note 19)	-	249,143	-	249,143
Total comprehensive income for 2021	**-**	**249,143**	**1,530**	**250,673**
Transfer of revaluation surplus on property, plant and equipment to retained earnings (note 19)	-	(185,460)	185,460	-
Balance at 31 December 2021	**6,000,000**	**752,759**	**(2,517,444)**	**4,235,315**
Balance as of 31 December 2021 – as originally presented	6,000,000	730,182	(2,106,823)	4,623,359
Correction of error (net of tax) – note 3	-	22,577	(410,621)	**(388,044)**
Restated as of 31 December 2021	**6,000,000**	**752,759**	**(2,517,444)**	**4,235,315**
Profit for the year – note 3	-	-	223,595	223,595
Other comprehensive income for the year (note 19)	-	235,881	-	235,881
Total comprehensive income for the year	**-**	**235,881**	**223,595**	**459,476**
Balance at 31 December 2022	**6,000,000**	**988,640**	**(2,293,849)**	**4,694,791**

The notes on pages 5 to 33 are an integral part of these financial statements.

(All amounts are expressed in EUR unless otherwise stated)

	Notes	31 December 2022	31 December 2021 Restated[3]
Cash flows from operating activities			
Profit after income tax		223,595	1,530
Depreciation and amortization	16	284,992	359,402
Gain from sales of property and equipment	16	-	(12,932)
Impairment of receivables and other assets	13	178,880	156,506
Income tax expense	29	363,201	232,904
Interest income	11,12	(281,360)	(219,906)
Interest expenses	22	15,760	15,243
Cash generated from operations before changes in operating assets and liabilities		**807,021**	**532,747**
Changes in operating assets and liabilities			
(Increase)/decrease in			
Deferred acquisition costs	14	(278,115)	(34,178)
Reinsurer assets	15	(5,827,425)	437,762
Insurance receivables	13	(10,088)	(46,256)
Other assets	18	(7,833)	223,462
Increase/(decrease) in			
Insurance contract liabilities	20	7,271,935	1,080,300
Unearned premium reserve	21	574,936	3,646
Unexpired risk reserve	21	(9,521)	-
Insurance and other payable	23	37,910	(164,956)
Changes in operating assets and liabilities		**2,558,820**	**2,032,527**
Income tax paid	29	(373,050)	(235,144)
Net cash from operating activities		**2,185,770**	**1,797,383**
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets	16	(87,905)	(54,464)
Sale of property	16	-	355,932
Increase in term deposits	11	(2,320,000)	(1,780,000)
Interest received	11	241,189	205,512
Net cash used in investing activities		**(2,166,716)**	**(1,273,020)**
Cash flows from financing activities			
Paid lease liabilities	22	(241,858)	(216,002)
Net cash used in financing activities		**(241,858)**	**(216,002)**
Net (decrease)/increase in cash and cash equivalents		**(222,804)**	**308,361**
Cash and cash equivalents at January 1	**10**	1,017,993	709,632
Cash and cash equivalents at 31 December	**10**	**795,189**	**1,017,993**

[3] The statement of cash flows for the year ended 31 December 2021 has been subject to restatement of the amounts as explained in note 5.

1. General information

Sigal Uniqa Group Austria Sh.a. (the "Company"), is a former Company of Sigal Uniqa Group Austria sh.a. Albania. The Company was originally established on 23 October 2003 under United Nations Mission in Kosovo ("UNMIK") regulations for provisional business registration. It has operated under a license issued on the same date by the Banking and Payments Authority of Kosovo (now Central Bank of Kosovo ("CBK")), to issue compulsory third party liability ("CTPL") motor vehicle insurance policies and voluntary insurance within the territory of Kosovo.

During 2012 the Company changed its legal status from Branch to subsidiary and on 27 August 2012, CBK issued a new license authorizing the Company to operate the insurance business within the territory of the Republic of Kosovo.

The Company is owned by Sigal Uniqa Group Austria Sh.a, an Albanian entity which ultimate parent is Uniqa Osterreich Versicherungen AG, Austria ("UNIQA" or "Ultimate Parent Company") a joint stock company incorporated and domiciled in Republic of Austria. Information on related party relationships is provided in Note 26.

As at 31 December 2022 the Company had 181 employees (2021: 169).

Principal activity: The Company's principal business activities comprise underwriting insurance risks in the following non-life lines of business:

- Motor Vehicle Third Party Liability
- Property insurance
- Construction All Risk (CAR)
- Travel Health insurance
- Personal Accidents
- Comprehensive Motor Vehicle Insurance.

Registered address and place of business. The Company's headquarters are located in Pashko Vasa str., Prishtina, Kosovo. The Company has registered 45 units as other places of business in Kosovo.

Management of the Company. The Management Board during 2022, consisted of the following members:

Saimir Dhamo	Chief Executive Officer ("CEO")
Anila Pishtari	Deputy CEO
Arber Ponari	Deputy CEO
Valbona Bardhoshi	Chief Financial Officer

Board of Directors. The Board of Directors during 2022 and 2021 and up to the date of approval of these financial statements, comprised:

Alma Totokoci	Chairman
Avni Ponari	Member
Edvin Hoxhaj	Member
Elvis Ponari	Member
Perparim Drini	Member
Saimir Dhamo	Member

During April 2023, the Chief Executive Officer, Mr. Saimir Dhamo was replaced with Mr. Perparim Drini.

2. Basis of preparation

Statement of compliance. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out in Note 3. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 4 and 5 for adoption of new or revised standards and interpretations and new accounting pronouncements adopted by the Company). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 8.

Functional and presentation currency. These financial statements are presented in Euro ("EUR"). EUR is the Company's functional currency, currency of the primary economic environment in which it operates, the Republic of Kosovo.

Foreign currency transactions. Foreign currency transactions are transactions undertaken by the Company other than in its functional currency. Foreign currency transactions are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

3. Significant accounting policies

Classification of insurance contracts

The Company's underwritten non-life insurance risks for accounting purposes are classified at inception as insurance contracts. A contract, which is classified as an insurance contract remains as such until all rights and obligations are extinguished or expire. Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts, Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified variable(s) such as interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract, Insurance contracts may also transfer some financial risk.

General insurance contracts. Insurance liabilities are calculated separately for all insurance products and are composed of premium contingency (unearned), risk contingency (unexpired) and loss contingency (not paid as at the closing date of the financial year). Insurance liabilities (provisions) represent estimates of future payments for reported and unreported claims. The Company does not discount its insurance liabilities. Any changes in estimates are reflected in the results of operations in the period in which estimates are changed. Insurance liability estimation is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. The Company has used the requirements of the insurance regulators or supervisors to set up the appropriate insurance liabilities.

Premiums arising from general insurance business. Gross written premiums comprise the amounts due during the financial year in respect of direct insurance regardless of the fact that such amounts may relate wholly or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums, if any. Premiums are earned from the date of underwriting risks, over the indemnity period, based on the pattern of risks underwritten.

Unearned premium reserve. The provision for unearned premiums across all business segments comprises the proportion of gross premiums written which is estimated to be earned in the following financial year, using the daily pro - rata basis 1/365, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract. Unearned premiums are those proportions of the premium which relate to periods after the reporting date. Unearned premium is calculated on written premiums which are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums. The calculation of unearned premium reserves is regulated by the Regulation of the Central Bank of Kosovo "On calculation and retention of technical and mathematical reserves for non-life and life insurers".

Deferred acquisition costs. Acquisition costs are the costs that an insurer incurs to sell, underwrite and initiate a new insurance contract. Acquisition costs that are incremental to the underwriting of the premiums are capitalized and charged to expense in proportion to premium revenue recognized. To associate acquisition costs with related premium revenue, acquisition costs are allocated by groupings of insurance contracts consistent with the Company's manner of acquiring, servicing, and measuring the profitability of its insurance contracts. Unamortized acquisition costs are classified as an asset.

Reinsurance. The Company ceded reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets and liabilities arising from ceded reinsurance risks are presented separately as assets and liabilities from related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligation to its policy holders. The Company's reinsurance policy is established in order to limit its potential losses arising from longer exposures to Motor Third Party Liability ("MTPL"), Property and Liabilities lines of business. Such reinsurance includes both facultative (for property) and treaty agreements, surplus basis and quota share (property & cargo). Treaty agreements represent reinsurance at portfolio level. They cover all claims of the portfolio up to a certain amount (excess of loss) or on quota share basis.
Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk, are accounted for as financial instruments. Insurance premiums ceded to reinsurers are recognised in profit or loss on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period the reinsurance coverage is provided based on the pattern of the reinsured risk. The unexpended portion of the ceded reinsurance premiums is included in the reinsurance assets. The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the insurance liabilities held in respect of the related insurance contracts. Reinsurance receivables include reinsurance commission in respect of premiums ceded to the reinsurer and recoveries due from reinsurance companies in respect of claims paid.

3. Significant accounting policies (continued)

These are classified as receivables and are disclosed separately, if any. Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that the event has a reliable measurable impact on the amounts that the Company will receive.

Premium reserve portfolio. When a new reinsurer participates in a treaty based on the accounting year or when the involvement in a period of an existing participating reinsurer increases, the unearned premium received is calculated by the reinsurer for participating in risks for which the premium has already been collected but not yet earned. Premium portfolio entry at the beginning of the reinsurance period is the reinsurance percentage share of the unearned premiums at the beginning of period.

Financial Instruments

Consistent with requirements of IFRS 4 amendments "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", the Company decided to defer adoption of IFRS 9 and met the related qualifying conditions because (i) its liabilities connected with insurance contracts liabilities exceeded 95% of total liabilities at 31 December 2015 and (ii) there were no subsequent substantial changes in the entity's activities. The Company expects to apply IFRS 9 from 2023 and it has not applied it at any earlier stage. The Company's financial instruments are all measured at amortized cost and are classified depending on their measurement category. The financial assets meet the sole payment of principal and interest criteria and would thus be measured the same under IFRS 9. Credit ratings are provided in notes 10 and 11 respectively.

i) Recognition

The Company's financial instruments (assets and liabilities) are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

ii) Classification

Financial assets of the Company are classified as held to maturity investments in securities (HTM) and loans and receivables (term deposits with banks and insurance receivables). Financial liabilities are classified as other financial liabilities (including insurance/trade liabilities and other liabilities) and are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Company intends to sell in the near term. Loans and receivables include term deposits with banks and insurance and other receivables and are carried at amortized cost using the effective interest method, net of provision for incurred impairment losses.

iii) Derecognition

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv) Amortized cost measurement

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

3. Significant accounting policies (continued)

v) Offsetting

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 either settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions, such as in the Company's trading activity.

vi) Impairment of financial assets carried at amortized cost

Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status, liabilities that can be offset for the same customer and realizability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method. Term deposits with original maturities of more than three months are classified as term deposits with banks as a sub-category of loans and receivable financial assets.

Term deposits. Term deposits are stated at the amount of principal outstanding and are classified according to their maturities. Term deposits with maturities less than three months are classified as cash equivalents.

Other receivables. Other receivables are stated at their cost less impairment losses.

Insurance receivables. Insurance receivable are initially recognized at fair value and subsequently measured at their amortized cost less impairment losses and include cash held by agents, Insurance receivables are assessed for impairment on each reporting date.

Prepayments. Prepayments are carried at cost less provision for impairment and included in other assets. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss for the year.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, if any are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

3. Significant accounting policies (continued)

Income tax. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity. Current tax is the amount expected to be paid to, or recovered from, the taxation authority in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Property and equipment. Items of property and equipment, except buildings and premises, are measured at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and any capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss. The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Buildings are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for buildings included in equity is transferred directly to accumulated losses when the revaluation surplus is realised on the retirement or disposal of the asset. Management has updated the carrying value of buildings measured in accordance with the revaluation model at the end of the reporting period using market-based evidence and is satisfied that sufficient market based evidence of fair value is available to support the updated fair values.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other gains/(losses).

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

Estimated useful lives are as follows:

Buildings and Premises	50 years
Computers and related equipment	5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

3. Significant accounting policies (continued)

Right-of-use assets. The Company leases only offices. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. For leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful life
Offices	3 – 10 years

Intangible assets. Intangible assets that are acquired are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred. Amortisation is charged to profit or loss on a straight line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The annual amortisation rates based on the estimated useful lives for the current and comparative periods is 3 years.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense within finance costs.

Lease liabilities. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in a number of leases. These terms are used to maximize operational flexibility in terms of managing the assets used in the Company's operations. All extension and termination options held are exercisable by both parties, the Company and the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3. Significant accounting policies (continued)

Payments associated with short-term leases of offices and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise leased assets with value of EUR 5 thousand or less.

Investment income. Interest income is recognised in profit or loss as earned, considering the effective yield on the financial asset.

Fee and commission income. Fee and commission income include reinsurance commission, recognised on the settlement with reinsurers. Reinsurance commissions continue to be recognised in full on the settlement with the reinsurer.

Policy acquisition costs

Acquisition costs are defined as the costs arising on the acquisition of new insurance contracts, including direct costs, such as acquisition commissions and the cost of drawing up the insurance document, and administrative expenses connected with processing of proposals and issuing of policies. Policy acquisition costs are expensed as incurred.

Deferred acquisition costs. Acquisition costs are the costs that an insurer incurs to sell, underwrite and initiate a new insurance contract.. To associate acquisition costs with related premium revenue, acquisition costs are allocated by groupings of insurance contracts consistent with the Company's manner of acquiring, servicing, and measuring the profitability of its insurance contracts. Unamortized acquisition costs are classified as an asset.

Employee benefits. Salaries, contributions to the state or private pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory and private defined contribution scheme.

Comparatives – correction of errors:

Changes made by the Company to the comparative figures of the financial statements due to errors in the prior year and their impact in net equity, the statement of financial position and profit or loss and other comprehensive income and statement of cash flows are presented below:

i) During the year ended 31 December 2019, the Company changed its accounting policy and the started measuring its buildings using the revaluation model and revalued its buildings for the first time at the end of that year. Subsequently, despite the fact that buildings continued to be used as a head office of the Company, no depreciation charge has been recorded in the statement of profit or loss and other comprehensive income. As a result, the annual depreciation charge and the impact of the revaluation of PPE in other comprehensive income were both understated for the years ended 31 December 2020 and 31 December 2021, respectively. For that reason, the accumulated losses as of 1 January 2021, have been restated in the amount of EUR 63,412. Furthermore, the Company has not taken into consideration the deferred tax implications resulting from revaluation and to correct this error the deferred tax liability and revaluation reserve as of 1 January 2021 were restated by EUR 76,565 respectively.

   Considering that the Company revalued the buildings as of 31 December 2021, which resulted in an increased value of its buildings, management did not take into consideration the effects of depreciation charge for that year in the profit before tax and in other comprehensive income and consequently also in deferred tax liability as of 31 December 2021.

ii) In the statement of financial position as of 31 December 2021, the Company had presented the income tax liability and asset separately, instead of applying the net presentation as required by IAS 12.

iii) In the statement of financial position as of 31 December 2021, the Company had presented lease liability together with other payables instead of disclosing it separately in the Statement of Financial Position, as suggested IFRS 16. In current year financial statements, presentation of lease liabilities is changed and now lease liabilities are presented separately in statement of financial position.

(All amounts are expressed in EUR, unless otherwise stated)

3. Significant accounting policies (continued)

iv) While performing Liability Adequacy Test for 31 December 2021, on an individual line of business basis, rather than offseting the results of the test between lines of business, it resulted that the Company should have recognized Unexpired Risk Provision as of 31 December 2021 and 1 January 2021, in amount of EUR 284 thousand.

Statement of financial position for the year ended 1 January 2021

1 January 2021	Note	As previously presented	Correction of errors	Changes in presentation	Restated
Property, equipment and right of use assets	i)	2,641,777	(63,412)	-	2,578,365
Income tax receivable	ii)	15,305	(15,305)	-	-
Total assets		**23,806,258**	(78,717)	**-**	**23,727,541**
Income tax payable	ii)	95,000	(15,305)	-	79,695
Insurance and other payable	iii)	1,552,643	-	(91,653)	1,460,990
Lease liabilities	iii)	-	-	91,653	91,653
Unexpired risk reserve	iv)	-	283,797	-	283,797
Deferred income tax liability			76,565	-	76,565
Total liabilities		**19,397,840**	345,057	-	**19,742,897**
Equity					
Share Capital		6,000,000	-	-	6,000,000
Revaluation reserve	i)	765,642	(76,565)	-	689,077
Accumulated losses	i)	(2,357,224)	(347,209)	-	(2,704,433)
Total equity	i)	**4,408,418**	(423,774)	**-**	**3,984,644**
Total equity and liabilities		**23,806,258**	(78,717)	**-**	**23,727,541**

Statement of financial position for the year ended 31 December 2021:

31 December 2021	Note	As previously presented	Correction of errors	Changes in presentation	Restated
Income tax receivable	ii)	15,305	(15,305)	-	-
Total assets		**25,273,376**	(15,305)	**-**	**25,258,071**
Insurance and other payable	iii)	1,723,114	-	(427,078)	1,296,036
Lease liabilities	iii)	-	-	427,078	427,078
Unexpired risk reserve	iv)	-	283,797		283,797
Income tax payable	ii)	92,760	(15,305)	-	77,455
Deferred income tax liability	i)	-	116,928	-	116,928
Total liabilities		**20,650,017**	385,420	**-**	**21,035,437**
Equity					
Share Capital		6,000,000	-	-	6,000,000
Revaluation reserve	i)	730,182	9,897	-	740,079
Accumulated losses	i); iv)	(2,106,823)	(410,622)	-	(2,517,445)
Total equity	i)	**4,623,359**	(400,725)	**-**	**4,222,634**
Total equity and liabilities		**25,273,376**	(15,305)	**-**	**25,258,071**

Statement of profit or loss and other comprehensive income for the year ended 31 December 2021:

		As previously presented	Correction of errors	Restated
Administrative expenses	i)	2,516,298	63,413	2,579,711
Profit before income tax	i)	**297,847**	**(63,413)**	**234,434**
Income tax expense		232,904	-	232,904
Profit for the year	i)	**64,943**	**(63,413)**	**1,530**
Other comprehensive income for the year	i)	150,000	99,143	249,143
Total comprehensive income for the year	i)	**214,943**	**35,730**	**250,673**

(All amounts are expressed in EUR, unless otherwise stated)

3. Significant accounting policies (continued)

Statement of cash flows for the year ended 31 December 2021:

		As previously presented	Correction of errors	Restated
Cash flows from operating activities				
Profit after tax	i)	64,943	(63,413)	1,530
Depreciation and amortization	i)	295,989	63,413	359,402
Gain from sales of property and equipment		(12,932)	-	(12,932)
Income tax expense		232,904	-	232,904
Impairment of receivables and other assets		156,506	-	156,506
Interest income		(219,906)	-	(219,906)
Interest expenses		15,243	-	15,243
Cash generated from operations before changes in operating assets and liabilities		**532,747**	**-**	**532,747**
Changes in operating assets and liabilities				
(Increase)/decrease in				
Deferred acquisition costs		(34,178)	-	(34,178)
Reinsurer assets		437,762	-	437,762
Insurance receivables		(46,256)	-	(46,256)
Other assets		223,462	-	223,462
Increase/(decrease) in				-
Insurance contract liabilities		1,080,300	-	1,080,300
Unearned premium reserve		3,646		3,646
Insurance and other payable		(164,956)	-	(164,956)
Changes in operating assets and liabilities		**2,032,527**	**-**	**2,032,527**
Income tax paid		(235,144)	-	(235,144)
Net cash from operating activities		**1,797,383**	**-**	**1,797,383**

4. Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2022:

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

4. Adoption of New or Revised Standards and Interpretations (continued)

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The application of the amendments had no significant impact on the Company's separate financial statements.

5. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Company has not early adopted.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Company is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impact of the amendments on its financial statements.

5. New Accounting Pronouncements (continued)

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company is currently assessing the impact of the amendments on its financial statements.

5.1. Implementation of IFRS 17

Scope. IFRS 17 applies to the following contracts: (a) insurance contracts issued by the Company, (b) reinsurance contracts held by the Company and (c) investment contracts with discretionary participation features issued by the Company. IFRS 17 generally applies to the whole set of rights and obligations created by an insurance contract. Cash flows generated by such rights and obligations should normally be incorporated in the measurement of assets and liabilities associated with an insurance contract. However, an insurance contract can also contain components which are excluded from the scope of IFRS 17 and should be accounted for under different standards, subject to specific criteria: (a) embedded derivatives, (b) investment components, and (c) promises to transfer to a policyholder distinct goods or services other than insurance contract services. None of these components is present in the Company's insurance contracts.
Level of aggregation. IFRS 17 requires identifying portfolios of insurance contracts. A portfolio of insurance contracts is defined as insurance contracts that are subject to similar risks and managed together. Portfolios should be further disaggregated into profitability-based groups of insurance contracts that are, on initial recognition: (a) onerous, if any, (b) profitable, with no significant possibility of subsequently becoming onerous, if any, and (c) remaining contracts, if any. IFRS 17 prohibits to include contracts issued more than one year apart in the same Company, a requirement commonly referred to as annual cohort requirement. Such requirement did not result in a different aggregation for the Company.

Contract boundary. The contract boundary concept is used to determine which cash flows should be considered in the measurement of an insurance contract. Cash flows that are not within the boundary of an insurance contract relate to future insurance contracts. The Company generally determines the contract boundary with a reference to its ability to reprice the insurance contract as a whole. The Company's insurance contract models are not affected by contract boundary.

Expected future cash flows. Included in the measurement of each Company of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each Company of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups.

Discount rates. The estimates of future cash flows should be adjusted to reflect the time value of money and the financial risks related to future cash flows, such as currency and liquidity risk associated with those cash flows, to the extent that the financial risks have not been included in the estimates of cash flows. The discount rates should: (a) reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts, (b) be consistent with observable current market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity, and (c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts. The Company will apply a top-down approach to determine applicable discount rates by establishing a reference portfolio of assets for each Company of insurance contracts. Yield curves reflecting the current market rates of return for such reference portfolios will be further adjusted to reflect differences between the characteristics of the reference portfolio and the groups of insurance contracts being measured.

It should be noted though that future cash flows and discount rates do not have a material impact on the Company's insurance contracts given that they are largely shorter-term (about 1 year).

5. New Accounting Pronouncements (continued)

Risk adjustment for non-financial risk. The risk adjustment for non-financial risk is included in the expected cash flows to represent compensation required for bearing the non-financial risk arising from uncertainty in future cash flows. Under IFRS 17 requirements, the risk adjustment for non-financial risk includes: (a) the degree of diversification benefit that the entity includes when determining the compensation that it requires for bearing that risk, and (b) both favourable and unfavourable outcomes in a way that reflects the entity's degree of risk aversion.

Contractual service margin. The contractual service margin (CSM) is a component of the carrying amount of the asset or liability for a Company of insurance contracts representing the unearned profit that the entity will recognize as it provides insurance contract services under the insurance contracts in the Company. Pattern of CSM recognition would be thus determined based on the coverage units, reflecting the pattern under which the insurance contract service benefit is transferred to the policyholder of the insurance contracts.

Insurance contract services are the services that the Company provides to a policyholder of an insurance contract and comprise: (a) coverage for an insurance event (insurance coverage), (b) the generation of an investment return (investment-return services) for insurance contracts without direct participation features, and (c) the management of underlying items on behalf of the policyholder (investment-related services) for insurance contracts with direct participation features.

Measurement approaches. IFRS 17 allows to apply following measurement approaches to insurance contracts issued and reinsurance contracts held: (a) general model, (b) premium allocation approach and (c) variable fee approach.

General model. This approach is applied to all insurance contracts, unless they have direct participation features or the contract is eligible for, and the entity elects to apply, the premium allocation approach.

Premium allocation approach. This approach is an optional simplification of the measurement of the liability for remaining coverage, for insurance contracts with short-term coverage. A Company of insurance contracts is eligible for the premium allocation approach if, at inception: (a) each contract in the Company has a coverage period (that is, the period in which the entity provides insurance contract services) of one year or less; or (b) the measurement of the liability for remaining coverage for the Company using the premium allocation approach is reasonably expected to produce a measurement which is not materially different from using the general model or the variable fee approach.

Variable fee approach. This approach is applied to insurance contracts with direct participation features. Such contracts are substantially investment-related service contracts under which an entity promises an investment return based on underlying items. This approach cannot be used for the measurement of reinsurance contracts issued or held.

Insurance finance income and expenses. Insurance finance income or expenses reflect the changes in the carrying amount of the Company of insurance contracts that relate to financial risks. They comprise the effect of the time value of money (that is, the accretion of interest on all of the fulfilment cash flows, the risk adjustment for non-financial risk and the contractual service margin) as well as the effect of financial risk and changes in financial risks. IFRS 17 allows, as an accounting policy, to disaggregate insurance finance income or expenses for the period between profit or loss and other comprehensive income.

Reinsurance contracts held. IFRS 17 allows options in presenting income or expenses from reinsurance contracts held, other than insurance finance income or expenses. The Company elected to present a single net amount in net expenses from reinsurance contracts held.

IFRS 17 Transition. Adoption of IFRS 17 will significantly affect financial reporting processes and procedures of the Company, as applications of the core principles outlined above will require additional information to be gathered and processed, as well as additional significant judgements to be made by the management. To ensure smooth and timely adoption of IFRS 17, the Company's parent company launched a separate implementation project. The project team is composed of accounting, IT, underwriting and product team members and reports directly to the Company and Group CFOs. The Supervisory Council performs general oversight over the implementation project.

After the transition to IFRS 17 the Group will use following measurement approaches, depending on the type of contract for the Company:

	Product classification	Measurement model
Contracts issued		
Automobile insurance	Insurance contracts	Premium allocation approach
Other property insurance	Insurance contracts	Premium allocation approach
Reinsurance contracts held		
Automobile third party liability – excess of loss reinsurance	Reinsurance contract held	Premium allocation approach
Property catastrophe reinsurance	Reinsurance contract held	Premium allocation approach

(All amounts are expressed in EUR, unless otherwise stated)

5. New Accounting Pronouncements (continued)

The Company and its Group continue the project to implement IFRS 17 and IFRS 9 from 1 January 2023.

Estimated impact of the initial application of IFRS 17 and IFRS 9. As a part of the implementation project, the Company and its Group finalized the restated balance sheet as of 1 January 2023, which is an IFRS 17 and IFRS 9 transition date. **These amounts are not audited.**

in EUR	1 January 2023	1 January 2023, as restated following IFRS 17 and IFRS 9 adoption **(unaudited)**
ASSETS		
Cash and cash equivalents	795,189	795,189
Investment assets		
• *Held to maturity investments*	982,962	-
• *Investments to Amortized Cost*	16,159,681	16,159,681
• *Investments at FVOCI*	-	920,046
Insurance contract receivables	1,544,791	-
Deferred acquisition costs	898,677	-
Reinsurance contract assets	9,637,474	8,624,362
Property and equipment	2,506,727	2,506,727
Intangible assets	47,749	47,749
Right of use assets	274,500	274,500
Other assets	553,828	666,159
Deferred tax assets	-	264,011
TOTAL ASSETS	**33,401,578**	**30,258,424**
LIABILITIES		
Insurance contract liabilities		
• *property and casualty contracts*	26,955,290	23,757,195
Reinsurance contract liabilities	-	1,000,816
Income tax payable	4,702	4,702
Lease liabilities	282,393	282,393
Deferred income tax liabilities	130,456	139,024
Other financial liabilities	1,333,946	748,784
TOTAL LIABILITIES	**28,706,787**	**25,932,914**
EQUITY		
Share capital	6,000,000	6,000,000
Accumulated losses	(2,293,849)	(2,554,042)
Other reserves	988,640	879,552
TOTAL EQUITY	**4,694,791**	**4,325,510**
TOTAL LIABILITIES AND EQUITY	**33,401,873**	**30,258,424**

At the current stage of the implementation project, the Company could not provide any further known or reasonably estimable effects of IFRS 17 and IFRS 9 adoption effects for 2022 and as of 31 December 2022 because the respective calculations are not yet finalized by the Group.

6. Insurance risk management

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which Company is exposed. The Company underwrites property, liability and motor risks primarily over twelve-month duration. The most significant risks arise from natural disasters, climate change and other catastrophes (i.e. high severity, low frequency events). A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks. The concentration of claims provisions by type of contract is summarized below by reference to insurance liabilities.

(All amounts are expressed in EUR, unless otherwise stated)

6. Insurance risk management (continued)

The concentration of claim provisions by type of contract is summarized below by reference to insurance liabilities:

		2022			2021	
Business line	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
MTPL	9,607,338	-	9,607,338	8,181,431	-	8,181,431
Property	10,239,979	(9,437,182)	802,797	4,433,750	(3,624,265)	809,485
Health and accidents	514,902	-	514,902	475,103	-	475,103
Total	**20,362,219**	**(9,437,182)**	**10,925,037**	**13,090,284**	**(3,624,265)**	**9,466,019**

The concentration of unearned premium and unexpired risk reserve net of reinsurance by type of contract is summarized below by reference to insurance liabilities:

		2022			2021	
Business line	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
MTPL	4,813,500	-	4,813,500	4,451,579	-	4,451,579
Property	1,215,230	(200,292)	1,014,938	1,158,238	(185,784)	972,454
Health and accidents	564,341	-	564,341	417,839	-	417,839
Total	**6,593,071**	**(200,292)**	**6,392,779**	**6,027,656**	**(185,784)**	**5,841,872**

Actual claims compared to estimates Provision for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid is made at the reporting date. The liability for reported claims (reported but not settled or "RBNS") is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case reserves are reviewed regularly and are updated as and when new information arises. The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than reported claims. Company's actuaries predominantly assess IBNR provisions using statistical techniques extrapolating historical data in order to estimate ultimate claims costs. To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- economic, legal, political and social trends (resulting in different than expected levels of inflation);
- changes in the mix of insurance contracts incepted;
- random fluctuations, including the impact of large losses.

The following table shows actual claims incurred compared to previous estimates for the year ended 31 December 2022 and 2021:

	2022	**2021**	**2020**	**2019**	**2018**
RBNS					
Opening claim estimates	8,016,789	7,401,942	7,041,306	6,274,690	7,898,796
Prior periods' claims paid during the year	2,531,588	2,380,935	3,056,209	1,976,041	3,041,863
Closing claim estimates for prior periods' claims	6,778,352	5,534,883	4,486,341	4,561,139	4,624,185
Run off in Euro	**(1,293,151)**	**(513,876)**	**(501,244)**	**(262,490)**	**232,748**
Run off in %	**-16%**	**-7%**	**-7%**	**-4%**	**3%**
IBNR					
Opening claim estimates	4,034,422	3,336,669	2,634,805	2,679,902	2,733,987
Actual results related to claims incurred	1,493,882	1,117,960	1,669,695	834,695	524,150
Closing claim estimates	3,401,621	2,786,629	1,695,774	1,293,103	1,474,916
Run off in Euro	**(861,081)**	**(567,920)**	**(730,664)**	**552,104**	**734,921**
Run off in %	**-21%**	**-17%**	**-28%**	**21%**	**27%**
Total claim reserves					
Opening claim estimates	12,051,211	10,738,610	9,676,111	8,954,592	10,632,783
Paid and reported during the period	4,025,470	3,498,894	4,725,904	2,810,736	3,566,013
Closing claim estimates	10,179,973	8,321,512	6,182,115	5,854,243	6,099,101
Run off in Euro	**(2,154,232)**	**(1,081,796)**	**(1,231,908)**	**289,613**	**967,669**
Run off in %	**-18%**	**-10%**	**-13%**	**3%**	**9%**

(All amounts are expressed in EUR, unless otherwise stated)

6. Insurance risk management (continued)

Technical provision amounting to EUR 1,358,089 (2021: EUR 1,257,809) for Border and Guarantee offer Lines of business are not included in the analysis above as the reserve for these products is calculated by the actuaries of Kosovo Insurance Bureau. The total negative run-off as presented above, is attributable to the combined effect of negative run off of EUR 1,293 thousand of RBNS, and negative run-off of EUR 861 thousand in IBNR.
The negative run-off in RBNS is attributable to the combined effect of the paid claims during the year being higher compared to allocated reserve in previous year, as well as update of current reserve based on latest available information and past run-off experience. This is also due to the review of the reported but not settled claims that are in court process as part of the management's approach to update reserve on real time so that they represent as accurately as possible, the future estimated cash outflows.

Assumptions and sensitivities. Risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses statistical and actuarial techniques including indicators such as the expected loss ratio. The Company considers that the liability for non-life insurance claims recognized in the statement of financial position is adequate. However actual experience may differ from the expected outcome. An overview of claim loss and combined ratio for 2022 and 2021 is as below:

	2022	2021
Claim ratio	64%	67%
Expense ratio	36%	37%
Combined ratio	100%	104%

The results of the sensitivity analysis showing the impact on profit for the year are set out below. For such sensitivity, the impact of a change in a single factor is shown, with other assumptions unchanged.

	Impact	2022	2021
Claim ratio			
5% increase in claim ratio	loss	(444,881)	(406,577)
5% decrease in claim ratio	gain	444,881	406,577
Expense ratio			
5% increase in expense ratio	loss	(251,709)	(221,381)
5% decrease in expense ratio	gain	251,709	221,381
Combined ratio			
5% increase in combined ratio	loss	(696,590)	(627,958)
5% decrease in combined ratio	gain	696,590	627,958

7. Financial risk management

Financial instruments transactions may result in the fact that Company bears additional financial risks. They include market risk, credit risk, liquidity risk and reinsurance risk. Each of these financial risks is described below.

Market Risk

Market risk includes three types of risk:

- currency risk – the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- fair value interest rate risk – the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- price risk – the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk embodies not only the potential for loss but also the potential for gain. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

(All amounts are expressed in EUR, unless otherwise stated)

7. Financial risk management (continued)

Currency risk

The Company operates in one business segment and undertakes transactions substantially all in EUR to satisfy regulatory and self-imposed capital requirements. Currency risk in the investment portfolio is managed using assets/liabilities matching principles. As at 31 December 2022 and 31 December 2021 there are no financial assets and liabilities in currencies other than EUR and therefore the Company is not significantly exposed to currency risk.

Interest rate risk

Interest rate risk is comprised of the risk effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. Interest rates received and/or paid by the Company on a financial instrument are fixed.

The interest rate profile of the Company's interest-bearing financial instruments as reported as at 31 December 2022 and 31 December 2021 is as follows:

	Note	31 December 2022	31 December 2021
Fixed-rate instruments			
Interest bearing financial assets			
Securities held at amortised cost	9	982,962	982,962
Term deposits with banks	9a	16,159,681	13,799,509
Interest bearing financial liabilities			
Lease liabilities	18	(282,933)	(427,078)
Total		**16,859,710**	**14,355,393**

Interest rates are fixed. However, any increase/decrease by 1% in interest rate would result in a net impact of EUR 169 thousand (2021: EUR 144 thousand).

Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on its cash at bank, securities held at amortised cost, term deposits, insurance receivables and reinsurance counterparties. The Company manages its exposure to credit risk on a regular basis by closely monitoring its exposure to term deposit counterparties and insurance receivables. For the purposes of credit risk management, the Company separates insurance receivable between receivables from insurance customers and receivables from insurance companies as credit risk management in the case of the later are managed through an agreement between insurance companies acknowledged by courts of law in Pristina.

The Company has established internal procedures and guidelines where the reinsurance partners should be rated BB- or higher rates and the risk is monitored by the reinsurance personnel either at the Company or immediate parent company level. The Company's reinsurance assets are not secured and are neither past due nor impaired. The assets are monitored according to the credit rating. The Company enters into reinsurance agreements with Uniqa subsidiaries or approved counterparts.
No objective indications for impairment have been identified by the Company on the other financial assets as at the reporting date, therefore management considers other financial assets such as reinsurance assets, cash equivalents, and term deposits as neither past due nor impaired.
The Company's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the statement of financial position as follows:

	Note	31 December 2022	31 December 2021
Cash and cash equivalents	8	795,189	1,017,993
Term deposits with banks	9	16,159,681	13,799,509
Securities held at amortized cost	9a	982,962	982,962
Insurance receivables	10	1,544,791	1,713,583
Reinsurance assets	12	9,637,474	3,810,049
Maximum exposure to credit risk		**29,120,097**	**21,324,096**

Details for credit risk for Insurance receivables are disclosed in note 10. All other financial assets are not past due and not impaired.

(All amounts are expressed in EUR, unless otherwise stated)

7. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. Liquidity risk is moderately inherent to the Company's business as certain assets purchased and liabilities sold could have liquidity characteristics that are specific. If the Company would require significant amounts on short notice in excess of normal cash requirements it may face difficulties to obtain attractive prices. Nevertheless, the Company has access to borrowings from local financial institutions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company's financial assets and liabilities as of 31 December 2022, have the following maturities:

Liquidity risk	Up to 3 months	From 3 to 12 months	Over 1 year	Total
Cash on hand and at banks	795,189	-	-	795,189
Term deposits	2,295,000	8,575,000	5,289,681	16,159,681
Government Bond	-	-	982,962	982,962
Insurance receivables	1,325,245	219,546	-	1,544,791
Reinsurance assets	-	9,637,474	-	9,637,474
Total assets	**4,415,434**	**18,432,020**	**6,272,643**	**29,120,097**
Claim reserves	1,428,606	8,681,973	10,251,640	20,362,219
Unearned premium reserve	540,419	5,630,572	147,804	6,318,795
Unexpired risk reserve	274,276	-	-	274,276
Other financial liabilities	1,018,222	-	-	1,018,222
Total liabilities	**3,261,523**	**14,312,545**	**10,399,444**	**27,973,512**
Net liquidity position as at 31 December 2022	**1,153,911**	**4,119,475**	**(4,126,801)**	**1,146,585**

The table below analyses the financial assets and liabilities of the Company at 31 December 2021 into relevant maturity, except as for insurance and reinsurance balances.

Liquidity risk	Up to 3 months	From 3 to 12 months	Over 1 year	Total
Cash on hand and at banks	1,017,993	-	-	1,017,993
Term deposits	580,000	3,520,000	9,699,509	13,799,509
Government Bond	-	-	982,962	982,962
Insurance receivables	1,531,917	181,666	-	1,713,583
Reinsurance assets	-	3,810,049	-	3,810,049
Total assets	**3,129,910**	**7,511,715**	**10,682,471**	**21,324,096**
Claim reserves	1,221,201	2,695,300	9,173,783	13,090,284
Unearned premium reserve	2,399,719	3,175,357	168,783	5,743,859
Unexpired risk reserve	283,797	-	-	283,797
Other financial liabilities	1,195,194	-	-	1,195,194
Total liabilities	**5,099,911**	**5,870,657**	**9,342,566**	**20,313,134**
Net liquidity position as at 31 December 2021	**(1,970,001)**	**1,641,058**	**1,339,905**	**1,010,962**

Regulatory capital

According to the Central Bank of Kosovo Regulation "On deposit of assets as security, capital adequacy, financial reporting, risk management, investment liquidation", Article 7, all insurance companies are required a minimum total equity of EUR 3,200 thousand. As at 31 December 2022, the total equity of the Company is EUR 4,694 thousand or EUR 1,416 thousand higher than the minimum required equity.

As at 31 December 2022 and as of the date of approval of these financial statements, solvency margin calculations indicate a solvent position. The Company's solvency based on 150% growth as of 31 December 2022 is EUR 3,451 thousand (2021: 3,451 thousand). The Company's available charter capital as determined by regulations of the Central Bank of Kosovo is EUR 4,616 thousand (2021: EUR 4,623 thousand) or EUR 1,416 thousand higher than the minimum required capital of EUR 3,200 thousand (2021: EUR 1,035 thousand higher). The available charter capital exceeds the required Solvency Margin by EUR 284 thousand (2021: EUR 799 thousand).

Other risks

Changes in governmental regulations in the business segments in which the Company operates may affect profitability. The insurance business is subject to comprehensive and developing supervision. The primary purpose of such regulations is to protect policyholders. Changes in existing insurance laws and regulations may affect the way in which the Company conducts its business and the products offered. Additionally, the insurance laws or regulations adopted and amended from time to time may be more restrictive or may result in higher costs than current requirements.

8. Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Policyholder claims and benefits

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. The Company's decisions for reported and unreported losses and establishing resulting provisions and related reinsurance recoverable are annually reviewed and updated, and adjustments resulting from this review are reflected in profit or loss. The process is based on the assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Insurance risk management is discussed in detail in Note 6, whilst insurance contract liabilities are analyzed in Note 20.

Claims arising from general insurance business. Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims provisions. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as the changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Insurance liabilities for claims outstanding are not discounted.

Adjustments to claims insurance liabilities established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The insurance liabilities for incurred but not reported claims are estimated based on Chain Ladder paid triangles method for Motor Third Party Liability ("MTPL"). For MTPL plus, Casco, Property and Health, Chain Ladder incurred triangle method was used, while for Personal Accidents and health in travel Chain Ladder method set up by using number of incurred claims was used. Reserve for Incurred but not reported ('IBNR') claims for Border Guarantee fund is determined by Kosovo Insurance Bureau ('KIB'). Whilst the Management considers that the insurance liabilities for claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the insurance liabilities are reflected in the financial statements for the period in which the adjustments are made.

Claims and reserves arising from the compensation fund. On behalf of all insurance companies licensed by the Central Bank of Kosovo to underwrite CTPL insurance in Kosovo, the Kosovo Insurance Bureau ("KIB") administers the system to sell compulsory third party liability motor vehicle insurance ("CTPL") at the border of the Republic of Kosovo (the "pool") to drivers of foreign registered vehicles not in possession of such insurance. KIB remits the monthly share of the gross premiums received (including VAT and premiums tax, which are then included in the insurance companies' own tax returns), to each insurance company. Each insurance company is required to contribute a specified percentage to gross premiums received (net of related premium tax) to KIB for the claims and other administrative costs of the pool and the membership activities of KIB. The accounting treatment of written premiums and insurance reserves determined by KIB, is the same as the treatment for the other categories of written premiums and insurance reserves, respectively.
In addition, each insurance company is required to contribute to KIB for the Guarantee Fund of Kosovo ("Guarantee Fund"), which was established under "Rule 3, an amending rule on Compulsory Third party Liability Motor Vehicle Insurance", Section 4 dated 27 June 2002. The guarantee fund is used to settle insurance claims related to accidents caused by uninsured vehicles, unknown vehicles or other specified events. It is funded equally by all the insurance companies in Kosovo licensed by the CBK to underwrite CTPL insurance. The insurance companies have taken collective responsibility for providing the Guarantee Fund with sufficient funding to be able to meet all future claims in the event that claims and costs incurred by the Guarantee Fund are in excess of its retained surplus. Claims reserves from KIB are part of the Company's insurance contract liabilities. Contribution for the compensation fund is recognised in profit or loss as incurred.

Liability Adequacy Test. At each reporting date the Company performs test to ensure the adequacy of claim insurance liabilities. The primary tests performed are Claim Ratio Analysis and Run-off analysis of claim reserves. The claim ratio analysis is performed annually on the major lines of business individually. The calculation is performed on claims alone as well as claims including acquisition costs and any other external claim handling costs. In performing this analysis the Company takes into account current estimates of cash outflows. The Company does not discount these estimated cash flows because most claims are expected to be settled within one year.
The Company performs the run-off analysis of claim reserves to assess its provisioning methodology. The run-off analysis is performed on RBNS and IBNR separately as well as on combined basis.

(All amounts are expressed in EUR, unless otherwise stated)

8. Critical accounting estimates and judgments in applying accounting policies (continued)

Unexpired risk reserve

Insurance liabilities are calculated by using historical assumptions. The liability adequacy test for non-life insurance is limited to the unexpired portion of existing contracts. It is performed by comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date with the amount of unearned premiums in relation to such policies after deduction of capitalized direct costs related to the insurance policy. Expected cash flows relating to claims and expenses are estimated by reference to the experience during the expired portion of the contract, adjusted for significant individual losses which are not expected to recur. This test calculates if there is any need for unexpired risks reserve (URR).The test is performed to check the adequacy of the unearned premiums or if there is a need for unexpired risk reserves (URR). The amounts of gross claims and net operating expenses, defined as all expenses related with insurers activity, are applied in these tests to generate combined ratio and compared with the amount of established provisions for unearned premiums reduced by deferred insurance acquisition costs.

The test is performed not only in total but within four major grouping of lines of business namely: Property, Motor, Accidents and Health and Marine and Aviation.

9. Fair value disclosure

Fair value measurements for measurement and/or presentation purposes are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety. The Company has no assets measured at fair value at the reporting date.

Assets not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

		Fair value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
31 December 2022				
Cash and cash equivalents	795,189	-	795,189	-
Term deposits with banks	16,159,681	-	16,160,611	-
Securities held at amortised cost	982,962	-	971,747	-
Reinsurance assets	9,637,474	-	9,637,474	-
Insurance receivables	1,544,791	-	1,544,791	-
31 December 2021				
Cash and cash equivalents	1,017,993	-	1,017,993	-
Term deposits with banks	13,799,509	-	13,771,847	-
Securities held at amortised cost	982,962	-	980,700	-
Reinsurance assets	3,810,049	-	3,810,049	-
Insurance and other receivables	1,713,583	-	1,713,583	-

Non-recurring fair value adjustments

In 2022 The Company has revalued its building to its fair value. The fair value belongs to level 3 measurements in the fair value hierarchy. The valuation technique and inputs used in the fair value measurement at 31 December 2022 are as follows:

	Fair value	Valuation technique	Inputs used
Property and equipment - Building	2,370,000	Market comparable buildings	Price, location and size

(All amounts are expressed in EUR, unless otherwise stated)

10. Cash and cash equivalents

Cash and cash equivalents consist of current accounts with local banks. They are neither past due nor impaired.

	31 December 2022	31 December 2021
Cash at banks – current accounts with local banks	795,189	1,017,993
Total cash at banks	**795,189**	**1,017,993**

The credit rating of financial institutions with whom the Company holds cash and cash equivalents are presented in the below table:

	31 December 2022	31 December 2021
Rating	**Cash and cash equivalents**	**Cash and cash equivalents**
A2	513,452	464,591
AAA	18,557	42,007
B-	20,525	80,311
B3	38,932	38,807
BB	77,514	264,270
BBB	31,485	48,765
Not rated	94,724	79,242
Total	**795,189**	**1,017,993**

11. Term deposits

	31 December 2022	31 December 2021
Term deposits – commercial local banks	15,440,000	13,120,000
Deposits with the Central Bank of Kosovo	600,000	600,000
Accrued Interest Receivable	119,681	79,509
Total	**16,159,681**	**13,799,509**

The interest rate on term deposits during 2022 was between 1.30% and 2.35% per annum (2021: 0.05% to 2.30% per annum). The maturity on term deposits during the year 2022 was between 12 months and 24 months (2021: 12 months and 24 months).

The credit rating of financial institutions with whom Company holds term deposits are presented in the below table:

	31 December 2022	31 December 2021
Rating	**Term deposits**	**Term deposits**
AAA	3,823,316	3,545,428
B-	5,611,560	5,602,279
BB	2,216,415	251,449
Not rated	4,508,390	4,400,353
Total	**16,159,681**	**13,799,509**

Interest income accrued from term deposits during the year amounts to EUR 265,680 (2021: EUR 216,944).

12. Securities held at amortized cost

	31 December 2022	31 December 2021
Held to maturity-Government bond	980,000	980,000
Interest Receivable	2,962	2,962
Total	**982,962**	**982,962**

The Company has invested in Government Bonds in the amount of EUR 980,000 with interest rate of 1.60% and maturity of three years. These Bonds have been purchased back in 2020 and their maturity date is 20 October 2024. Interest income related to bonds amounts to EUR 15,680 (2021**:** EUR 2,962).

(All amounts are expressed in EUR, unless otherwise stated)

13. Insurance receivables

Receivables from policy holders gross and net of allowance for doubtful receivables are presented below:

	31 December 2022	31 December 2021
Receivable from insurance customers	2,364,867	2,655,963
Less: Allowance for impairment losses	(820,076)	(942,380)
	1,544,791	**1,713,583**

Movement in allowance for impairment losses are as follows:

	2022	2021
Opening balance	942,380	887,253
Insurance receivable written off	(301,184)	(97,485)
Impairment charge for the year:	178,880	152,612
Total	**820,076**	**942,380**

The aging of insurance receivables is presented below:

	31 December 2022			31 December 2021		
	Gross	Impairment	Net	Gross	Impairment	Net
Current, neither past due nor impaired (up to 3 months from invoice date) – 0%	1,325,245	-	1,325,245	1,531,917	-	1,531,917
3-6 months – 5%	190,774	(9,540)	181,234	142,930	(7,146)	135,784
6 months to 1 year – 75%	153,246	(114,934)	38,312	183,529	(137,647)	45,882
more than 1 year – 100%	695,602	(695,602)	-	797,587	(797,587)	-
Total	**2,364,867**	**(820,076)**	**1,544,791**	**2,655,963**	**(942,380)**	**1,713,583**

14. Deferred acquisition costs

Deferred acquisition costs at year-end comprise:

	31 December 2022	31 December 2021
Commissions paid	781,849	539,889
Commissions for CBK	116,828	80,673
	898,677	**620,562**

Commission paid to the CBK is based on premium written and therefore included as part of the acquisition cost.

	2022	2021
Balance at 1 January	620,562	586,384
Increase for the year (note 26)	278,115	34,178
Balance at 31 December	**898,677**	**620,562**

15. Reinsurance assets

	31 December 2022	31 December 2021
Reinsurance share in claims reported (Note 20)	9,437,182	3,624,265
Share in other claim reserves and UPR	200,292	185,784
Total	**9,637,474**	**3,810,049**

The Company's reinsurance assets are not secured and are neither past due nor impaired. Credit quality of reinsurance assets is presented in Note 7 (Credit Risk).

(All amounts are expressed in EUR, unless otherwise stated)

16. Property, equipment and right of use assets

	Buildings and premises	Furniture, fixtures and equipment	Computers and related equipment	Motor vehicles	Total
Cost or revaluation:					
As at 1 January 2021	3,170,637	44,922	172,880	130,863	3,519,302
Additions during the year	-	29,057	14,087	-	43,144
Revaluation (note 19)	276,825	-	-	-	276,825
Disposals	(343,000)	-	-	-	(343,000)
As at 31 December 2021	**3,104,462**	**73,979**	**186,967**	**130,863**	**3,496,271**
Additions during the year	-	24,328	14,875	-	39,203
Revaluation	262,090	-	-	-	262,090
As at 31 December 2022	**3,366,552**	**98,307**	**201,842**	**130,863**	**3,797,564**
Accumulated depreciation:					
As at 1 January 2021	871,049	25,670	85,235	51,330	1,033,284
Charge for the year	63,413	8,299	31,577	26,172	129,461
As at 31 December 2021	**934,462**	**33,969**	**116,812**	**77,502**	**1,162,745**
Charge for the year	62,090	13,367	28,005	24,630	128,092
Disposals	-	-	-	-	-
As at 31 December 2022	**996,552**	**47,336**	**144,817**	**102,132**	**1,290,837**
Carrying amounts					
As at 31 December 2021	**2,170,000**	**40,010**	**70,155**	**53,361**	**2,333,526**
As at 31 December 2022	**2,370,000**	**50,971**	**57,025**	**28,731**	**2,506,727**

As at 31 December 2022 and 2021 there are no property, equipment encumbered of pledged to secure Company liabilities.

At the end of December 2022 the Company revaluated its buildings, located in Pristina. Revaluated amounts are determined based on the valuation performed by independent professional appraisers. The reassessment of real estate for the year 2022 has shown an increase compared to the last year with amount EUR 262,090.

Buildings have been revalued to market value at 31 December 2022. The valuation was carried out by an independent firm of valuators who hold a recognized and relevant professional qualification and who have experience in valuation of assets of similar location and category.

Included in the above carrying amount is EUR 262,090 (2021: EUR 276,825) representing a revaluation surplus relating to land and buildings of the Company. At 31 December 2022 the carrying amount of buildings would have been EUR 1,870 thousand (2021: EUR 1,911 thousand) had the building been carried at cost less depreciation.

Right of use assets:

	2022	2021
	Premises and vehicles	**Premises and vehicles**
Balance at 1 January	421,529	92,348
Additions	81,413	536,184
Depreciation charge for the year	(228,442)	(207,003)
Balance at 31 December	**274,500**	**421,529**

The Company leases mainly premises for its Companies throughout the Republic of Kosova and vehicles. Rental contracts are typically made for fixed periods of 1 to 5 years and the consideration for them is fixed.

The termination of lease periods is at discretion of either party, provided a prior notice has been made according to the contractual terms. Nevertheless, the Company estimates the lease period taking into consideration future expected use of the leased asset, based on past experience.

(All amounts are expressed in EUR, unless otherwise stated)

16. Property, equipment and right of use assets (continued)

To determine the lease term, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

17. Intangible assets

	Software
Cost:	
As at 1 January 2021	63,375
Additions during the year	11,320
Disposals	-
As at 31 December 2021	**74,695**
Additions during the year	48,702
Disposals	-
As at 31 December 2022	**123,397**
Accumulated depreciation:	
As at 1 January 2021	24,089
Charge for the year	22,938
Disposals	-
As at 31 December 2021	**47,027**
Charge for the year	28,621
Disposals	-
As at 31 December 2022	**75,648**
Carrying amounts	
As at 31 December 2021	**27,668**
As at 31 December 2022	**47,749**

18. Other assets

	31 December 2022	31 December 2021
Prepayments to Kosovo Insurance Bureau (KIB)	433,888	349,853
Advances to employees	39,611	50,209
Advances paid	16,934	30,121
Non-financial investments	15,000	15,000
Other assets	49,693	89,401
Gross other assets	**555,126**	**534,584**
Impairment of other assets	(1,298)	(3,894)
Total	**553,828**	**530,690**

Prepayments to Kosovo Insurance Bureau (KIB) include:

- EUR 186,161 (2021: EUR 102,126) prepayment as a result of excess payments made in the past to KIB, which will be offset against future liabilities to KIB;
- EUR 125,000 (2021: EUR 125,000) for Memorandum of Understanding signed between Kosovo Insurance Bureau and Association of Serbian Insurers dated 23 June 2015 on mutual recognition of motor third party liability insurance and arrangement for the processing and payment of claims.
- EUR 122,727 (2021: EUR 122,727) for Memorandum of Understanding signed between Kosovo Insurance Bureau and National Bureau of Montenegro dated 25 June 2021 on mutual recognition of motor third party liability insurance and arrangement for the processing and payment of claims.

Advances to employees represent the outstanding balance of advances that the Company used to provide to its employees as financial support, for only specific case. Advances paid represent advance payments made by the Company to the third parties, for services, which are expected to be received after the reporting date.

(All amounts are expressed in EUR, unless otherwise stated)

19. Share capital

At 31 December 2022 the registered share capital is EUR 6,000,000 composed of 60,000 shares fully paid and authorized with a nominal value of EUR 100 per share (2021: 60,000 shares with a nominal value of EUR 100 per share). 100% of the shares in the Company's share capital are owned by Sigal Uniqa Group Austria sh.a. Albania, a subsidiary of Uniqa Insurance Group AG operating in Albania.

Revaluation reserves

At 31 December 2022 the revaluation reserve amounts to EUR 988,640 (2021: EUR 752,759). The movement of the revaluation reserves is presented in the table below.

	2022	2021 Restated
At 1 January	752,759	689,076
Revaluation for the year (Note 16)	235,881	249,143
Release of revaluation reserve due to disposal	-	(185,460)
At 31 December	**988,640**	**752,759**

20. Insurance contract liabilities

	2022			2021		
	Gross	Reinsurance (Note 15)	Net	Gross	Reinsurance (Note 15)	Net
Reported claims	8,876,195	(3,624,265)	5,251,930	8,479,184	(3,584,636)	4,894,548
Incurred but not reported	4,034,422	-	4,034,422	3,336,668	-	3,336,668
Claims handling costs	179,667	-	179,667	194,132	-	194,132
Total at beginning of the year	**13,090,284**	**(3,624,265)**	**9,466,019**	**12,009,984**	**(3,584,636)**	**8,425,348**
Claims incurred	16,428,389	(7,328,796)	9,099,593	8,921,727	(610,521)	8,311,206
Claims paid	(8,954,477)	1,515,879	(7,438,598)	(7,661,760)	570,892	(7,090,868)
Claims handling costs	(201,977)	-	(201,977)	(179,667)	-	(179,667)
	7,271,935	**(5,812,917)**	**1,459,018**	**1,080,300**	**(39,629)**	**1,040,671**
Total at end of year	**20,362,219**	**(9,437,182)**	**10,925,037**	**13,090,284**	**(3,624,265)**	**9,466,019**
Reported claims	15,766,758	(9,437,182)	6,329,576	8,876,195	(3,624,265)	5,251,930
Incurred but not reported	4,393,484	-	4,393,484	4,034,422	-	4,034,422
Claims handling costs	201,977	-	201,977	179,667	-	179,667
Change in claims reserves, net	**7,271,935**	**(5,812,917)**	**1,459,018**	**1,080,300**	**(39,629)**	**1,040,671**

Paid claims by insurance product are as follows:

	2022	2021
Motor vehicles	5,228,571	5,070,210
Health and accidents	1,970,244	1,799,327
Property	1,755,662	792,223
Total	**8,954,477**	**7,661,760**

Reported claims reserve	**2022**	**2021**
At 1 January	8,876,195	8,479,184
Net change during the year	6,890,563	397,011
At 31 December	**15,766,758**	**8,876,195**

Incurred but not reported claims reserve	**2022**	**2021**
At 1 January	4,034,422	3,336,668
Net change during the year	359,062	697,754
At 31 December	**4,393,484**	**4,034,422**

Included in the insurance contract liabilities reserve as of 31 December 2022 is also the amount of EUR 201,977 (2021: EUR 179,667) which represent the reserve for claim handling costs.

(All amounts are expressed in EUR, unless otherwise stated)

21. Unearned premium reserve and unexpired risk reserve

Unearned premium reserve	2022	2021
As at 1 January	5,743,859	5,740,213
Premiums written during the year (note 23)	16,493,296	14,069,809
Less: premiums earned during the year	(15,918,360)	(14,066,163)
Balance at 31 December	**6,318,795**	**5,743,859**

	2022	2021
Gross change in provision for unearned premium	(574,936)	(3,646)
Change in reinsurers share	14,508	(477,391)
Change in provision for unearned premium, net	**(560,428)**	**(481,037)**

Unexpired risk reserve	**2022**	**2021 Restated**
As at 1 January	283,797	283,797
Reserve for the year	(9,521)	-
Balance at 31 December	**274,276**	**283,797**

22. Lease liabilities

	2022	2021
Balance at 1 January	427,078	91,653
New leases	147,330	574,186
Interest on lease liability	15,760	15,243
Termination of lease agreements	(63,911)	(38,002)
Repayments of principal and interest	(243,864)	(216,002)
At 31 December	**282,393**	**427,078**

23. Insurance and other payable

	2022	2021
Payable to suppliers	426,723	295,533
Reinsurance payables	309,106	472,583
Payable to the agents	240,898	247,480
Financial liabilities	**976,727**	**1,015,596**
VAT payables	161,929	140,841
Payable to the Central Bank of Kosovo	60,176	51,305
Pension contribution payable	16,815	14,438
Personal income tax payable	13,237	11,155
Other payables	105,062	62,701
Non-financial liabilities	**357,219**	**280,440**
Total	**1,333,946**	**1,296,036**

(All amounts are expressed in EUR, unless otherwise stated)

24. Gross written premium

Gross written insurance and reinsurance premiums as per product are detailed as follows:

	2022	2021
Motor vehicles	9,943,711	8,865,494
Health and accidents	3,675,037	2,946,928
Property	2,660,036	2,161,671
Marine and aviation	214,512	95,716
Total	**16,493,296**	**14,069,809**

Motor vehicle premiums are further detailed as follows:

	2022	2021
Motor third party liability	7,447,321	6,675,980
Motor hull (Casco)	1,569,571	1,439,277
Border insurance	926,819	750,237
Total	**9,943,711**	**8,865,494**

Border insurance gross written premiums amounting to EUR 927 thousand (2021: EUR 750 thousand) relate to shared income from Kosovo Insurance Bureau ("KIB"), KIB was established under Law No, 04/L-018 on Compulsory Motor Vehicle Insurance", Section 29, dated 23 June 2011 and administers the system to sell compulsory third party liability motor vehicle insurance ("CTPL") at the border of the Territory of Kosovo (the "pool") to drivers of foreign registered vehicles not in possession of such insurance. The operations of the pool are self-contained and the revenues, claims and overheads are shared between all insurance companies licensed in Kosovo to sell TPL insurance within the Territory of Kosovo. KIB remits to each insurance company monthly its share of the gross premiums received (including VAT and premiums tax, which are then included in the insurance companies' own tax returns). Each insurance company is required to pay for the claims and other administrative costs of the pool and the membership activities of KIB.

25. Premium ceded to reinsurers

Premiums ceded to reinsurers by insurance products are detailed as follows:

	2022	2021
Property	1,632,496	1,026,961
Motor vehicles	132,933	103,276
Marine and aviation	165,985	63,171
Total	**1,931,414**	**1,193,408**

26. Acquisition costs

Acquisition costs by line of business are presented below:

	2022	2021
Commissions to agents and intermediaries	1,563,421	1,352,162
Commissions to Central Bank of Kosovo	239,153	204,012
Change in deferred acquisition costs (note 14)	(278,115)	(34,178)
Total	**1,524,459**	**1,521,996**

27. Share of expenses of Kosovo Insurance Bureau ("KIB")

The Kosovo Insurance Bureau ("KIB") administers the system to sell compulsory third party liability motor vehicle insurance ("CTPL") at the border of the Republic of Kosovo (the "pool") to drivers of foreign registered vehicles not in possession of such insurance, on behalf of all insurance companies licensed by the Central Bank of Kosovo to sell CTPL insurance within the Territory of Kosovo. KIB remits to each insurance company monthly its share of the gross premiums received (including VAT and premiums tax, which are then included in the insurance companies' own tax returns). Each insurance company is required to contribute a specified percentage to gross premiums received to KIB for the claims and other administrative costs of the pool and the membership activities of KIB. During 2022 the Company contributed to KIB a total amount EUR 206,930 as administrative expenses (2021: EUR 169,408). KIB allocated an amount of EUR 936,287 (2021: EUR 859,406) as a reserve for the border which is part of Company's insurance contract liabilities (Note 20) for the year ending 31 December 2022.

(All amounts are expressed in EUR, unless otherwise stated)

28. Administrative expenses

	2022	2021 Restated
Personnel cost	1,123,516	1,054,918
Depreciation and amortization (note 16)	385,154	359,402
Advertising costs	314,948	274,128
Rent expenses	135,300	137,103
VAT expenses	104,682	22,207
Consultancy	92,802	147,450
Office expenses	88,555	51,059
Maintenance and repairs	87,655	64,581
Fuel expenses	46,266	32,876
Bank charges	36,696	28,935
Representation expenses	28,573	25,312
Telecommunication expenses	26,065	27,209
Electricity expenses	22,938	24,710
Interest expenses on Lease Liability (Note 22)	15,760	15,243
Other expenses	615,010	314,578
Total	**3,123,920**	**2,579,711**

Expenses in amount of EUR 135,300 (2021: EUR 137,103) represent expenses relating to short-term leases and leases of low-value assets that are not included as lease liabilities, due to the fact that Company used practical expedient allowed by IFRS 16 Leases.

29. Income taxes

(a) Components of income tax benefit

	2022	2021
Deferred income tax	-	-
Income tax	(284,992)	(232,904)
Total income tax benefit	**(284,992)**	**(232,904)**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The Company determines taxation at the end of the year in accordance with the tax legislation in Kosovo. In 2022 and 2021, Kosovo corporate tax rate on profit was equal to 10% of the taxable profit.
A reconciliation between the expected and the actual taxation charge is provided below.

	2022	2021
Profit before tax	**508,587**	**(49,363)**
Theoretical tax expense/(credit) at statutory rate of 10%	50,859	(4,936)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-taxable income	(1,568)	(2,155)
- Non-deductible expenses	235,701	239,995
Total	**284,992**	**232,904**

30. Other income

	2022	2021
Income from TPL regresses and others	145,506	150,519
Income from GPS and others	2,551	14,871
Gain from sale of buildings	-	12,934
Total	**148,057**	**178,324**

(All amounts are expressed in EUR, unless otherwise stated)

31. Balances and transactions with related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties with which the Company had transactions with are listed below:

A summary of related party balances for the years ended 31 December 2022 and 2021 are as follows:

Assets	**Relationship**	**31 December 2022**	**31 December 2021**
Reinsurance requests to Uniqa Re AG	Entities under common control	6,962,269	2,417,269
Reinsurance requests to Sigal sh.a	Entities under common control	432,880	-
Receivables from Uniqa a.d Skopje	Entities under common control	26,006	688
Receivables from Sigal Life Kosovo	Entities under common control	324	17,372
Total receivables from related parties		**7,421,479**	**2,435,329**

Liabilities	**Relationship**	**31 December 2022**	**31 December 2021**
Payables for reinsurance contracts to Uniqa Re AG	Entities under common control	256,702	287,535
Payables for management fee to Uniqa Insurance Group	Entities under common control	161,254	100,287
Payables for IT Costs to Uniqa International	Entities under common control	34,639	49,046
Payables for reinsurance contracts to UNIQA Österreich	Entities under common control	-	2,200
Payables to Sigal Life Kosovo	Entities under common control	14,218	1,025
Payables to Avel shpk	Entities under common control	-	500
Payables for reinsurance contracts to Sigal Uniqa Group Austria sh.a (Albania)	Parent company	678	109,010
Total liabilities to related parties		**467,491**	**549,603**

Income	**Relationship**	**2022**	**2021**
Income from Sigal Life Kosovo sh.a	Entities under common control	-	2,542
Total income from related parties		**-**	**2,542**

(All amounts are expressed in EUR, unless otherwise stated)

31. Balances and transactions with related parties (continued)

Expenses	**Relationship**	**2022**	**2021**
Expenses for reinsurance contracts to Uniqa Re	Entities under common control	262,367	238,353
Expenses for reinsurance contracts to Uniqa Entities	Entities under common control	245,850	257,665
Management fee and other expenses to Uniqa Insurance Group	Entities under common control	161,254	100,286
Management fee expenses to Uniqa IT services	Entities under common control	34,639	49,046
Expenses for co-insurance contracts to Sigal Life Kosovo	Entities under common control	13,192	22,822
Expenses for reinsurance contracts and other expenses to Sigal sh.a	Entities under common control	10,513	16,459
Vehicle rent expenses to Avel sh.a.	Immediate family member of key management	5,630	6,000
Total expenses with related parties		**733,445**	**690,631**

Transactions with key management	**Relationship**	**2022**	**2021**
Salaries and social contributions	Key management	137,007	138,667
Total transactions with key management		**137,007**	**138,667**

32. Commitment and contingencies

In the ordinary course of business, the Company is involved in various claims and legal actions. In the opinion of management, the ultimate settlement of these matters is not expected to have a material adverse effect on the Company's financial position or changes in net assets unless it is already included in the insurance contract reserves.

Tax commitments
Financial statements and the accounting records of the Company are subject to tax control by the tax authorities and they can cause additional tax liabilities and penalties. According the evaluation of the Management of the Company and at the date of these statements no additional terms and conditions exist that may cause contingent liabilities of material significance on such basis.

Litigation

In the ordinary course of business, the Company is involved in various claims and legal actions. In the opinion of management, the ultimate settlement of these matters will not have a material adverse effect on the Company's financial position or changes in net assets. Legal cases are common when claimants do not agree with the claim valuation performed by the Company. Management evaluates claims using internal expertise including legal advice. The Company believes that these estimates are appropriate however acknowledges that the final outcome may be higher or lower than the amount provided. As at 31 December 2022 there were 648 outstanding cases where in aggregate outstanding reserve is EUR 4,803 thousand (2021: 509 outstanding claims where in aggregate outstanding reserve is EUR 3,278 thousand) for which the Company is currently in a court process.

33. Events after the end of the reporting period

There are no events after the balance sheet date that may require correction or additional notes to the Company financial statements.

Supplementary Schedules (unaudited)

(All amounts are expressed in EUR, unless otherwise stated)

Annex I - Table for Solvency Calculation

1	**Table of reserves for claims**	**2022**
1.1	Requirements for outstanding claims at the beginning of the period	13,090,284
1.2	Paid claims	8,954,477
1.3	Requirements for outstanding claims at the end of the period	20,362,219
1.4	**Incurred losses (1.2 + 1.3) - 1.1**	**16,226,412**
1.5	**Average of incurred losses**	**11,156,695**
2	**Table of part of reinsurer requirements**	
2.1	Part of reinsurance for pending claims at the beginning of the period	3,624,265
2.2	Accepted reinsurance	1,515,879
2.3	Part of reinsurance for pending claims at the end of the period	9,437,182
2.4	**Part of reinsurance for incurred claims**	**7,328,796**
2.5	**Net incurred losses (held claims)**	**8,897,615**
2.6	**Holding level**	**54.8%**
2.7	**Average of holding level**	**76.2%**
3	**Based on premiums**	**Dec.22**
3.1	Gross written premiums	**16,108,940**
3.2	Change of premiums	**(565,415)**
3.3	For QI: 11,12,13 increase of premium for 50%	**576,534**
3.4	Others (tax & reinsurance)	
3.5	**Total**	**16,120,059**
3.6	First layer (fixed to 10 million)	**10,000**
3.7	Second layer (more than 10 million)	-
3.8	Percentage of the first layer (fixed)	18%
3.9	Percentage of the second layer (fixed)	16%
3.10	**Result based on premiums**	**2,117,795**
3.11	Holding level	76%
3.12	**Result of solvency based on premiums**	**2,117,795**
4	**Based on claims**	
4.1	Incurred gross claims (see table of claims)	16,226,412
4.2	First layer (fixed)	**7,000,000**
4.3	Second layer	-
4.4	*Percentage of the first layer (fixed)*	*26%*
4.5	*Percentage of the second layer (fixed)*	*23%*
4.6	**Sum of the first layer**	**2,115,380**
4.7	Net and gross incurred claims ratio	76%
4.8	**Minimum percentage**	**50%**
5	**Result of solvency based on claims**	**2,115,380**
5	**Required solvency**	**2022**

(All amounts are expressed in EUR, unless otherwise stated)

5.1	Based on premiums	2,117,795
5.2	Based on claims	2,115,380
5.3	Required solvency	2,117,795
5.4	Required solvency for the previous year	2,300,456
5.5	**Solvency based on growth of 150%**	**3,450,684**

(All amounts are expressed in EUR, unless otherwise stated)

Annex II - Charter Capital

		2022
I	**CHARTER CAPITAL, Article 4: (1 + 2 + 3)**	**4,694,791**
1	*Paid share capital of insurers in cash*	*6,000,000*
2	*Capital reserves (reserves recognized by law and free reserves),*	*988,640*
3	Accumulated profits transferred after the deduction of dividends to be paid	*-2,293,849*
II	**DEDUCTIBLE ELEMENTS FROM CHARTER CAPITAL, Article 4: (1 + 2 + 3 + 4)**	-
1	Repurchased own shares	-
2	Investments in intangible (non-material) assets;	-
3	Transferred losses and losses of the current year;	-
4	Difference between reserves for discounted and undiscounted claims	-
III	**SUPPLEMENTARY CAPITAL, Article 5; (1 + 2 + 3 + 4), max 50%**	-
1	Share capital of the insurer, consisting of preferential shares issuance according to their nominal amount paid in cash in insurer equity	-
2	Subordinated debt Instruments,	-
3	Capital reserves linked to preferential shares	-
4	Other elements	-
IV	**REGULATORY CAPITAL, (I - II + III)**	**4,694,791**
V	**DEDUCTIBLE ELEMENTS IN CAPITAL CALCULATION, Article 6: (1 + 2)**	**-**
1	Participations or possessions in ownership of other companies	-
2	Investments in subordinated debt instruments	-
VI	**Non-liquid assets, Article 6; (1 to 9)**	**401,750**
1	Premiums receivable and debtors from the reinsurance for more than 180 days	38,212
2	Borrowings and receivables with related parties	-
3	Debtors and other accounts receivable, which derive from the insurance activity	-
4	Borrowings from brokers and agents	-
5	100% expenses paid in advance and deferred tax assets	315,789
6	Other assets, not excluded from any responsibility or liability	-
7	Other assets which are not easily convertible into cash	-
8	Intangible assets	47,749
9	Others	-
VII	**Net property - Available capital (IV - V - VI)**	**4,293,041**
VIII	**Guarantee fund according to the law**	**3,200,000**
IX	**Request for capital according to the Guarantee Fund**	**1,093,041**
X	**Request for solvency coverage**	**842,356**
XI	**Final request for capital growth**	**-**

(All amounts are expressed in EUR, unless otherwise stated)

Annex III - Assets deemed to back insurance liabilities

In accordance with CBK Regulation on investments of assets covering technical and mathematical provision, insurance companies operating in Kosovo may invest in the following categories of assets covering technical reserves as at 31 December 2022:

Assets/Investments covering technical provisions	**Current Amount Invested**	**% of allowed assets in covering technical reserves**	**Allowed amount as per the Regulation**
Cash Deposits (EUR) in licensed banks in Kosovo more than 3 months (excluding the charter capital)	14,067,727	No Limit	14,067,727
Government Securities	**-**		**-**
Issued by the Government of the Republic of Kosovo (excluding charter capital)	**-**	No Limit	**-**
Treasury Bonds	-		-
Securities	-		-
Other capital market financial instruments	-		-
Issued and guaranteed by the central banks of governments of EU member states, which need to have a credit ranking not lower than BBB	**-**	20% in total 5% of separate issuer	**-**
Treasury Bonds	-		-
Securities	-		-
Other capital market financial instruments	-		-
Land and Building	**2,370,000**	20% in total 10% of separate issuer	**2,370,000**
Building for operational use	1,850,000		1,850,000
Building for operational use	520,000		520,000
Investing purpose	-		-
Cash and Cash equivalents	**795,189**	3%	**795,189**
Deposits with maturity <= 3 months	-		-
Current Accounts	795,189		795,189
Cash equivalents in Cash Register	-		-
Reinsurer's receivables, net of payables	**-**		**-**
With Credit Rating >= BBB	-	No Limit	-
With Credit Rating< BBB	-	25%	-
Reinsurers share in technical provisions	**9,637,474**		**9,637,474**
With Credit Rating >= BBB	9,637,474	No Limit	9,637,474
With Credit Rating< BBB	-	25%	-
Accrued interests from investments	122,643	5%	122,643
Premiums Receivables, up to 90 days	**1,325,245**	Up to 20% of unearned premium	**1,318,614**
From policyholders	1,325,245		1,318,614
From intermediaries	-		-
Other Fixed Assets, other than item 3.	136,726	5%	136,726
Total assets/investments covering the technical provision	**28,706,787**		**28,448,374**
Technical Provisions as at 31 December 2022			**Amount**
Unearned premium provisions and not matured risk			6,593,071
Provisions for claims and claims reconciliation			20,362,219
Other technical provisions			-
Total required amount to cover technical provisions			**26,955,290**
Assets covering technical provisions			28,448,374
Total Technical Provisions			26,955,290
Difference (6-5)			**1,493,084**
Coverage in %			**106%**

The Company is in compliance with article 14, of the CBK Regulation on “Investment of Assets Covering Technical and Mathematical Provisions and Investment of Charter Capital for Insurers” which entered in force on 31 December 2016.