

**SIGAL UNIQA GROUP AUSTRIA SH.A**  
**Financial statements prepared in accordance with**  
**International Financial Reporting Standards**  
**for the year ended 31 December 2020**  
**with Independent Auditor's Report**

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## Independent Auditor's Report

To the Shareholder of  
Sigal Uniqa Group Austria sh.a.

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### Opinion

We have audited the financial statements of Sigal Uniqa Group Austria sh.a. (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Management is responsible for the other information. The other information comprises the supplementary schedule that include "Solvency margin" and "Assets deemed to back insurance liabilities".

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

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

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, 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 skepticism 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 of Sigal Uniqa Group Austria sh.a. 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.

Grant Thornton LLC  
Prishtina

  
Suzana Stavriqi  
Statutory auditor  


30 April 2021



**SIGAL UNIQA GROUP AUSTRIA SH.A.**  
**Statement of financial position as of 31 December 2020**

(All amounts are expressed in EUR unless otherwise stated)

	Note	31 December 2020	31 December 2019
<b>Assets</b>			
Cash and cash equivalents	8	709,632	875,970
Term deposits	9	12,988,077	12,389,449
Insurance receivables	10	1,823,833	1,950,568
Deferred acquisition costs	11	586,384	932,313
Reinsurance assets	12	4,247,811	3,257,980
Property, equipment and right of use assets	13	2,641,778	2,758,749
Intangible assets	13a	39,286	41,291
Income tax receivable		15,305	-
Other assets	14	754,152	400,074
<b>Total assets</b>		<b>23,806,258</b>	<b>22,606,394</b>
<b>Liabilities</b>			
Insurance contract liabilities	16	12,009,984	10,886,959
Unearned premium reserve	17	5,740,213	5,577,764
Income tax payable		95,000	5,000
Insurance and other payable	18	1,552,643	1,811,021
<b>Total liabilities</b>		<b>19,397,840</b>	<b>18,280,744</b>
<b>Equity</b>			
Share capital	15	6,000,000	6,000,000
Revaluation reserve	13	765,642	765,642
Accumulated losses		(2,357,224)	(2,439,992)
<b>Total equity</b>		<b>4,408,418</b>	<b>4,325,650</b>
<b>Total liabilities and equity</b>		<b>23,806,258</b>	<b>22,606,394</b>

These financial statements have been approved by the Executive Management of the Company on 30 April 2021 and signed on their behalf by:

  
 Mr. Saimir Dhamo  
 Chief Executive Officer

  
 Mrs. Valbona Bardhoshi  
 Chief Financial Officer

**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Statement of profit or loss and other comprehensive income**  
**for the year ended 31 December 2020**

(All amounts are expressed in EUR unless otherwise stated)

	Notes	2020	2019
Gross written premiums	19	12,204,244	12,034,620
Tax on gross premiums written		-	(386,688)
Change in the gross provision for unearned premiums	17	(162,449)	(789,356)
<b>Gross premiums earned net of corporate income tax</b>		<b>12,041,795</b>	<b>10,858,576</b>
Premium ceded to reinsurers	20	(1,929,921)	(775,946)
Reinsurers share of change in the provision for unearned premiums	17	362,624	114,543
<b>Net premium earned</b>		<b>10,474,498</b>	<b>10,197,173</b>
Other income	25	489,656	352,344
Interest income	9	185,593	144,038
<b>Net income</b>		<b>11,149,747</b>	<b>10,693,555</b>
Claims paid	16	(6,527,815)	(6,086,895)
Reinsurer's share of claims paid	16	571,380	292,860
Change in gross claims reserves	16	(1,123,025)	(529,752)
Change in reinsurance share of claims reserves	16	627,207	412,160
<b>Net insurance claims</b>		<b>(6,452,253)</b>	<b>(5,911,627)</b>
Acquisition costs	21	(1,583,115)	(1,526,191)
Share of costs of Kosovo Insurance Bureau ("KIB")	22	(220,412)	(221,961)
Administrative expenses	23	(2,500,570)	(3,150,551)
Impairment of insurance receivables	10,14	(214,649)	(101,671)
<b>Profit / (loss) before income tax</b>		<b>178,748</b>	<b>(218,446)</b>
Income tax expenses	24	(95,980)	-
<b>Net profit / (loss) for the year</b>		<b>82,768</b>	<b>(218,446)</b>
<b>Other comprehensive income for the year</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods (net of tax)</i>			
Revaluation of property	13, 15	-	765,642
<b>Total comprehensive profit/(loss) for the year</b>		<b>82,768</b>	<b>547,196</b>

The notes on pages 7 to 39 are an integral part of these financial statements.

**SIGAL UNIQA GROUP AUSTRIA Sh.a.****Statement of changes in equity for the year ended 31 December 2020***(All amounts are expressed in EUR unless otherwise stated)*

	Share capital	Revaluation reserve	Accumulated loss deficit	Total
<b>Balance as at 1 January 2019</b>	<b>6,000,000</b>	-	<b>(2,221,546)</b>	<b>3,778,454</b>
Transaction with owners	-	-	-	-
Net loss for the year	-	-	(218,446)	(218,446)
<i>Other comprehensive income</i>				
Revaluation reserve (note 15)	-	765,642	-	<b>765,642</b>
<b>Total comprehensive income</b>	-	<b>765,642</b>	<b>(218,446)</b>	<b>547,196</b>
Increase of share capital	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>6,000,000</b>	<b>765,642</b>	<b>(2,439,992)</b>	<b>4,325,650</b>
Transaction with owners	-	-	-	-
Net profit for the year	-	-	82,768	82,768
<i>Other comprehensive income</i>	-	-	-	-
<b>Total comprehensive income</b>	-	-	<b>82,768</b>	<b>82,768</b>
<b>Balance as at 31 December 2020</b>	<b>6,000,000</b>	<b>765,642</b>	<b>(2,357,224)</b>	<b>4,408,418</b>

The notes on pages 7 to 39 are an integral part of these financial statements.

**SIGAL UNIQA GROUP AUSTRIA Sh.a.**  
**Statement of cash flows for the year ended 31 December 2020**

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

	Notes	31 December 2020	31 December 2019
<b>Cash flows from operating activities</b>			
Profit after tax		<b>82,768</b>	<b>(218,446)</b>
Depreciation and amortization	13	327,558	524,919
Tax on gross premiums written		-	386,688
Income tax expenses	24	95,980	-
Gain from disposals of property and equipment		-	5
Impairment of receivables and other assets	10,14	214,649	101,671
Interest income		(185,593)	(144,038)
Interest expenses		12,513	16,425
<b>Cash generated from operations before changes in operating assets and liabilities</b>		<b>547,875</b>	<b>667,224</b>
<i>Changes in operating assets and liabilities (Increase)/decrease in</i>			
Deferred acquisition costs		345,929	(49,278)
Reinsurer assets		(989,831)	(526,703)
Insurance receivables		(87,914)	(365,971)
Other assets		(354,078)	(94,699)
<i>Increase/(decrease) in</i>			
Insurance contract liabilities		1,123,025	529,752
Unearned premium reserve		162,449	789,356
Insurance and other payable		(29,739)	326,481
<b>Changes in operating assets and liabilities</b>		<b>717,716</b>	<b>1,276,162</b>
Tax on gross premiums written paid		-	(508,096)
Income tax paid		(21,285)	-
<b>Net cash from operating activities</b>		<b>696,431</b>	<b>768,066</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	13	(110,274)	(134,956)
Increase in term deposits		(576,629)	(399,995)
Interest received/paid		163,594	111,658
<b>Net cash used in investing activities</b>		<b>(523,309)</b>	<b>(423,293)</b>
<b>Cash flows from financing activities</b>			
Decrease/ in lease liabilities net impact		(339,460)	(333,421)
<b>Net cash inflows from financing activities</b>		<b>(339,460)</b>	<b>(333,421)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(166,338)</b>	<b>11,352</b>
Cash and cash equivalents at January 1		875,970	864,618
<b>Cash and cash equivalents at 31 December</b>	<b>8</b>	<b>709,632</b>	<b>875,970</b>

The notes on pages 7 to 39 are an integral part of these financial statements.



## SIGAL UNIQA Group AUSTRIA Sh.a.

### Notes to the financial statements as of and for the year ended 31 December 2020

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

#### 1. General information

Sigal Uniqa Group Austria Sh.a. (the "Company"), is a former branch 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 25.

**Principal activity.** The Company's principal business activities include providing insurance for motor vehicle, property, health, marine and aviation, and other non-life insurance line of business in the Republic of Kosovo. The Company also provides agency services to international insurance and reinsurance companies which clients are domiciled in the Republic of Kosovo.

**Registered address and place of business.** The Company's headquarters are located in Pashko Vasa str., Prishtina, Kosovo. At 31 December 2020, the Company employed 163 employees, senior management and agents (2019: 166 employees, senior management and agents).

**Management of the Company.** The Management Board during 2020 and up to the date of approval of these financial statements, comprised:

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 2020 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

#### 2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis except for certain buildings and premises that have been measured at fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 3 for adoption of new or revised standards and interpretations and new accounting pronouncements adopted by the Company). These financial statements are presented in EUR, which is the Company's functional currency, and the currency of the primary economic environment in which the Company operates.

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 4.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the respective notes.

## **2. Basis of preparation (continued)**

### **Implications of COVID-19 on significant accounting policies and estimates**

Due to the COVID-19 pandemic, which has had a significant impact on the economic and financial markets, the Company additionally considered the appropriateness of the accounting policies, estimates and assumptions used in 2020 and assessed the impact on its financial position, cash flows and profit or loss.

### **Verification of going concern assumptions**

The management has considered the consequences of COVID-19 and other events and conditions and it has determined that they do not create a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. The going concern assumptions are regularly checked at the level of both the Company and Group. Mechanisms to ensure business continuity in the event of deterioration of the situation at the local and/or global level are established at the level of Sigal Uniqa Group Austria Sh.a Group. The risk profile of the Company does not significantly deviate compared to the end of the year taking into consideration the changes in financial markets and portfolio growth over the period as the Company consistently invest in term deposits over the years. In addition, adequate liquidity of the Company is maintained (net liquidity position as at 31 December 2020 is EUR 371,520, (31 December 2019: EUR 193,223), and the capital adequacy of the Company is assessed as strong and above the minimum statutory requirements.

Due to Covid 19 restrictions, the Company has taken all measures and has launched online sales. Also, the Company has created necessary infrastructure for online working (work from home) for its employees. But these measures didn't have significant impact on financial position, cash flow and profit or loss.

On the basis of all the calculations presented, it can be confirmed that the going concern assumption is appropriate.

### **Impairment of non-financial assets**

The value of real property for own use and investment property was verified. Restrictions due to the declaration of the COVID-19 pandemic also had an impact on the real property market which was quite inactive however the property valuation performed by independent appraiser show that the market value of the property owned by the Company remained stable.

### **Impairment and measurement of the fair value of financial assets**

No significant changes in financial markets occurred in the period from 1 January to 31 December 2020 that would change the measurement of financial assets, particularly as regards the appropriateness of the fair value of financial instruments.

As regards receivables, the appropriateness of the criteria for allowance was verified. As there was no significant increase in overdue receivables, it was assessed that the criteria used in 2019 were appropriate. No impairment losses were recognised among other assets.

### **Changes in accounting estimates and other verification**

There were no changes in the assumptions used in calculation of mathematical and other reserves.

### 3. Summary of significant accounting policies

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

**Foreign currency transactions.** Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities in foreign currencies are translated into Company's functional currency at the official exchange rate at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Company's functional currency at year-end official exchange rates in profit or loss as finance income or costs, net. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

**Classification of insurance contracts.** The Company's insurance products 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 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.

#### Recognition and measurement of insurance contracts

**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. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Insurance receivables for which the amount due is estimated to be uncollectable is written off.

**Unearned premium provision.** 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 and is calculated separately for individual insurance contracts 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. Deferred acquisition costs are deferred separately as an asset.

**Deferred acquisition costs.** Deferred acquisition costs represent the proportion of acquisition costs incurred and revenue received which corresponds to the unearned premium reserve. They are defined as part of the acquisition costs set as a percentage in the insurance technical plan and relating to periods between the end of the reporting period and the expiry date of the insurance contract. Current acquisition costs and reinsurance commission income are recognized respectively in full as an expense and an income in current period. 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 apportioned administrative expenses connected with processing of proposals and issuing of policies.

**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. Provisions for claims outstanding are not discounted. Adjustments to claims provisions 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 provision for incurred but not reported claims is estimated based on Earned Premium Ratio for all lines of business. Whilst the Board of Directors considers that the insurance liabilities for claims and the related reinsurance recoveries are fairly stated, the

**3. Summary of significant accounting policies (continued)**

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.

**Contingency for claims under legal process.** A significant portion of claims are under legal process. The Company has recorded insurance liabilities based on management's best estimate based on evidence available at the reporting date. Related contingent considerations are disclosed in note 26.

**Claims and reserves arising from the compensation fund.** 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 the monthly share of the gross premiums received at market level (which includes information on VAT and premiums tax/insurance corporate income tax, which are then included in each insurance company 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. In addition, each insurance company is also required to contribute to the KIB's Guarantee Fund ("Guarantee Fund") as established under Section 4 of the Central Bank of Kosovo's Rule 3 "On amendment of the rule on Compulsory Motor Third Party Liability Insurance", dated 25 September 2008. The Guarantee Fund is utilized by KIB to settle MTPL insurance claims caused by (i) uninsured vehicles, (ii) unidentified vehicles or (iii) other specified events. Insurance companies in Kosovo contribute to the Guarantee Fund on an equal basis provided they are licensed to underwrite CTPL insurance. Claims' reserves from KIB are part of the Company's insurance contract liabilities. Contribution for the compensation fund is expensed in profit or loss as incurred.

**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 arising from Motor and Accidents including Green Card, Property insurance, Marine and Aviation, Civil and other Liabilities and other lines of business. Such reinsurance includes excess of loss treaties, quota share and facultative agreements. Only contracts that give rise to a significant transfer of insurance risk and timing risk are accounted for as insurance. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Reinsurance liabilities comprise payable for outwards reinsurance contracts and are recognized as an expense when due. Reinsurance premiums for ceded reinsurance are recognized as an expense 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 that 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 recognized as reinsurance assets are measured on a basis that is consistent with the measurement of the provision 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. 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.

**Claims handling costs.** Claim handling costs consist of external claim handling expenses and do not include internal claim handling expenses which are deemed to be not significant compared to external costs. The Company creates an allowance for claim handling costs within the related claim handling provisions.

**Liability Adequacy Test.** At each reporting date the Company performs tests to ensure the adequacy of claim reserves. The primary tests performed are "Claims 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 administration and 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. In addition, the Company performs a run-off analysis of claim reserves annually to assess its reserving methodology.

The run-off analysis is performed on RBNS and IBNR separately as well as on combined basis. In case the analysis shows major discrepancies, proper adjustments are made to the reserving methodology.

### **3. Summary of significant accounting policies (continued)**

#### **Financial Instruments**

##### **Financial assets**

###### *Initial recognition and measurement of financial assets*

As financial assets are classified the financial assets at fair value through profit or loss, including derivatives, loans and receivables, held to maturity investments, available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Company's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis.

The Company's financial assets comprise cash and cash equivalents, term deposits and insurance and other receivables. Financial liabilities comprise other financial liabilities.

###### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

- Financial assets at fair value through profit or loss

Investments typically bought with the intention to sell in the near future are classified as held for trading and they are measured at fair value through profit or loss account. The Company does not have investments classified as financial assets at fair value through profit or loss as of 31 December 2020 and 2019.

- Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in "investment income" in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. The Company does not have investments classified as held to maturity financial assets as of 31 December 2020 and 2019.

- Available-for-sale financial assets

All investments which were not classified as financial assets held for trading or holding to maturity or loans and receivables, they are classified as financial assets available for sale. Subsequent to initial recognition financial assets available for sale are remeasured at fair value, unless fair value cannot be reliably determined are measured at cost less any impairment loss reduction. The fair values are based on quoted prices or are estimated based on cash flow models and ratios which reflect the specific circumstances of the issuer. Changes in fair value of available for sale financial instruments are recognized in other comprehensive income.

When the asset is derecognised, or considered to be depreciated, the accumulated gain or loss is reclassified from the "Revaluation reserve of available-for-sale financial assets" in the statement of profit or loss and other comprehensive income and removed from the revaluation reserve of available-for-sale financial assets.

The Company does not hold investments classified as available-for-sale financial assets as of 31 December 2020 and 2019.

- Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in "investment income" in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

### **3. Summary of significant accounting policies (continued)**

#### *Derecognition of financial assets*

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the asset expire, or
- it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

#### **Financial liabilities**

##### *Initial recognition and measurement*

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs.

##### *Subsequent measurement*

Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

##### *Derecognition of financial liabilities*

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

#### **Offsetting**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize 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 activity.

#### **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

#### **Identification and measurement of impairment**

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of a receivable or advance on terms that the Company would not otherwise consider, indication that the debtor will enter in bankruptcy or other observable data relating to a group of assets such as adverse change in the payment status of clients or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment at both collective and specific levels. Receivables at the collective level are assessed for impairment by grouping together debtors with similar credit characteristics. Receivables at the specific level are identified based on objective evidence of a risk level that exceeds the historical risk level of receivables such as default, restructuring, deteriorated economic conditions and delinquency of more than 90 days for a single debtor who does not have evidenced income. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.



**3. Summary of significant accounting policies (continued)****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 from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used from the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost using the effective interest method.

**Term Deposits**

Term deposits are stated in the statement of financial position at the amount of principal outstanding and are classified as those with initial maturities more than three months. Term deposits with maturities less than three months are classified as cash equivalents. Interest is accrued using the effective interest method and interest receivable is reflected in term deposits.

**Insurance and other receivables**

Receivables including insurance receivables are initially recognized at cost and subsequently measured at their amortized cost less impairment losses. Insurance and other receivables are assessed for impairment on each reporting date.

**Insurance and other payables**

Insurance and other payables are recognized initially at cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

**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.

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. Leasehold improvements, if any are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Estimated useful lives are as follows:

Buildings and Premises	20 years
Computers and related equipment	5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

Depreciation methods and useful lives are reassessed, and adjusted if appropriate, at each reporting date.

During 2019 the Company has made change in the accounting policy and the buildings and premises were measured using the revaluation model. As of 31 December 2020 and 2019, the Company has measured the buildings and premises using the revaluation model. The valuation on buildings and premises has been performed by independent professional appraisers.

### **3. Summary of significant accounting policies (continued)**

#### ***Leased property and equipment***

IFRS 16 applicable for the reporting periods after 01 January 2019 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases except for short-term leases and leases of low value assets. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 13.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

### **3. Summary of significant accounting policies (continued)**

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

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

The Company presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "other liabilities" in the statement of financial position (note 13).

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4,86%.

The Company uses one or more of the following practical expedients according to IFRS 16, applying it on a lease -by-lease basis:

- Using a single discount rate to a portfolio of leases with similar characteristics;
- Adjusting the right-of-use asset for any recognized onerous lease provisions, in-stead of performing an impairment review;
- Applying a recognition exemption for leases for which the lease term ends within 12 months of the date of initial application and leases of low-value assets (For this purpose the Company has chosen a threshold of around EUR 5,000). The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term;
- Excluding initial direct costs from the measurement of the right-of-use asset;
- Using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**3. Summary of significant accounting policies (continued)****Intangible assets**

The Company's intangible assets have definite useful lives and primarily include capitalized computer software, patents, trademarks and licenses. Acquired computer software licenses, patents and trademarks are capitalized on the basis of the costs incurred to acquire and bring them to use. Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalized costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Intangible assets are amortized using the straight-line method over their useful lives of 3 years. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at least at each financial year end.

**Impairment of non-financial assets**

At each end of each reporting period management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year. An impairment loss recognized for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

**Revenue recognition**

The Company also provides services other than underwriting of insurance under fixed-price and variable price contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. Company's services consist of single performance obligations. If the contract includes variable consideration, revenue is recognized only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Interest income on financial assets is recognized using the effective interest method.

**Employee benefits**

The Company makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The Company's contributions to the pension plan are charged to profit or loss as incurred.

**Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to expenses on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

**Provision**

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.

### **3. Summary of significant accounting policies (continued)**

#### **Provision (continued)**

If these conditions are not met, there is no provision recognized in the financial statements. Provisions are not recognised for future operating losses.

Provisions are reviewed at each period end and adjusted to reflect the current most appropriate estimate. The differences resulting from necessary adjustments are recognized in the statement of profit or loss for the period.

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 recognized as an interest expense.

#### **Current income tax and deferred tax / Tax on gross premiums written and income tax effective in prior periods**

Actual tax on income is in force from 5 August 2019 and continued also in 2020. In financial statements it is presented after net profit before taxes. In this calculation is included: GWP, reinsurance, claims reserves which are deductible as expense from reserves and claims incurred from the moment of changes in the law and not in policies sold before of 5th August 2019. Part of this calculation are deductible and not deductible expenses and interest income also.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### *Dividends*

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

#### **Contingent liabilities or assets**

Contingent liabilities are not recognized in the financial statements. They are presented in the notes, unless the possibility of an outflow of resources embodying economic benefits is very small. A contingent asset is not recognized in the financial statements, but is presented in the notes when an inflow of economic benefits is probable.

#### **Events after the end of the reporting period**

Events after the reporting period are those events, favorable and unfavorable, that occur between the balance sheet date and the date the financial statements are authorized for issue.

Events after the reporting period that provide additional information about the Company's position at the balance sheet date are subsequent events which lead to adjustments of the financial statements.

Events after the reporting period that are provide indications on the conditions arised after the balance sheet date, do not lead to the adjustment of the financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

### **3. Summary of significant accounting policies (continued)**

#### **Standards issued but not yet effective**

##### **a. New and revised standards that are effective for annual periods beginning on or after 1 January 2021**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The following standards are not applicable or are not expected to have material impact on the Company. The Company intends to adopt these standards, if applicable, when they become effective.

#### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

#### **Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Company.

#### **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

#### **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Company.



### **3. Summary of significant accounting policies (continued)**

#### **Standards issued but not yet effective (continued)**

##### **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not applicable to the Company.

##### **IAS 41 Agriculture – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entities apply the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not applicable to the Company.

#### **b. Standards, amendments and interpretations of existing standards that are not yet in force and have not yet been adopted by the Company**

##### **IFRS 17 Insurance contracts**

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

The Company expects the new standard, when first applied, to have a significant impact on the Company's financial statements.

##### **IFRS 9 " Financial instruments" - Fees in the '10 per cent' test for derecognition of financial liabilities**

(Effective for annual periods beginning on or after 1 January 2022).

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The Company, as an insurance provider, intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting periods starting on 1 January 2021.

#### **4. Use of estimates and judgements**

The Company makes estimates and assumptions that affect the amounts recognized 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. While management's estimates are based on best available evidence at the reporting date, actual results might be different from management's assessment. Insurance risk management is discussed in detail in Note 5, whilst insurance contract liabilities are analyzed in Note 16. Contingent liabilities related to insurance claims are described in Note 26.

***Impairment losses on insurance receivables.*** Insurance and other receivables are initially recognized at fair value. Subsequently, receivables are measured at amortized cost less impairment losses. Evaluation of allowance for impairment losses is also a critical estimate performed by management. Insurance receivables are assessed for impairment on each reporting date. Insurance receivables more than one year past due are provided for in full unless there is high probability that they will be collected. Such probability exists when the Company has long term relationship with significant clients or when the Company procures goods and/or services from the insured and receivables are settled on a net basis. Insurance receivables less than one year past due are assessed individually in case there are significant and are provided if they are indications that those receivables will not be collected.

**5. 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.

Insurance risk relates to the uncertainty of the insurance business. The most significant components of insurance risk are the premium risk and the reserve risk. These concern the adequacy of insurance premium rate levels and the adequacy of provisions with respect to insurance liabilities and the capital base. Premium risk is present when the policy is issued before any insured event has happened. The risk is that expenses and incurred losses will be higher than the premium received. Reserve risk represents the risk that the absolute level of the technical provisions is miss-estimated or that the actual claims will fluctuate around the statistical mean value. 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 quota share or excess of loss treaty basis. Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Company is exposed.

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

Business line	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
MTPL	7,343,798	(3,693)	7,340,105	6,884,250	-	6,884,250
Property	4,257,934	(3,580,943)	676,991	3,593,340	(2,957,429)	635,911
Health and accidents	408,252	-	408,252	409,369	-	409,369
<b>Total</b>	<b>12,009,984</b>	<b>(3,584,636)</b>	<b>8,425,348</b>	<b>10,886,959</b>	<b>(2,957,429)</b>	<b>7,929,530</b>

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

Business line	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
MTPL	3,727,926	-	3,727,926	3,629,126	-	3,629,126
Property	1,519,872	(663,175)	856,697	1,103,616	(300,551)	803,065
Health and accidents	492,415	-	492,415	845,022	-	845,022
<b>Total</b>	<b>5,740,213</b>	<b>(663,175)</b>	<b>5,077,038</b>	<b>5,577,764</b>	<b>(300,551)</b>	<b>5,277,213</b>

**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.

**5. Insurance risk management (continued)**

The following table shows actual claims incurred compared to previous estimates for the year ended 31 December 2020 and 2019:

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>RBNS</b>					
Opening claim estimates	7,041,306	6,274,690	7,898,796	7,303,145	4,356,502
Prior periods' claims paid during the year	3,056,209	1,976,041	3,041,863	1,287,150	1,650,309
Closing claim estimates for prior periods' claims	4,486,341	4,561,139	4,624,185	5,143,944	1,962,174
<b>Run off in Euro</b>	<b>-501,244</b>	<b>-262,490</b>	<b>232,748</b>	<b>872,051</b>	<b>744,019</b>
<b>Run off in %</b>	<b>-7.12%</b>	<b>-4.18%</b>	<b>2.95%</b>	<b>11.94%</b>	<b>17.08%</b>
<b>IBNR</b>					
Opening claim estimates	2,634,805	2,679,902	2,733,987	3,368,204	2,767,653
Actual results related to claims incurred	1,669,695	834,695	524,150	412,921	649,638
Closing claim estimates	1,695,774	1,293,103	1,474,916	1,665,023	1,626,057
<b>Run off in Euro</b>	<b>-730,664</b>	<b>552,104</b>	<b>734,921</b>	<b>1,290,260</b>	<b>491,958</b>
<b>Run off in %</b>	<b>-27.73%</b>	<b>20.60%</b>	<b>26.88%</b>	<b>38.31%</b>	<b>17.78%</b>
<b>Total claim reserves</b>					
Opening claim estimates	9,676,111	8,954,592	10,632,783	10,671,349	7,124,155
Paid and reported during the period	4,725,904	2,810,736	3,566,013	1,700,071	2,299,947
Closing claim estimates	6,182,115	5,854,243	6,099,101	6,808,967	3,588,231
<b>Run off in Euro</b>	<b>-1,231,908</b>	<b>289,614</b>	<b>967,669</b>	<b>2,162,311</b>	<b>1,235,977</b>
<b>Run off in %</b>	<b>-12.73%</b>	<b>3.23%</b>	<b>9.10%</b>	<b>20.26%</b>	<b>17.35%</b>

**SIGAL UNIQA Group AUSTRIA Sh.a.****Notes to the financial statements as of and for the year ended 31 December 2020***(All amounts are expressed in EUR, unless otherwise stated)***5. Insurance risk management (continued)**

The following table shows the gradual development of the estimate of ultimate loss according to claims incurred year. The estimate changed in individual periods depending on the actual claims paid. The comparison of statistical estimation of sufficient provisions with gross amount of provisions suggests sufficient levels of the claim provisions including incurred but not reported claims.

Accounting Period	2013 and earlier	2014	2015	2016	2017	2018	2019	2020
-at the end of the reporting period	60,493,928	1,073,307	1,101,153	1,168,679	1,181,446	1,180,846	1,179,196	1,193,268
-one year later	20,974,322	1,254,694	1,290,144	1,357,253	1,361,407	1,425,496	1,467,011	-
-two years later	25,280,336	1,771,347	1,834,095	1,843,159	1,902,697	1,952,254	-	-
-three years later	30,308,580	2,819,961	2,871,660	2,868,792	2,916,484	-	-	-
-four years later	36,631,659	3,221,741	3,278,077	3,359,318	-	-	-	-
-five years later	38,990,552	2,835,247	2,940,175	-	-	-	-	-
-six years later	41,327,820	2,783,341	-	-	-	-	-	-
-seven years later	46,450,520	-	-	-	-	-	-	-
Current estimate of cumulative gross claims cost	46,450,520	2,783,341	2,940,175	3,359,318	2,916,484	1,952,254	1,467,011	1,193,268
Cumulative payments of claims	18,891,213	3,992,924	4,211,438	5,992,819	5,003,322	4,961,778	4,444,692	4,712,512
Gross non-life insurance contract outstanding claims provision at 31 December 2020	27,559,308	(1,209,582)	(1,271,263)	(2,633,501)	(2,086,837)	(3,009,524)	(2,977,681)	(3,519,244)
Liability recognized in the statement of financial position								12,009,984

Management reviews claims estimates and assumptions based on actual claim development and makes appropriate adjustments to claim methodologies. There is a reported negative run-off as the amount of claims paid during 2020, for the claims reported before 1 January 2020, is higher for EUR 1,232 thousand, or 12.73% of the reserve for those claims as of 31 December 2019.

Technical provision amounting to EUR 1,673,568 (2019: EUR 1,514,183) 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.

**5. Insurance risk management (continued)**

**Assumptions and sensitivities** The 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 will differ from the expected outcome. An overview of claim loss and combined ratio for the year 2020 and 2019 is as below:

	<b>2020</b>	<b>2019</b>
Claim ratio	61.60%	55.90%
Expense ratio	43.1%	47.30%
Combined ratio	104.7%	103.20%

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.

	<b>Impact</b>	<b>2020</b>	<b>Impact</b>	<b>2019</b>
<b><u>Claim ratio</u></b>				
5% increase in claim ratio	Loss	(322,613)	Loss	(295,581)
5% decrease in claim ratio	Gain	322,613	Gain	295,581
<b><u>Expense ratio</u></b>				
5% increase in expense ratio	Loss	(225,937)	Loss	(250,481)
5% decrease in expense ratio	Gain	225,937	Gain	250,481
<b><u>Combined ratio</u></b>				
5% increase in combined ratio	Loss	(548,550)	Loss	(546,062)
5% decrease in combined ratio	Gain	548,550	Gain	546,062

**Terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows**

The Company offers many types of non-life insurances, mainly motor third party liability, property, motor-hull, accident, health, general liability and transport insurance. A small portion of property insurance policies have a single premium option for long-term duration. The Company is therefore generally able to re-price the risk by revising the premium at intervals of not more than one year. It also has the ability to impose deductibles and reject fraudulent claims in case this is confirmed. Future insurance claims are the main source of uncertainty which influences the amount and the timing of future cash flows. The amount of particular claim payments is limited by the sum insured which is established in the insurance policy. Other significant source of uncertainty connected with non-life insurance arises from legislative regulations which do not foresee a time limitation for the policyholder to report a claim following the occurrence. This feature is particularly significant in case of permanent disability arising from accident insurance and personal injuries in motor third party liability insurance, because of the difficulty in estimating the period between occurrence and confirmation of permanent effects. The characteristics of particular insurance types, if they are significantly different from the above mentioned features, are described below.

**Motor insurance.** The Company motor portfolio comprises motor third party liability insurance (MTPL), border policy and motor hull. MTPL insurance covers bodily injury claims and property claims in the Republic of Kosovo and the Republic of Albania. Property damage under MTPL and Casco claims are generally reported and settled within a short period of the accident occurring. Reporting and payments relating to bodily injury claims, however, take longer to finalize and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity. The Company's major part of claims are related to MTPL relating to bodily injury claims. The amount of claims relating to bodily injury and related losses of earnings are influenced by court practice.

MTPL is regulated by the Law on Compulsory Motor Third Party Liability insurance and other obligatory liability insurance. Tariffs and minimum sums insured are regulated by legislation. Policyholders are entitled to a no-claims bonus on renewal of their policy where the conditions are fulfilled. Casco insurance represents standard insurance against damage; claim payment is limited by the sum insured.

**Property insurance** is broadly split into Industrial and Personal lines. For Industrial lines, the Company uses risk management techniques to identify risks and analyses losses and hazards and also cooperates with reinsurers. Personal property insurance consists of standard buildings and contents insurance.



## 6. Financial risk management

The Company monitors and manages the financial risks relating to the operations of the Company through internal risk analysis which describes exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk), credit risk and liquidity risk. The Company does not make use of derivative financial instruments to hedge these risks exposures.

### 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 daily 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.

### 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 2020 and 2019 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 that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets. The length of time for which the rate of interest is fixed on a financial instrument indicates to what extent it is exposed to interest rate risk. The financial assets and liabilities of the Company carry market interest rates.

Interest rate risk	Up to 3 months	From 3 to 6 months	6 months to 1 year	Over 1 year	Non-interest sensitive	Total
Cash on hand and at banks	-	-	-	-	709,632	709,632
Term deposits	1,995,000	2,787,000	6,256,077	1,950,000	-	12,988,077
Insurance receivables	-	-	-	-	1,823,833	1,823,833
Reinsurance assets	-	-	-	-	4,247,811	4,247,811
<b>Total assets</b>	<b>1,995,000</b>	<b>2,787,000</b>	<b>6,256,077</b>	<b>1,950,000</b>	<b>6,781,276</b>	<b>19,769,353</b>
Claim reserves	-	-	-	-	12,009,984	12,009,984
Unearned premium reserve	-	-	-	-	5,740,213	5,740,213
Other financial liabilities	-	-	-	-	1,647,643	1,647,643
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,397,840</b>	<b>19,397,840</b>
<b>IR gap as at 31 December 2020</b>	<b>1,995,000</b>	<b>2,787,000</b>	<b>6,256,077</b>	<b>1,950,000</b>	<b>(12,616,564)</b>	<b>371,513</b>

Interest rate risk	Up to 3 months	From 3 to 6 months	6 months to 1 year	Over 1 year	Non-interest sensitive	Total
Cash on hand and at banks	-	-	-	-	875,970	875,970
Term deposits	2,495,000	300,000	5,819,449	3,775,000	-	12,389,449
Insurance receivables	-	-	-	-	1,950,568	1,950,568
Reinsurance assets	-	-	-	-	3,257,980	3,257,980
<b>Total assets</b>	<b>2,495,000</b>	<b>300,000</b>	<b>5,819,449</b>	<b>3,775,000</b>	<b>6,084,518</b>	<b>18,473,967</b>
Claim reserves	-	-	-	-	10,886,959	10,886,959
Unearned premium reserve	-	-	-	-	5,577,764	5,577,764
Other financial liabilities	-	-	-	-	1,744,865	1,744,865
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,209,588</b>	<b>18,209,588</b>
<b>IR gap as at 31 December 2019</b>	<b>2,495,000</b>	<b>300,000</b>	<b>5,819,449</b>	<b>3,775,000</b>	<b>(12,125,070)</b>	<b>264,379</b>

**6. Financial risk management (continued)**

Interest rates are fixed. However, any increase/decrease by 1% in interest rate would result in a net impact of EUR 124 thousand (2018: EUR 120 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, 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 wither Uniqa subsidiaries or approved counterparties.

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 2020	31 December 2019
Cash and cash equivalents	8	709,632	875,970
Term deposits with banks	9	12,988,077	12,389,449
Insurance receivables	10	1,823,833	1,950,568
Reinsurance assets	12	4,247,811	3,257,980
<b>Maximum exposure to credit risk</b>		<b>19,769,353</b>	<b>18,473,967</b>

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

**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. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the financial assets and liabilities of the Company at 31 December 2020 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	709,632	-	-	709,632
Term deposits	1,995,000	8,975,000	2,018,077	12,988,077
Insurance receivables	1,823,833	-	-	1,823,833
Reinsurance assets	-	4,247,811	-	4,247,811
<b>Total assets</b>	<b>4,528,465</b>	<b>13,222,811</b>	<b>2,018,077</b>	<b>19,769,353</b>
Claim reserves	1,743,434	2,878,834	7,387,716	12,009,984
Unearned premium reserve	2,195,923	3,416,947	127,343	5,740,213
Other financial liabilities	1,647,643	-	-	1,647,643
<b>Total liabilities</b>	<b>5,587,000</b>	<b>6,295,781</b>	<b>7,515,059</b>	<b>19,397,840</b>
<b>Net liquidity position as at 31 December 2020</b>	<b>(1,058,535)</b>	<b>6,927,030</b>	<b>(5,496,982)</b>	<b>371,513</b>

**6. Financial risk management (continued)**

The table below analyses the financial assets and liabilities of the Company at 31 December 2019 into relevant maturity, except as for insurance and reinsurance balances.

<b>Liquidity risk</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Cash on hand and at banks	875,970	-	-	875,970
Term deposits	2,495,000	6,119,449	3,775,000	12,389,449
Insurance receivables	1,950,568	-	-	1,950,568
Reinsurance assets	-	3,257,980	-	3,257,980
<b>Total assets</b>	<b>5,321,538</b>	<b>9,377,429</b>	<b>3,775,000</b>	<b>18,473,967</b>
Claim reserves	2,395,130	653,218	7,838,611	10,886,959
Unearned premium reserve	379,288	5,131,543	66,933	5,577,764
Other financial liabilities	1,816,021	-	-	1,816,021
<b>Total liabilities</b>	<b>4,590,439</b>	<b>5,784,761</b>	<b>7,905,544</b>	<b>18,280,744</b>
<b>Net liquidity position as at 31 December 2019</b>	<b>731,099</b>	<b>3,592,668</b>	<b>(4,130,544)</b>	<b>193,223</b>

**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 2020, the total equity of the Company is EUR 4,393 thousand or EUR 1,193 thousand higher than the minimum required equity.

As at 31 December 2020 and as at 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 2020 is EUR 2,711 thousand (2019: 2,695 thousand).

The Company’s available charter capital as determined by regulations of the Central Bank of Kosovo is EUR 4,393 thousand (2019: EUR 4,326 thousand) or EUR 1,193 thousand higher than the minimum required capital of EUR 3,200 thousand (2019: EUR 1,126 thousand higher). The available charter capital exceeds the required Solvency Margin by EUR 1,171 thousand (2019: 1,343 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.

**7 Fair value of financial instruments**

The fair value measurement is determined utilizing relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security’s duration, also taking into account issuer-specific credit quality and liquidity. Observable inputs used include benchmark yields. The Company does not have financial assets measured at fair value. The Company accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for disclosures purposes based on the following methods.

*Cash and cash equivalent and term deposits with banks* - which comprise cash at bank and term deposits, include inter-bank placements and items in the course of collection. As deposits are short term and at fixed rates their fair value is considered to approximate their carrying amount.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analyzed 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 solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

**7. Fair value of financial instruments (continued)**

The Company's financial instruments are short-term and their fair values usually equal their fair values.

	Carrying value	Level 1	Fair value Level 2	Level 3
31 December 2020				
<b>Assets</b>				
Cash and cash equivalents	709,632	-	-	709,632
Deposits	12,988,077	-	-	12,988,077
Insurance receivables	1,823,833	-	-	1,823,833
Other current assets	754,152	-	-	754,152
	<b>16,275,694</b>	-	-	<b>16,275,694</b>
<b>Liabilities</b>				
Losses and loss adj. expenses	12,009,984	-	-	12,009,984
Trade and other payables	1,647,643	-	-	1,647,643
	<b>13,657,627</b>	-	-	<b>13,657,627</b>
31 December 2019				
<b>Assets</b>				
Cash and cash equivalents	875,970	-	-	875,970
Deposits	12,389,449	-	-	12,389,449
Insurance receivables	1,950,568	-	-	1,950,568
Other current assets	400,074	-	-	400,074
	<b>15,616,061</b>	-	-	<b>15,616,061</b>
<b>Liabilities</b>				
Losses and loss adj. expenses	10,886,959	-	-	10,886,959
Trade and other payables	1,816,021	-	-	1,816,021
	<b>12,702,980</b>	-	-	<b>12,702,980</b>

**8. Cash and cash equivalents**

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

	31 December 2020	31 December 2019
Cash at banks – current accounts with local banks	709,632	875,970
<b>Total cash at banks</b>	<b>709,632</b>	<b>875,970</b>

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

	31 December 2020	31 December 2019
Rating	Cash and cash equivalents	Cash and cash equivalents
BB+	14,233	4,898
B+	36,598	26,980
BB	63,331	29,943
BB-	42,555	20,762
AAA (Albanian rating)	28,450	37,839
A-	489,122	675,199
Not rated	35,343	80,349
<b>Total</b>	<b>709,632</b>	<b>875,970</b>

**9. Term deposits**

	31 December 2020	31 December 2019
Term deposits – commercial local banks	12,320,000	11,743,371
Deposits with the Central Bank of Kosovo	600,000	600,000
Interest Receivable	68,077	46,078
<b>Total</b>	<b>12,988,077</b>	<b>12,389,449</b>

The interest rate on term deposits during the year 2020 was between 0.01% and 2.35% per annum (2019: 0.40% to 2.45% per annum). The maturity on term deposits during the year 2020 was between 12 months and 24 months (2019: 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 2020	31 December 2019
Rating	Term deposits	Term deposits
BB+	658,803	1,050,266
B+	4,119,117	3,125,901
BB	500,037	502,732
BB-	1,791,693	1,790,534
AAA (Albanian rating)	3,131,234	3,140,940
Not rated	2,787,193	2,779,076
<b>Total</b>	<b>12,988,077</b>	<b>12,389,449</b>

Interest income related to deposits amounts to EUR 185,593 (2019: EUR 144,038).

**10. Insurance receivables**

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

	31 December 2020	31 December 2019
Receivable from insurance customers	2,711,086	2,696,100
Less: Allowance for impairment losses	(887,253)	(745,532)
	<b>1,823,833</b>	<b>1,950,568</b>

Movement in allowance for impairment losses are as follows:

	2020	2019
Opening balance	745,532	667,153
Insurance receivable written off	(49,482)	(16,315)
Impairment charge/(release) for the year:	191,203	94,694
<b>Total</b>	<b>887,253</b>	<b>745,532</b>

The aging of insurance receivables is presented below:

	31 December 2020			31 December 2019		
	Gross Balance	Impairment	Net Balance	Gross Balance	Impairment	Net Balance
0-3 months	1,559,413	-	1,559,413	1,862,574	-	1,862,574
3-6 months	230,327	(10,762)	219,565	73,886	(10,127)	63,759
6 months to 1 year	150,430	(105,575)	44,855	96,939	(72,704)	24,235
more than 1 year	770,916	(770,916)	-	662,701	(662,701)	-
<b>Total</b>	<b>2,711,086</b>	<b>(887,253)</b>	<b>1,823,833</b>	<b>2,696,100</b>	<b>(745,532)</b>	<b>1,950,568</b>

**11. Deferred acquisition costs**

Deferred acquisition costs at year-end comprise:

	31 December 2020	31 December 2019
Commissions paid	504,290	671,266
Tax on gross premiums written	-	177,139
Commissions for CBK	82,094	83,908
	<b>586,384</b>	<b>932,313</b>

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

	2020	2019
Balance at 1 January	932,313	883,035
Increase/(decrease) for the year (note 21)	(345,929)	49,278
<b>Balance at 31 December</b>	<b>586,384</b>	<b>932,313</b>

**12. Reinsurance assets**

	31 December 2020	31 December 2019
Reinsurance share in claims reported	3,584,636	2,957,429
Share in other claim reserves and UPR	663,175	300,551
<b>Total</b>	<b>4,247,811</b>	<b>3,257,980</b>

At 31 December 2020, the Company reinsurance share in reported claims included a property claim of EUR 2,417 thousand (2019: EUR 2,417 thousand) reinsured with Uniqa Re (note 26).

**13. Property, equipment and right of use assets**

The following is a breakdown of property and equipment owned and leased:

	2020	2019
Property, plant and equipment owned	2,549,429	2,514,986
Right-of-use assets (ROU) IFRS 16	92,349	243,763
<b>Property, Equipment and Right of use Assets</b>	<b>2,641,778</b>	<b>2,758,749</b>

*Right of use assets*

	2020	2019
	Property	Property
Balance at 1 January	243,763	-
Correction of opening balances	203,652	-
Additions in current year	162,053	577,184
Disposals in current year	(267,398)	-
Depreciation charge for the year	(249,721)	(333,421)
<b>Balance at 31 December</b>	<b>92,349</b>	<b>243,763</b>

During the year was leased offices based on business needs and performance, the life contracts are determined based on our best estimations and based on the performance of the offices-considering the pandemic situation.

The following table presents the maturity analysis – contractual undiscounted cash flows of the lease liability:

	2020	2019
Less than one year	180,326	102,290
One to five years	9,840	145,533
More than five years	-	-
<b>Total Lease liabilities (undiscounted) at 31 December</b>	<b>190,166</b>	<b>247,823</b>
<b>Total Lease liability at 31 December (Note 18)</b>	<b>91,653</b>	<b>234,519</b>

Amounts recognized in the profit or loss of the Company for the year ended 31 December 2020:

	2020	2019
Interest on lease liabilities IFRS 16 (Note 23)	12,513	16,425
Expenses relating to short-term leases & low-value leases	-	-
Depreciation of ROU	249,721	333,421
<b>Total expenses from leases</b>	<b>262,234</b>	<b>349,846</b>

The Company had total cash outflows for leases of EUR 339,460 (2019: EUR 333,421).

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

	<b>Buildings and premises</b>	<b>Furniture, fixtures and equipment</b>	<b>Computers and related equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost or revaluation:</b>					
As at 1 January 2019	2,404,995	347,195	324,641	230,108	3,306,939
Additions during the year	-	8,663	33,364	54,609	96,636
Disposals	-	(315,578)	(243,907)	(183,,829)	(743,314)
Revaluation reserve	765,642	-	-	-	765,642
<b>As at 31 December 2019</b>	<b>3,170,637</b>	<b>40,280</b>	<b>114,098</b>	<b>100,888</b>	<b>3,425,903</b>
Additions during the year	-	4,642	58,782	29,975	93,399
Disposals	-	-	-	-	-
Revaluation reserve	-	-	-	-	-
<b>As at 31 December 2020</b>	<b>3,170,637</b>	<b>44,922</b>	<b>172,880</b>	<b>130,863</b>	<b>3,519,302</b>
<b>Accumulated depreciation:</b>					
As at 1 January 2019	687,315	323,484	271,899	187,752	1,470,450
Charge for the year	120,322	10,091	28,133	25,232	183,778
Disposals	-	(315,575)	(243,907)	(183,829)	(743,311)
<b>As at 31 December 2019</b>	<b>807,637</b>	<b>18,000</b>	<b>56,125</b>	<b>29,154</b>	<b>910,917</b>
Charge for the year	-	7,670	29,110	22,176	58,956
Disposals	-	-	-	-	-
<b>As at 31 December 2020</b>	<b>807,637</b>	<b>25,670</b>	<b>85,235</b>	<b>51,330</b>	<b>969,873</b>
<b>Carrying amounts</b>					
<b>As at 31 December 2019</b>	<b>2,363,000</b>	<b>22,280</b>	<b>57,973</b>	<b>71,734</b>	<b>2,514,986</b>
<b>As at 31 December 2020</b>	<b>2,363,000</b>	<b>19,252</b>	<b>87,645</b>	<b>79,533</b>	<b>2,549,429</b>

As at 31 December 2020 and 2019 there are no property, equipment encumbered or pledged to secure Company liabilities.

At 28 December 2020 the Company revaluated its buildings, located in Pristina. Revaluated amounts are determined based on the valuation performed by independent professional appraisers. The result of the reassessment of real estate for the year 2020 is in the same level as of the year 2019.

Properties valued on date 28.12.2020 are as below:

Head office - Office premises

Shop - Office (Ground Floor) - Area (70 m<sup>2</sup>) x 4200€/m<sup>2</sup> = 294,000.00

Office (First Floor) - Area (170 m<sup>2</sup>) x 2200€/m<sup>2</sup> = 374,000.00

Office (Third Floor) - Area (845 m<sup>2</sup>) x 1600€/m<sup>2</sup> = 1,352,000.00

Bregu i Diellit - Office Premises

Office (Ground Floor) - Area (250 m<sup>2</sup>) and Office (First Floor) - Area (250m<sup>2</sup>)

Total gross area = 500m<sup>2</sup>.

Potential monthly gross income = 2,500 euro/monthly

Free market value based on income approach = 343,000 Euro.

Regarding to valuation of the office premises in the City Center - Head Office, the independent appraiser used "sale comparison method", because there are plenty of market offers for office premises on the sale in this area and have concluded that this method would present the best and the nearest value of free market value. The goal of an appraisal is to determine a property's market value – the most probable price that the property will bring in a competitive and open market.

For the office premises in the "Bregu i Diellit" area, the independent appraiser used "the income capitalization approach". Often called simply the income approach, this method is based on the relationship between the rate of return an investor requires and the net income that a property produces. It is used to estimate the value of income-producing properties such as apartment complexes, office buildings, and shopping centers. The reason why the appraiser used this method is that there were no sale offers for office premises nearby subject property at that time, and also there were plenty of them for renting; so it was concluded that the best method for valuation of subject property would be income approach.



**13a. Intangible assets**

<b>Cost:</b>	
As at 1 January 2019	29,537
Additions during the year	38,320
Disposals	(21,357)
<b>As at 31 December 2019</b>	<b>46,500</b>
Additions during the year	16,875
Disposals	-
<b>As at 31 December 2020</b>	<b>63,375</b>
<b>Accumulated depreciation:</b>	
As at 1 January 2019	18,845
Charge for the year	7,720
Disposals	(21,356)
<b>As at 31 December 2019</b>	<b>5,209</b>
Charge for the year	18,880
Disposals	-
<b>As at 31 December 2020</b>	<b>24,089</b>
<b>Carrying amounts</b>	
<b>As at 31 December 2019</b>	<b>41,291</b>
<b>As at 31 December 2020</b>	<b>39,286</b>

**14. Other assets**

	31 December 2020	31 December 2019
Prepayments to Kosovo Insurance Bureau (KIB)	125,000	125,000
Advances to employees	57,010	19,844
Advances paid	49,901	69,682
Non-financial investments	15,000	15,000
Other assets	530,687	177,525
<b>Gross other assets</b>	<b>777,598</b>	<b>407,051</b>
Impairment of other assets	(23,446)	(6,977)
<b>Other assets, net</b>	<b>754,152</b>	<b>400,074</b>

Prepayments to Kosovo Insurance Bureau in the amount of 125,000 Eur (2019: 125,000 Eur) relate to 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.

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.

Included in other assets is the amount of 283,319 Eur related to receivables from the tax authority regarding to the litigation case won (note 26).

Movement in allowance for impairment losses are as follows:

	2020	2019
Opening balance	6,977	14,937
Insurance receivable written off	(6,977)	(14,937)
Impairment charge/(release) for the year	23,446	6,977
<b>Total</b>	<b>23,446</b>	<b>6,977</b>

**SIGAL UNIQA Group AUSTRIA Sh.a.****Notes to the financial statements as of and for the year ended 31 December 2020***(All amounts are expressed in EUR, unless otherwise stated)***15. Share capital**

At 31 December 2020 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 (2019: 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 2020 the revaluation reserve amounts to EUR 765,642 (31 December 2019: 765,642). There is not increase in the revaluation reserves due to valuation performed by independent appraiser as at 31 December 2020. The net carrying amounts of the assets accounted for at the date of valuation and the revaluated amount are at the same level. (see Note 13).

**16. Insurance contract liabilities**

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reported claims	8,041,921	(2,957,429)	5,084,492	7,358,524	(2,545,269)	4,813,255
Incurred but not reported	2,675,123	-	2,675,123	2,787,504	-	2,787,504
Claims handling costs	169,915	-	169,915	211,179	-	211,179
<b>Total at beginning of the year</b>	<b>10,886,959</b>	<b>(2,957,429)</b>	<b>7,929,530</b>	<b>10,357,207</b>	<b>(2,545,269)</b>	<b>7,811,938</b>
Claims incurred	7,844,972	(1,198,587)	6,646,385	6,786,562	(705,020)	6,081,542
Claims paid	(6,527,815)	571,380	(5,956,435)	(6,086,895)	292,860	(5,794,035)
Claims handling costs	(194,132)	-	194,132	(169,915)	-	(169,915)
	<b>1,123,025</b>	<b>(627,207)</b>	<b>495,818</b>	<b>529,752</b>	<b>(412,160)</b>	<b>117,592</b>
<b>Total at end of year</b>	<b>12,009,984</b>	<b>(3,584,636)</b>	<b>8,425,348</b>	<b>10,886,959</b>	<b>(2,957,429)</b>	<b>7,929,530</b>
Reported claims	8,479,184	(3,584,636)	4,894,548	8,041,921	(2,957,429)	5,084,492
Incurred but not reported	3,336,668	-	3,336,668	2,675,123	-	2,675,123
Claims handling costs	194,132	-	194,132	169,915	-	169,915
<b>Change in claims reserves, net</b>	<b>1,123,025</b>	<b>(627,207)</b>	<b>495,818</b>	<b>529,752</b>	<b>(412,160)</b>	<b>117,592</b>

Paid claims by insurance product are as follows:

	2020	2019
Motor vehicles	4,607,048	4,099,858
Health and accidents	1,214,143	1,525,410
Property	706,624	461,627
Other	-	-
<b>Total</b>	<b>6,527,815</b>	<b>6,086,895</b>

<b>Notified outstanding claims reserve</b>	2020	2019
At 1 January	8,041,921	7,358,524
Net change during the year	437,263	683,397
<b>At 31 December</b>	<b>8,479,184</b>	<b>8,041,921</b>

<b>Incurred but not reported claims reserve</b>	2020	2019
At 1 January	2,675,123	2,787,504
Net change during the year	661,545	(112,381)
<b>At 31 December</b>	<b>3,336,668</b>	<b>2,675,123</b>

Included in the insurance contract liabilities reserve as of 31 December 2020 is also the amount of EUR 194,132 (2019: EUR 169,915) which represent the reserve for claim handling costs.

**SIGAL UNIQA Group AUSTRIA Sh.a.****Notes to the financial statements as of and for the year ended 31 December 2020***(All amounts are expressed in EUR, unless otherwise stated)***17. Unearned premium reserve**

	<b>2020</b>	<b>2019</b>
As at 1 January	5,577,764	4,788,408
Premiums written during the year (note 21)	12,204,244	12,034,620
Less: premiums earned during the year	(12,041,795)	(11,245,264)
<b>Balance at 31 December</b>	<b>5,740,213</b>	<b>5,577,764</b>

	<b>2020</b>	<b>2019</b>
Gross change in provision for unearned premium	(162,449)	(789,356)
Change in reinsurers share	362,624	114,543
<b>Change in provision for unearned premium, net</b>	<b>200,175</b>	<b>(674,813)</b>

**18. Insurance and other payable**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Reinsurance payables	786,466	945,420
Payable to suppliers	173,050	175,173
Payable to the agents	189,977	188,490
<b>Other financial liabilities</b>	<b>1,149,493</b>	<b>1,309,083</b>
VAT payables	163,524	177,710
Personal income tax	8,992	12,384
Payable to the Central Bank of Kosovo	42,159	37,792
Pension contribution payable	11,697	15,055
Lease Liability (Note 13)	91,653	234,519
Other payables	85,125	24,478
<b>Non-financial liabilities</b>	<b>403,150</b>	<b>501,938</b>
<b>Total</b>	<b>1,552,643</b>	<b>1,811,021</b>

**19. Gross written premium**

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

	<b>2020</b>	<b>2019</b>
Motor vehicles	7,467,508	7,789,799
Health and accidents	1,754,510	2,554,992
Property	2,738,788	1,593,658
Marine and aviation	243,438	96,171
<b>Total (note 19)</b>	<b>12,204,244</b>	<b>12,034,620</b>

Motor vehicle premiums are further detailed as follows:

	<b>2020</b>	<b>2019</b>
Motor third party liability	5,908,074	5,631,404
Motor hull (Casco)	1,098,549	1,230,820
Border insurance	460,885	927,575
<b>Total</b>	<b>7,467,508</b>	<b>7,789,799</b>

Border insurance gross written premiums amounting to EUR 461 thousand (2019: EUR 928 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. As of 31 December 2020, the Company accounted for all the liabilities related to the pool.

**20. Premium ceded to reinsurers**

	<b>2020</b>	<b>2019</b>
Property	1,664,514	658,603
Motor vehicles	64,045	58,930
Health and accidents	-	1,461
Marine and aviation	201,362	56,952
<b>Total</b>	<b>1,929,921</b>	<b>775,946</b>

**21. Acquisition costs**

	<b>2020</b>	<b>2019</b>
Commissions to agents and intermediaries	1,063,416	1,409,999
Commissions to Central Bank of Kosovo	173,770	165,470
Change in deferred acquisition costs (note 11)	345,929	(49,278)
<b>Total</b>	<b>1,583,115</b>	<b>1,526,191</b>

**22. Share of costs 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 (net of related premium tax) to KIB for the claims and other administrative costs of the pool and the membership activities of KIB. During 2020 the Company contributed to KIB a total amount EUR 220,412 as administrative expenses (2019: EUR 221,961). KIB allocated an amount of EUR 1,077,242 (2019: EUR 1,000,615) as a reserve for the border which is part of Company's insurance contract liabilities for the year ending 31 December 2020.

**23. Administrative expenses**

	<b>2020</b>	<b>2019</b>
<b>Staff cost</b>	<b>1,034,512</b>	<b>1,239,021</b>
<i>Net salaries</i>	<i>952,100</i>	<i>1,041,068</i>
<i>Contributions</i>	<i>45,403</i>	<i>61,073</i>
<i>Other staff costs</i>	<i>37,009</i>	<i>136,880</i>
Rent expenses	107,912	180,448
Advertising costs	204,245	287,801
Depreciation and amortization	327,558	524,919
Consultancy	142,696	122,100
Maintenance and repairs	59,008	37,853
Office expenses	57,873	115,932
VAT expenses	65,354	76,818
Electricity expenses	26,132	29,146
Telecommunication expenses	27,324	57,819
Fuel expenses	25,716	29,965
Representation expenses	15,668	29,108
Interest expenses on Lease Liability (Note 13)	12,513	16,425
Bank charges	25,638	25,644
Other expenses	368,421	377,552
<b>Total</b>	<b>2,500,570</b>	<b>3,150,551</b>

**24. Income taxes**

The major components of tax expense and the reconciliation of the expected tax expense based on the effective tax rate of 10% in profit. During 2019, was charged 5% on GWP, however starting from August 2019 the law has been changed and introduced income tax of 10% on profit.

		<u>2020</u>
		178,748
Tax calculated by applying statutory income tax rate	10%	17,875
<b>The fiscal effect of:</b>		
Non-taxable income		(296,786)
Non-deductible expenses		1,544,377
Profit for tax authority		1,426,338
<b>Tax rate 10%</b>		142,634
Adjustment to tax charge		(46,654)
<b>Tax expense at effective tax rate</b>	<u>53.7%</u>	<u>95,980</u>

**25. Other income**

	<u>2020</u>	<u>2019</u>
Income from litigation cases (note 14)	283,319	-
Income from TPL regresses and others	151,687	261,579
Income from GPS and others	54,650	90,765
<b>Total</b>	<u>489,656</u>	<u>352,344</u>

**SIGAL UNIQA Group AUSTRIA Sh.a.****Notes to the financial statements as of and for the year ended 31 December 2020***(All amounts are expressed in EUR, unless otherwise stated)***26. Related parties**

The Company has related party relationships with its shareholders, board of directors, and management. The following are the Company's related parties and the respective relationships and amounts:

**Balances with related parties**

A summary of related party balances for the years ended 31 December 2020 and 2019 are as follows:

<b>Liabilities</b>	<b>Relationship</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Payables for reinsurance contracts to Sigal Uniqa Group Austria sh.a (Albania)	Parent company	76,362	-
Payables for reinsurance contracts to Uniqa Re AG	Entities under common control	299,182	378,967
Payables for management fee to Uniqa Insurance Group	Entities under common control	80,723	41,938
Payables for IT Costs to Uniqa International	Entities under common control	16,082	9,729
Payables for reinsurance contracts to UNIQA Österreich	Entities under common control	216,069	134,540
Payables to Sigal Life Kosovo	Entities under common control	-	33,725
		<b>688,418</b>	<b>598,899</b>
<b>Receivables</b>	<b>Relationship</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Reinsurance requests to Uniqa Re AG	Entities under common control	2,417,269	2,417,269
Reinsurance requests to Uniqa Österreich	Entities under common control	-	-
Receivables from Uniqa a.d Skopje	Entities under common control	5,343	9,387
Provision for unearned premiums	Entities under common control	-	-
Other receivables from Sigal Uniqa Group Austria Sh.a.	Entities under common control	-	20,984
Receivables from Sigal Life Kosovo	Entities under common control	2,771	-
		<b>2,425,383</b>	<b>2,447,640</b>
<b>Expenses</b>	<b>Relationship</b>	<b>2020</b>	<b>2019</b>
Management fee and other expenses to Uniqa Insurance Group	Entities under common control	80,723	71,939
Management fee expenses to Uniqa IT services	Entities under common control	20,200	16,236
Expenses for reinsurance contracts to Uniqa Re	Entities under common control	198,215	165,960
Expenses for reinsurance contracts to Uniqa Entities	Entities under common control	170,883	146,561
Expenses for reinsurance contracts and other expenses to Sigal sh.a	Entities under common control	49,879	30,009
Vehicle rent expenses to Avel sh.a.	Immediate family member of key management	6,000	17,000
		<b>525,900</b>	<b>447,705</b>
<b>Key management compensations</b>		<b>2020</b>	<b>2019</b>
Salaries		135,274	121,388
Short term social security and other contributions		1,435	1,145
<b>Total</b>		<b>136,709</b>	<b>122,533</b>

## **27. 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*

Legal cases are common when claimants do not agree with the claim valuation performed by the Company. Management evaluates claims using external and internal expertise including legal advice. Management believes that these estimates are appropriate however acknowledges that the final outcome may be higher or lower than the amount provided for in the financial statements. There are 580 claims outstanding as at 31 December 2020 (2019: 843 claims outstanding) with an estimated reserve of EUR 3,449 thousand (2019: estimated reserve of EUR 3,858 thousand) which are in litigation at the court with or without a court decision.

At 31 December 2020, the Company was also engaged in a litigation with a policyholder for a property insurance whereby the claimant requires compensation for the claim incurred on a property insured for the amount of EUR 3,019 thousand. The litigation was filed following rejection of the claim by the Company. The Company has recognized the amount that would be payable based on the agreement of EUR 2,717 thousand (90%) as provision for outstanding claims and the related reinsurance share of EUR 2,417 thousand (note 14). In April 14, 2021 Company has received a Decision from Basic Court in Prishtina with which decision the court has rejected entirely the claim of the claimant.

## **28. Events after the end of the reporting period**

There are no material events after the reporting date that would require additional disclosures or adjustments in the financial statements, except for the information already disclosed in the section for "Litigation", above, related to the Basic Court in Prishtina decision in favor of the Company in a major claim court procedure.

## Supplementary Schedules

## Annex I - Table for Solvency Calculation

<b>1</b>	<b>Table of reserves for claims</b>	<b>2020</b>
1.1	Requirements for outstanding claims at the beginning of the period	10,886,959
1.2	Paid claims	6,527,815
1.3	Requirements for outstanding claims at the end of the period	12,009,984
<b>1.4</b>	<b>Incurred losses (1.2 + 1.3) - 1.1</b>	<b>7,650,840</b>
<b>1.5</b>	<b>Average of incurred losses</b>	<b>6,957,577</b>
<b>2</b>	<b>Table of part of reinsurer requirements</b>	
2.1	Part of reinsurance for pending claims at the beginning of the period	2,957,429
2.2	Accepted reinsurance	571,380
2.3	Part of reinsurance for pending claims at the end of the period	3,584,636
<b>2.4</b>	<b>Part of reinsurance for incurred claims</b>	<b>1,198,587</b>
<b>2.5</b>	<b>Net incurred losses (held claims)</b>	<b>6,452,253</b>
<b>2.6</b>	<b>Holding level</b>	<b>84.3%</b>
<b>2.7</b>	<b>Average of holding level</b>	<b>81.0%</b>
<b>3</b>	<b>Based on premiums</b>	<b>Dec.20</b>
3.1	Gross written premiums	11,995,675
3.2	Change of premiums	(162,449)
3.3	For QI: 11,12,13 increase of premium for 50%	312,854
3.4	Others (tax & reinsurance)	
<b>3.5</b>	<b>Total</b>	<b>12,146,080</b>
3.6	First layer (fixed to 10 million)	10,000
3.7	Second layer (more than 10 million)	0
3.8	Percentage of the first layer (fixed)	18%
3.9	Percentage of the second layer (fixed)	16%
<b>3.10</b>	<b>Result based on premiums</b>	<b>1,807,590</b>
3.11	Holding level	84%
<b>3.12</b>	<b>Result of solvency based on premiums</b>	<b>1,807,590</b>
<b>4</b>	<b>Based on claims</b>	
4.1	Incurred gross claims (see table of claims)	7,650,840
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	1,525,575
4.7	Net and gross incurred claims ratio	84%



**SIGAL UNIQA Group AUSTRIA Sh.a.****Supplementary schedules***(All amounts are expressed in EUR, unless otherwise stated)*

<b>4.8</b>	<b>Minimum percentage</b>	<b>50%</b>
<b>5</b>	<b>Result of solvency based on claims</b>	<b>1,525,575</b>
<b>5</b>	<b>Required solvency</b>	<b>2020</b>
5.1	Based on premiums	1,807,590
5.2	Based on claims	1,525,575
5.3	Required solvency	1,807,590
5.4	Required solvency for the previous year	1,796,452
<b>5.5</b>	<b>Solvency based on growth of 150%</b>	<b>2,711,385</b>

## Annex II - Charter Capital

2020

<b>I</b>	<b>CHARTER CAPITAL, Article 4: (1 + 2 + 3)</b>	<b>4,393,113</b>
1	<i>Paid share capital of insurers in cash</i>	6,000,000
2	<i>Capital reserves (reserves recognized by law and free reserves),</i>	765,642
3	<i>Accumulated profits transferred after the deduction of dividends to be paid</i>	(2,341,919)
<b>II</b>	<b>DEDUCTIBLE ELEMENTS FROM CHARTER CAPITAL, Article 4: (1 + 2 + 3 + 4)</b>	-
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	-
<b>III</b>	<b>SUPPLEMENTARY CAPITAL, Article 5; (1 + 2 + 3 + 4), max 50%</b>	-
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	-
<b>IV</b>	<b>REGULATORY CAPITAL, (I - II + III)</b>	<b>4,408,418</b>
<b>V</b>	<b>DEDUCTIBLE ELEMENTS IN CAPITAL CALCULATION, Article 6: (1 + 2)</b>	-
1	Participations or possessions in ownership of other companies	-
2	Investments in subordinated debt instruments	-
<b>VI</b>	<b>Non-liquid assets, Article 6; (1 to 9)</b>	<b>510,471</b>
1	Premiums receivable and debtors from the reinsurance for more than 180 days	44,855
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	-
6	Other assets, not excluded from any responsibility or liability	120,000
7	Other assets which are not easily convertible into cash	-
8	Intangible assets	39,286
9	Others	306,330
<b>VII</b>	<b>Net property - Available capital (IV - V - VI)</b>	<b>3,897,947</b>
<b>VIII</b>	<b>Guarantee fund according to the law</b>	<b>3,200,000</b>
<b>IX</b>	<b>Request for capital according to the Guarantee Fund</b>	<b>697,947</b>
<b>X</b>	<b>Request for solvency coverage</b>	<b>1,186,562</b>
<b>XI</b>	<b>Final request for capital growth</b>	-

**SIGAL UNIQA Group AUSTRIA Sh.a.****Supplementary schedules***(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:

	<b>Current Amount Invested</b>	<b>% of allowed assets in covering technical reserves</b>	<b>Allowed amount as per the Regulation</b>
<b>Assets/Investments covering technical provisions</b>			
<b>Cash Deposits (EUR) in licensed banks in Kosovo more than 3 months (excluding the charter capital)</b>	9,845,000	No Limit	9,845,000
<b>Government Securities</b>	-		-
<b>Issued by the Government of the Republic of Kosovo (excluding charter capital)</b>	-	No Limit	-
Treasury Bonds	-		-
Securities	-		-
Other capital market financial instruments	-		-
<b>Issued and guaranteed by the central banks of governments of EU member states, which need to have a credit ranking not lower than BBB</b>	-	20% in total 5% of separate issuer	-
Treasury Bonds	-		-
Securities	-		-
Other capital market financial instruments	-		-
<b>Land and Building</b>	<b>2,363,000</b>	20% in total 10% of separate issuer	<b>2,363,000</b>
Operation use purpose	2,363,000		2,363,000
Investing purpose	-		-
<b>Cash and Cash equivalents</b>	<b>709,632</b>	3%	<b>532,506</b>
Deposits with maturity <= 3 months	-		-
Current Accounts	709,632		709,632
Cash equivalents in Cash Register	-		-
<b>Reinsurer's receivables, net of payables</b>	-		-
With Credit Rating >= BBB	-	No Limit	-
With Credit Rating < BBB	-	25%	-
<b>Reinsurers share in technical provisions, net of payables</b>	<b>4,247,811</b>		<b>4,247,811</b>
With Credit Rating >= BBB	4,247,811	No Limit	4,247,811
With Credit Rating < BBB	-	25%	-
Accrued interests from investments	68,077	5%	68,077
<b>Premiums Receivables, up to 90 days</b>	<b>1,541,906</b>	Up to 20% of unearned premium	<b>1,148,043</b>
From policyholders	1,541,906		1,541,906
From intermediaries	-		-
<b>Other Fixed Assets, other than item 3.</b>	<b>186,430</b>	5%	<b>186,430</b>
<b>Total assets/investments covering the technical provision</b>	<b>18,961,856</b>		<b>18,390,867</b>
<b>Technical Provisions as at 31 December 2020</b>			<b>Amount</b>
Unearned premium provisions and not matured risk			5,740,213
Provisions for claims and claims reconciliation			12,009,984
Other technical provisions			-
<b>Total required amount to cover technical provisions</b>			<b>17,750,197</b>
Assets covering technical provisions			18,390,867
Total Technical Provisions			17,750,197
<b>Difference (6-5)</b>			<b>640,670</b>
<b>Coverage in %</b>			<b>103.6%</b>

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.