SIGAL UNIQA GROUP AUSTRIA SH.A

International Financial Reporting Standards Financial statements

for the year ended 31 December 2018

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Independent Auditor's Report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Sigal Uniqa Group Austria sh.a. (the "Company") as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises supplementary schedules that include the "Solvency margin", "Charter Capital" 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 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (continued)

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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Independent Auditor's Report (continued)

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

PricewaterhouseCoopers Kosovo sh.p.k.

PricewaterhouseCoopers Kosovo sh.p.k.

7 May 2019
Prishtina, Kosovo

Statutory Auditor

Jonid Lamllari

SIGAL UNIQA GROUP AUSTRIA SH.A.
Statement of financial position
(All amounts are expressed in EUR)

	Note	31 December 2018	31 December 2017 Restated[1]
Assets			
Cash and cash equivalents	10	864,618	1,348,864
Term deposits	11	11,982,743	11,757,960
Insurance receivables	12	1,686,268	1,180,600
Deferred acquisition costs	13	883,035	727,269
Reinsurance assets	14	2,731,277	4,152,381
Other assets	16	305,376	348,640
Property and equipment	15	1,836,489	1,989,413
Intangible assets		10,692	9,638
Total assets		**20,300,498**	**21,514,765**
Liabilities			
Insurance contract liabilities	18	10,357,207	11,860,302
Unearned premium reserve	19	4,788,408	4,258,665
Insurance and other payable	20	1,376,429	1,536,923
Total liabilities		**16,522,044**	**17,655,890**
Equity			
Share capital	17	6,000,000	6,000,000
Accumulated deficit		(2,221,546)	(2,141,125)
Total equity		**3,778,454**	**3,858,875**
Total liabilities and equity		**20,300,498**	**21,514,765**

These financial statements have been approved by the Executive Management of the Company on 27 April 2019 and signed on their behalf by:

Mr. Saimir Dhamo
Chief Executive Officer

Mrs. Valbona Bardhoshi
Chief Financial Officer

[1] The statement of financial position for the year ended 31 December 2017 has been subject to restatement of the amounts as explained in note 5.

The notes on pages 5 to 30 are an integral part of these financial statements.

SIGAL UNIQA GROUP AUSTRIA Sh.a.
Statement of profit or loss and other comprehensive income
(All amounts are expressed in EUR)

	Notes	2018	2017 Restated [2]
Gross written premiums	21	10,509,238	9,559,576
Insurance corporate income tax		(527,457)	(481,297)
Change in the gross provision for unearned premiums	19	(529,743)	79,993
Gross premiums earned net of corporate income tax		**9,452,038**	**9,158,272**
Premium ceded to reinsurers	22	(928,837)	(770,791)
Reinsurers share of change in the provision for unearned premiums	19	(158,608)	53,197
Net premium earned		**8,364,593**	**8,440,678**
Other income		167,844	108,214
Interest income		111,636	80,701
Net income		**8,644,073**	**8,629,593**
Claims paid	18	(6,806,166)	(4,178,621)
Reinsurer's share of claims paid	18	1,994,650	28,327
Change in gross claims reserves	18	1,503,095	(951,114)
Change in reinsurance share of claims reserves	18	(1,262,496)	1,285,496
Net insurance claims		**(4,570,917)**	**(3,815,912)**
Acquisition costs	23	(1,188,052)	(1,273,673)
Share of costs of Kosovo Insurance Bureau ("KIB")	24	(186,788)	(189,495)
Administrative expenses	25	(2,848,112)	(2,724,370)
Impairment of insurance receivables	12,16	92,270	(78,511)
Bank charges		(22,895)	(21,362)
Net (loss)/profit for the year		**(80,421)**	**526,270**
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		**(80,421)**	**526,270**

[2] The statement of profit or loss and other comprehensive income for the year ended 31 December 2017 was subject to restatement of the amounts as explained in note 5.

The notes on pages 5 to 30 are an integral part of these financial statements.

(All amounts are expressed in EUR)

	Share capital	Accumulated deficit	Total
Balance as at 1 January 2017	**4,500,000**	**(2,667,395)**	**1,832,605**
Net profit for the year	-	526,270	526,270
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**526,270**	**526,270**
Increase of share capital	1,500,000	-	**1,500,000**
Balance as at 31 December 2017	**6,000,000**	**(2,141,125)**	**3,858,875**
Net loss for the year	-	(80,421)	(80,421)
Other comprehensive income	-	-	-
Total comprehensive loss	**-**	**(80,421)**	**(80,421)**
Balance as at 31 December 2018	**6,000,000**	**(2,221,546)**	**3,778,454**

(All amounts are expressed in EUR)

	Notes	31 December 2018	Restated 31 December 2017[3]
Cash flows from operating activities			
Profit after tax		**(80,421)**	**526,270**
Depreciation and amortization	15	196,936	220,223
Corporate income tax expenses		527,457	481,297
Gain from disposals of property and equipment		165	5,844
Impairment of receivables and other assets	12,16	(92,270)	78,511
Interest income		(111,636)	(80,701)
Cash generated from operations before changes in operating assets and liabilities		**440,231**	**1,231,444**
Changes in operating assets and liabilities			
(Increase)/decrease in			
Deferred acquisition costs		(155,766)	78,404
Reinsurer assets		1,421,104	(1,338,693)
Insurance receivables		(368,651)	80,373
Other assets		28,329	(117,686)
Increase/(decrease) in			
Insurance contract liabilities		(1,503,095)	951,114
Unearned premium reserve		529,743	(79,993)
Insurance and other payable		(170,320)	554,206
Changes in operating assets and liabilities		**221,575**	**1,359,169**
Insurance corporate income tax paid		(532,631)	(465,491)
Net cash used in operating activities		**(311,056)**	**893,678**
Cash flows from investing activities			
Acquisition of property and equipment	15	(45,230)	(83,395)
Increase in term deposits		(208,800)	(1,850,000)
Matured investment securities		-	250,000
Interest received		80,840	80,566
Net cash used in investing activities		**(173,190)**	**(1,602,829)**
Cash flows from financing activities			
Proceeds from paid in capital increase	17	-	1,500,000
Net cash inflows from financing activities		**-**	**1,500,000**
Net (decrease)/increase in cash and cash equivalents		**(484,246)**	**790,849**
Cash and cash equivalents at January 1		1,348,864	558,015
Cash and cash equivalents at 31 December	10	**864,618**	**1,348,864**

[3] The statement of cash flows for the year ended 31 December 2017 has been subject to restatement of the amounts as explained in note 5.

The notes on pages 5 to 35 are an integral part of these financial statements.

1. General information

These financial statements have been prepared for Sigal Uniqa Group Austria Sh.a. (the "Company") in accordance with International Financial Reporting Standards.

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 Insurance Group A.G Vienna, Austria ("UNIQA" or "Ultimate Parent Company") a joint stock company incorporated and domiciled in Republic of Austria.

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 2018, the Company employed 155 employees, senior management and agents (2017: 146 employees, senior management and agents).

Functional and presentation currency. 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.

Management of the Company. The Management Board during 2018 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 2018 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") under the historical cost convention. 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 and 4 for adoption of new or revised standards and interpretations and new accounting pronouncements adopted by the Company).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

3. Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Company from 1 January 2018:

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach). The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard gives all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. In addition, the amended Standard allows companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard—IAS 39. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility.

The Company decided to defer adoption of IFRS 9 as it met the related qualifying conditions because (i) its liabilities connected with insurance contracts exceeded 95% of total liabilities at 31 December 2018 and (ii) there were no subsequent substantial changes in the entity's activities. The Company expects to apply IFRS 9 from 2021, unless the effective date of transition to the new standard is deferred by IASB, and it has not applied it at any earlier stage.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

The Company did not have a material impact following the implementation of the new revenue standard. Customer with contracts other than insurance contracts are limited and recognition of revenue does not differ under the new standard.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognizes a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Company had no significant impact from the adoption of the amendments on its financial statements.

Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognized upon the modification, (c) the equity-settled share-based payment is recognized to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date is recorded in profit or loss immediately. The Company has no share-based payments and thus the amendments did not have an impact in its financial statements.

3. Adoption of new or revised standards and interpretations (continued)

Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Prior to the amendments, there was no specific guidance on transfers into, or out of, investment properties under construction in IAS 40. The amendment clarifies that there was no intention to prohibit transfers of a property under construction or development, previously classified as inventory, to investment property when there is an evident change in use. IAS 40 was amended to reinforce the principle of transfers into, or out of, investment property in IAS 40 to specify that a transfer into, or out of investment property should only be made when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. Such a change in use should be supported by evidence. The Company had no significant impact by the amendments on its financial statements.

Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). IFRS 1 was amended and some of the short-term exemptions from IFRSs in respect of disclosures about financial instruments, employee benefits and investment entities were removed, after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organization, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis. The Company had no impact of the amendments on its financial statements.

4. New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Company has not early adopted.

IFRS 9 "Financial Instruments" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives, are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company chose to apply the temporary exemption option as explained in note 3, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach). The Company meets all conditions of the amendments to IFRS 14 and therefore it expects to apply IFRS 9 from 2021, unless the effective date of the new standard is deferred by IASB.

4. New accounting pronouncements (continued)

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company decided that it will apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognizing the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognizing the loss immediately. The Company is currently included in the Group's IFRS 17 transition project and is assessing the impact of the new standard on its financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Company is currently assessing the impact of the amendments on its financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Company does not expect an impact of the amendments on its financial statements.

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments enable measurement at amortized cost of certain loans and debt securities that can be prepaid at an amount below amortized cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortized cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Company is currently assessing the impact of the amendments on its financial statements.

4. New accounting pronouncements (continued)

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. The Company does not expect an impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognizes all income tax consequences of dividends where it has recognized the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalization only until the specific asset is substantially complete. The Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The Company does not expect an impact of the amendments on its financial statements.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Company will apply them and assess their impact from 1 January 2020.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

5. 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 are translated into each entity'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 each entity'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, 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 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.

5. Summary of significant accounting policies (continued)

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 27.

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.

5. Summary of significant accounting policies (continued)

Financial Instruments

The Company classifies non-derivative financial assets into loans and receivables and non-derivative financial liabilities into other financial liabilities.

Non-derivative financial assets and financial liabilities – Recognition and de recognition

The Company initially recognizes receivables on the date when they are originated.

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.

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

Non-derivative financial assets – Measurement

Loans and receivables financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Non-derivative financial liabilities – Measurement

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off 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 ordinary 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.

5. 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 it 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 other receivables.

Investment securities

Investment securities are debt investments that the Company has the intent and ability to hold to maturity and are classified as debt securities held at amortized cost, less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition.

Insurance and other receivables

Receivables including insurance receivables are initially recognized at fair value 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 fair value less any directly attributable transaction costs. 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 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	4 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.

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.

5. Summary of significant accounting policies (continued)

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

Compulsory social security contributions. 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. 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.

Income tax

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. In accordance with Republic of Kosovo Law on Corporate Income Tax no.05/L-029, insurance companies are required to calculate corporate income tax of 5% (2017: 5%) on their quarterly gross premiums. Premiums returned and retrospective premium adjustments are deducted from gross premiums to arrive at the tax base.

Tax on gross premiums written is presented separately as a deduction from the gross premiums written. Corporate income tax constitutes a part of acquisition costs and is expensed when incurred. Because of these specifics, deferred income tax is not calculated as there are no temporary differences between tax and accounting bases of assets and liabilities. Also, tax losses are not applicable to insurance companies for carry forward.

Comparatives

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

The Company had a reported but not paid insurance claim during 2017, in amount of EUR 1,370,709. However, given that the premium for the insured event was ceded to reinsurer, the Company's share in this claim was only 5%, i.e. the amount or EUR 68,535, while the rest of EUR 1,302,174 was under the coverage of the reinsurance arrangement. The Company offset the reinsurance asset with the related insurance liability and only presented net insurance liability in the Statement of financial position.

As per IFRS 4 requirements, the Company instead of recognizing the net liability in amount of EUR 68,535 should have recognized an insurance asset in amount of EUR 1,302,174 and insurance liability in amount of EUR 1,370,709. In addition, in its statement of profit or loss for the year ending 31 December 2017, the Company should have reported the amount of EUR 1,370,709 of claims incurred expenses and EUR 1,302,174 as reinsurance share in claims incurred. Instead, the Company only reported net claims incurred expense in amount of EUR 68,535.

As per IFRS 4 requirements, an insurance Company shall not offset:

a) reinsurance assets against the related insurance liabilities; or

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

5. Summary of significant accounting policies (continued)

b) income or expense from reinsurance contracts against the expense or income from the related insurance contracts.

Total equity is not impacted by the above corrections of errors. The error described above impacted the statement of financial position, the statement of profit or loss and other comprehensive income and accordingly also the statement of cash flows.

31 December 2017	**As previously presented**	**Adjustment**	**Restated**
ASSETS			
Reinsurance assets	2,850,207	1,302,174 (i)	4,152,381
TOTAL ASSETS	**20,212,591**	1,302,174 (i)	**21,514,765**
EQUITY			
Share capital	6,000,000	-	6,000,000
Retained earnings	(2,141,125)	-	(2,141,125)
TOTAL EQUITY	**3,858,875**		**3,858,875**
LIABILITIES			
Insurance contract liabilities	10,558,128	1,302,174 (i)	11,860,302
TOTAL LIABILITIES	**16,353,716**	1,302,174 (i)	**17,655,890**
TOTAL EQUITY AND LIABILITIES	**20,212,591**	1,302,174 (i)	**21,514,765**

Statement of profit or loss and other comprehensive income for the year ended 31 December 2017

31 December 2017	As previously presented	**Adjustment**	Restated
Net income	**8,629,593**		**8,629,593**
Change in insurance claims reserves	351,060	(1,302,174)	(951,114)
Change in reinsurance share of claims reserves	(16,678)	1,302,174	1,285,496
Net profit for the year	**526,270**		**526,270**

6. 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 7, whilst insurance contract liabilities are analyzed in Note 18. Contingent liabilities related to insurance claims are described in Note 27.

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.

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

7. 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:

		2018			2017	
Business line	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
MTPL	6,761,210	-	6,761,210	6,842,027	-	6,842,027
Property	3,246,460	(2,545,269)	701,191	3,327,186	(2,505,591)	821,595
Health and accidents	349,537	-	349,537	388,915	-	388,915
Total	**10,357,207**	**(2,545,269)**	**7,811,938**	**10,558,128**	**(2,505,591)**	**8,052,537**

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

		2018			2017	
Business line	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
MTPL	6,761,210	-	6,761,210	6,842,027	-	6,842,027
Property	3,246,460	(2,545,269)	701,191	4,629,360	(3,807,765)	821,595
Health and accidents	349,537	-	349,537	388,915	-	388,915
Total	**10,357,207**	**(2,545,269)**	**7,811,938**	**11,860,302**	**(3,807,765)**	**8,052,537**

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.

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

7. Insurance risk management (continued)

The following table shows actual claims incurred compared to previous estimates for the year ended 31 December 2018 and 2017:

	2018	2017	2016	2015	2014
RBNS					
Opening claim estimates	7,898,796	7,303,145	4,356,502	2,358,483	2,507,143
Prior periods' claims paid during the year	3,041,863	1,287,150	1,650,309	1,794,445	1,479,370
Closing claim estimates for prior periods' claims	4,624,185	5,143,944	1,962,174	1,120,629	1,456,142
Run off in Euro	**232,748**	**872,051**	**744,019**	**(556,591)**	**(428,369)**
Run off in %	**2.95%**	**11.94%**	**17.08%**	**(23.60%)**	**(17.09%)**
IBNR					
Opening claim estimates	2,733,987	3,368,204	2,767,653	2,512,390	2,674,164
Actual results related to claims incurred	524,150	412,921	649,638	1,054,992	518,195
Closing claim estimates	1,474,916	1,665,023	1,626,057	1,403,077	1,688,050
Run off in Euro	**734,921**	**1,290,260**	**491,958**	**54,321**	**467,919**
Run off in %	**26.88%**	**38.31%**	**17.78%**	**2.16%**	**17.50%**
Total claim reserves					
Opening claim estimates	10,632,783	10,671,349	7,124,155	4,870,873	5,181,307
Paid and reported during the period	3,566,013	1,700,071	2,299,947	2,849,437	1,997,565
Closing claim estimates	6,099,101	6,808,967	3,588,231	2,523,706	3,144,192
Run off in Euro	**967,669**	**2,162,311**	**1,235,977**	**(502,270)**	**39,550**
Run off in %	**9.10%**	**20.26%**	**17.35%**	**-10.31%**	**0.76%**

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

7. 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	2011 and earlier	2012	2013	2014	2015	2016	2017	2018	Total:
Estimate of final claims cost:									
-at the end of the reporting period	41,638,568	2,645,991	3,562,217	4,564,225	6,811,699	9,367,146	4,969,473	6,438,774	
-one year later	14,370,363	2,577,726	4,000,819	4,491,041	6,411,313	8,511,206	5,475,932	-	
-two years later	14,836,908	2,782,081	3,965,809	4,501,785	6,341,418	8,146,564	-	-	
-three years later	14,710,029	2,745,103	4,003,679	4,468,831	6,124,503	-	-	-	
-four years later	15,258,552	2,757,032	4,029,936	4,501,895	-	-	-	-	
-five years later	15,784,431	2,797,931	4,146,439	-	-	-	-	-	
-six years later	16,003,473	2,839,527	-	-	-	-	-	-	
-more than six years	16,220,924	-	-	-	-	-	-	-	
Current estimate of cumulative claims cost	16,220,924	2,839,527	4,146,439	4,501,895	6,124,503	8,146,564	5,475,932	6,438,774	53,894,558
Cumulative payments of claims	(15,682,590)	(2,492,571)	(3,651,936)	(4,062,315)	(5,729,441)	(4,874,847)	(4,737,254)	(3,366,833)	(44,597,787)
Liability recognized in the balance sheet	**538,334**	**346,956**	**494,503**	**439,580**	**395,062**	**3,271,717**	**738,678**	**3,071,941**	**9,296,771**

Management reviews claims estimates and assumptions based on actual claim development and makes appropriate adjustments to claim methodologies. There is a reported positive run-off as the amount of claims paid during 2018, for the claims reported before 1 January 2018, is lower for EUR 968 thousand, or 9.10% of the reserve for those claims as of 31 December 2017.

Technical provision amounting to EUR 1,060,436 (2017: EUR 908,404) 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.

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

7. 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 2018 and 2017 is as below:

	2018	2017
Claim ratio	51.39%	45.64%
Expense ratio	46.70%	51.28%
Combined ratio	98.09%	96.92%

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

	Impact	2018	Impact	2017
Claim ratio				
5% increase in claim ratio	Loss	(228,546)	Loss	(190,796)
5% decrease in claim ratio	Gain	228,546	Gain	190,796
Expense ratio				
5% increase in expense ratio	Loss	(207,679)	Loss	(214,371)
5% decrease in expense ratio	Gain	207,679	Gain	214,371
Combined ratio				
5% increase in combined ratio	Loss	(436,225)	Loss	(405,166)
5% decrease in combined ratio	Gain	436,225	Gain	405,166

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.

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

8. 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 2018 and 2017 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	-	-	-	-	864,618	864,618
Term deposits			9,348,370	2,634,373	-	11,982,743
Insurance receivables	-	-	-	-	1,686,268	1,686,268
Reinsurance assets	-	-	-	-	2,731,277	2,731,277
Total assets	**-**	**-**	**9,348,370**	**2,634,373**	**5,282,163**	**17,264,906**
Claim reserves	-	-	-	-	10,357,207	10,357,207
Unearned premium reserve	-	-	-	-	4,788,408	4,788,408
Other financial liabilities	-	-	-	-	1,376,429	1,376,429
Total liabilities	**-**	**-**	**-**	**-**	**16,522,044**	**16,522,044**
IR gap as at 31 December 2018	**-**	**-**	**9,348,370**	**2,634,373**	**(11,239,881)**	**742,862**

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	-	-	-	-	1,348,864	1,348,864
Term deposits	1,155,349	705,619	6,023,877	1,345,529	2,527,586	11,757,960
Insurance receivables	-	-	-	-	1,180,600	1,180,600
Reinsurance assets	-	-	-	-	4,152,381	4,152,381
Total assets	**1,155,349**	**705,619**	**6,023,877**	**1,345,529**	**9,209,431**	**18,439,805**
Claim reserves	-	-	-	-	11,860,302	11,860,302
Unearned premium reserve	-	-	-	-	4,258,665	4,258,665
Other financial liabilities	-	-	-	-	1,536,923	1,536,923
Total liabilities	**-**	**-**	**-**	**-**	**17,655,890**	**17,655,890**
IR gap as at 31 December 2017	**1,155,349**	**705,619**	**6,023,877**	**1,345,529**	**(8,446,459)**	**783,915**

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

8. 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 120 thousand (2017: EUR 92 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 Prishtina.

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 counterparts.

No objective indications for impairment have been identified by the Company on the other financial assets as at the reporting date, therefore management considers other financial assets such as reinsurance assets, cash equivalents, and term deposits as neither past due nor impaired.

The Company's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the statement of financial position as follows:

	Note	31 December 2018	31 December 2017
Cash and cash equivalents	10	864,618	1,348,864
Term deposits with banks	11	11,982,743	11,757,960
Insurance receivables	12	1,686,268	1,180,600
Reinsurance assets	14	2,731,277	4,152,381
Maximum exposure to credit risk		**17,264,906**	**18,439,805**

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 2018 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	864,618	-	-	864,618
Term deposits	1,907,743	8,825,000	1,250,000	11,982,743
Insurance receivables	1,686,268	-	-	1,686,268
Reinsurance assets	-	2,731,277	-	2,731,277
Total assets	**4,458,629**	**11,556,277**	**1,250,000**	**17,264,906**
Claim reserves	2,310,669	634,584	7,411,954	10,357,207
Unearned premium reserve	330,440	4,416,391	41,577	4,788,408
Other financial liabilities	1,376,429	-	-	1,376,429
Total liabilities	**4,017,538**	**5,050,975**	**7,453,531**	**16,522,044**
Net liquidity position as at 31 December 2018	**441,091**	**6,505,302**	**(6,203,531)**	**742,862**

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

8. Financial risk management (continued)

The table below analyses the financial assets and liabilities of the Company at 31 December 2017 into relevant maturity, except as for insurance and reinsurance balances.

Liquidity risk	Up to 3 months	From 3 to 12 months	Over 1 year	Total
Cash on hand and at banks	1,348,864	-	-	1,348,864
Term deposits	3,682,935	6,729,496	1,345,529	11,757,960
Insurance receivables	1,180,600	-	-	1,180,600
Reinsurance assets	1,302,174	2,850,207	-	4,152,381
Total assets	**7,514,573**	**9,579,703**	**1,345,529**	**18,439,805**
Claim reserves	6,169,268	411,053	5,279,981	11,860,302
Unearned premium reserve	595,576	3,566,684	96,405	4,258,665
Other financial liabilities	1,536,923	-	-	1,536,923
Total liabilities	**8,301,767**	**3,977,737**	**5,376,386**	**17,655,890**
Net liquidity position as at 31 December 2017	**(787,194)**	**5,601,966**	**(4,030,857)**	**783,915**

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 2018, the total equity of the Company is EUR 3,909 thousand or EUR 709 thousand higher than the minimum required equity.

As at 31 December 2018 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 2018 is EUR 2,743 thousand (2017: 2,887 thousand).

The Company's available charter capital as determined by regulations of the Central Bank of Kosovo is EUR 3,649 thousand (2017: EUR 3,565 thousand) or EUR 449 thousand higher than the minimum required capital of EUR 3,200 thousand (2017: EUR 365 thousand higher). The available charter capital exceeds the required Solvency Margin by EUR 907 thousand (2017: 679 thousand).

In any case, the Parent Company is committed to provide financial support and capital injection in case the regulatory limits are not met and thus it is required by local regulations.

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.

9. 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.

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

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

10. Cash and cash equivalents

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

	31 December 2017	31 December 2017
Cash at banks – current accounts with local banks	864,618	1,348,864
Total cash on hand and at banks	**864,618**	**1,348,864**

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

	31 December 2018	31 December 2017
Rating	**Cash and cash equivalents**	**Cash and cash equivalents**
BBB+	569,752	665,155
BBB	81,887	214,787
BB+	98,614	136,926
B+	19,254	11,652
AAA (Albanian rating)	41,594	217,624
Not rated	53,518	102,720
Total	**864,619**	**1,348,864**

11. Term deposits

	31 December 2018	31 December 2017
Term deposits – commercial local banks	11,382,743	11,157,960
Deposits with the Central Bank of Kosovo	600,000	600,000
Total	**11,982,743**	**11,757,960**

The interest rate on term deposits during the year 2018 was between 0.40% and 2.35% per annum (2017: 0.00% to 2.00% per annum).

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

	31 December 2018	31 December 2017
Rating	**Term deposits**	**Term deposits**
BBB+	1,952,367	1,936,384
BBB	500,000	500,000
BB+	3,137,000	3,137,000
B+	500,000	500,000
AAA (Albanian rating)	3,018,376	2,809,576
Not rated	2,875,000	2,875,000
Total	**11,982,743**	**11,757,960**

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

12. Insurance receivables

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

	31 December 2018	31 December 2017
Receivable from insurance customers	2,353,421	1,984,770
Less: Allowance for impairment losses	(667,153)	(804,170)
	1,686,268	**1,180,600**

Insurance receivables from insurance companies are fully impaired. Movement in allowance for impairment losses are as follows:

	2018	2017
Opening balance	804,170	829,340
Insurance receivable written off	(29,810)	-
Impairment (release)/charge for the year:	(107,207)	(25,170)
Total	**667,153**	**804,170**

The aging of insurance receivables is presented below:

	31 December 2018			31 December 2017		
	Gross Balance	Impairment	Net Balance	Gross Balance	Impairment	Net Balance
0-3 months	1,572,575	(39,852)	1,532,723	1,187,332	(225,430)	961,902
3-6 months	115,863	(5,793)	110,070	132,629	(6,631)	125,998
6 months to 1 year	173,901	(130,426)	43,475	370,799	(278,099)	92,700
more than 1 year	491,082	(491,082)	-	294,010	(294,010)	-
Total	**2,353,421**	**(667,153)**	**1,686,268**	**1,984,770**	**(804,170)**	**1,180,600**

13. Deferred acquisition costs

Deferred acquisition costs at year-end comprise:

	31 December 2018	31 December 2017
Commissions paid	567,173	210,908
Corporate income tax	248,928	465,452
Commissions for CBK	66,934	50,909
	883,035	**727,269**

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

	2018	2017
Balance at 1 January	727,269	805,673
Increase/(decrease) for the year	155,766	(78,404)
Balance at 31 December	**883,035**	**727,269**

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

14. Reinsurance assets

	31 December 2018	31 December 2017
Reinsurance share in claims reported	2,545,269	3,807,765
Share in other claim reserves and UPR	186,008	344,616
Total	**2,731,277**	**4,152,381**

At 31 December 2018, the Company reinsurance share in reported claims included a property claim of EUR 2,417 thousand (2017: EUR 2,417 thousand) reinsured with Uniqa Re (note 26) and a property claim for BBB of EUR 128 thousand (2017:1,391 thousand) reinsured with Uniqa Re (note 26). Both reinsurers are companies under common control with the Company.

15. Property and equipment

	Buildings and premises	Furniture, fixtures and equipment	Computers and related equipment	Motor vehicles	Total
Cost:					
As at 1 January 2017	2,404,995	328,251	269,417	236,297	3,238,960
Additions during the year	-	6,380	30,738	46,277	83,395
Disposals	-	-	-	(50,000)	(50,000)
As at 31 December 2017	**2,404,995**	**334,631**	**300,155**	**232,574**	**3,272,355**
Additions during the year	-	12,564	24,486	-	37,050
Disposals	-	-	-	(2,466)	(2,466)
As at 31 December 2018	**2,404,995**	**347,195**	**324,641**	**230,108**	**3,306,939**
Accumulated depreciation:					
As at 1 January 2017	445,412	284,660	212,064	171,848	1,113,984
Charge for the year	120,783	21,276	32,577	38,478	213,114
Disposals	-	-	-	(44,156)	(44,156)
As at 31 December 2017	**566,195**	**305,936**	**244,641**	**166,170**	**1,282,942**
Charge for the year	121,120	17,548	27,258	23,883	189,809
Disposals	-	-	-	(2,301)	(2,301)
As at 31 December 2018	**687,315**	**323,484**	**271,899**	**187,752**	**1,470,450**
Carrying amounts					
As at 31 December 2017	**1,838,800**	**28,695**	**55,514**	**66,404**	**1,989,413**
As at 31 December 2018	**1,717,680**	**23,711**	**52,742**	**42,356**	**1,836,489**

16. Other assets

	31 December 2018	31 December 2017
Prepayments to Kosovo Insurance Bureau (KIB)	125,000	125,000
Advances to employees	113,867	170,586
Advances paid	97,484	57,033
Non-financial investments	15,000	15,000
Other assets	72,644	84,703
Gross other assets	**423,995**	**452,322**
Impairment of other assets	(118,619)	(103,682)
Other assets, net	**305,376**	**348,640**

Prepayments to Kosovo Insurance Bureau 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 in the past, a practice that Company does not follow anymore. Advances paid represent advance payments made by the Company to the third parties, for services, which are expected to be received after the reporting date.

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

17. Share capital

At 31 December 2018 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 (2017: 60,000 shares with a nominal value of EUR 100). 100% of the shares in the Company's share capital are owned by Sigal Uniqa Group Austria sh.a. a subsidiary of Uniqa Insurance Group AG operating in Albania.

18. Insurance contract liabilities

	2018			2017		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Reported claims	8,807,200	(3,807,765)	4,999,435	7,303,145	(2,522,269)	4,780,876
Incurred but not reported	2,733,987	-	2,733,987	3,368,204	-	3,368,204
Claims handling costs	319,115	-	319,115	237,839	-	237,839
Total at beginning of the year	**11,860,302**	**(3,807,765)**	**8,052,537**	**10,909,188**	**(2,522,269)**	**8,386,919**
Claims incurred	5,411,007	(732,154)	4,678,853	5,048,459	(1,313,823)	3,734,636
Claims paid	(6,806,166)	1,994,650	(4,811,516)	(4,178,621)	28,327	(4,150,294)
Claims handling costs	(107,936)	-	(107,936)	81,276	-	81,276
	(1,503,095)	**1,262,496**	**(240,599)**	**951,114**	**(1,285,496)**	**(334,382)**
Total at end of year	**10,357,207**	**(2,545,269)**	**7,811,938**	**11,860,302**	**(3,807,765)**	**8,052,537**
Reported claims	7,358,524	(2,545,269)	4,813,255	8,807,200	(3,807,765)	4,999,435
Incurred but not reported	2,787,504	-	2,787,504	2,733,987	-	2,733,987
Claims handling costs	211,179	-	211,179	319,115	-	319,115
Change in claims reserves, net	**(1,503,095)**	**1,262,496**	**(240,599)**	**951,114**	**(1,285,496)**	**(334,382)**

Paid claims by insurance product are as follows:

	2018	**2017**
Motor vehicles	3,605,827	2,841,743
Health and accidents	1,087,611	1,275,947
Property	2,112,160	57,344
Other	568	3,587
Total	**6,806,166**	**4,178,621**

Notified outstanding claims reserve	**2018**	**2017**
At 1 January	8,807,200	7,221,869
Net change during the year	(1,448,676)	1,585,331
At 31 December	**7,358,524**	**8,807,200**

Incurred but not reported claims reserve	**2018**	**2017**
At 1 January	2,733,987	3,368,204
Net change during the year	53,517	(634,217)
At 31 December	**2,787,504**	**2,733,987**

Included in the insurance contract liabilities reserve as of 31 December 2018 is also the amount of EUR 211,179 (2017: EUR 319,115) which represent the reserve for claim handling costs.

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

19. Unearned premium reserve

	2018	2017
As at 1 January	4,258,665	4,338,658
Premiums written during the year	10,509,238	9,559,576
Less: premiums earned during the year	(9,979,495)	(9,639,569)
Balance at 31 December	**4,788,408**	**4,258,665**

	2018	2017
Gross change in provision for unearned premium	(529,743)	79,993
Change in reinsurers share	158,608	(53,197)
Change in provision for unearned premium, net	**(371,135)**	**26,796**

20. Insurance and other payable

	31 December 2018	31 December 2017
Reinsurance payables	613,497	809,659
Payable to suppliers	215,952	296,977
Payable to the agents	212,003	109,235
Other financial liabilities	**1,041,452**	**1,215,871**
Tax payable related premiums	126,408	116,582
VAT payables	133,480	117,695
Personal income tax	11,749	8,431
Payable to the Central Bank of Kosovo	34,019	31,056
Pension contribution payable	13,915	10,591
Payable to KIB	10,629	30,722
Other payables	4,777	5,975
Non-financial liabilities	**334,977**	**321,052**
Total	**1,376,429**	**1,536,923**

21. Gross written premium

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

	2018	2017
Motor vehicles	6,370,716	6,143,240
Health and accidents	2,224,286	1,841,048
Property	1,818,392	1,542,156
Marine and aviation	95,844	33,132
Total	**10,509,238**	**9,559,576**

Motor vehicle premiums are further detailed as follows:

	2018	2017
Motor third party liability	4,690,708	4,581,303
Motor hull (Casco)	943,788	860,737
Border insurance	736,220	701,200
Total	**6,370,716**	**6,143,240**

Border insurance gross written premiums amounting to EUR 736 thousand (2017: EUR 710 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 ("TPL") 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 2018, the Company accounted for all the liabilities related to the pool.

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

22. Premium ceded to reinsurers

	2018	2017
Property	810,989	704,050
Motor vehicles	63,037	58,700
Health and accidents	1,828	6,341
Marine and aviation	52,983	1,700
Total	**928,837**	**770,791**

23. Acquisition costs

	2018	2017
Commissions to agents and intermediaries	1,201,943	1,066,215
Commissions to Central Bank of Kosovo	141,875	129,054
Change in deferred acquisition costs (note 13)	(155,766)	78,404
Total	**1,188,052**	**1,273,673**

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

The Kosovo Insurance Bureau ("KIB") administers the system to sell compulsory third party liability motor vehicle insurance ("CTPL") at the border of the Republic of Kosovo (the "pool") to drivers of foreign registered vehicles not in possession of such insurance, on behalf of all insurance companies licensed by the Central Bank of Kosovo to sell CTPL insurance within the Territory of Kosovo. KIB remits to each insurance company monthly its share of the gross premiums received (including VAT and premiums tax, which are then included in the insurance companies' own tax returns). Each insurance company is required to contribute a specified percentage to gross premiums received (net of related premium tax) to KIB for the claims and other administrative costs of the pool and the membership activities of KIB. During 2018 the Company contributed to KIB a total amount EUR 186,788 as administrative expenses (2017: EUR 189,495). KIB allocated an amount of EUR 1,081,645 (2017: EUR 926,572) as a reserve for the border which is part of Company's insurance contract liabilities for the year ending 31 December 2018.

25. Administrative expenses

	2018	2017
Staff cost	973,486	875,090
Rent expenses	461,167	311,798
Advertising costs	423,331	279,844
Depreciation and amortization	196,936	220,223
Consultancy	115,444	97,700
Maintenance and repairs	110,909	77,051
Office expenses	100,472	63,740
VAT expenses	54,114	58,976
Electricity expenses	33,805	31,097
Telecommunication expenses	33,014	28,364
Fuel expenses	33,007	26,075
Representation expenses	29,059	19,209
Other expenses	283,368	306,469
Penalties	-	328,734
Total	**2,848,112**	**2,724,370**

(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 2018 and 2017 are as follows:

Liabilities	Relationship	31 December 2018	31 December 2018
Payables for reinsurance contracts to Sigal Uniqa Group Austria sh.a (Albania)	Parent company	33,820	-
Payables for reinsurance contracts to Uniqa Re AG	Entities under common control	213,007	164,718
Payables for management fee to Uniqa Insurance Group	Entities under common control	81,357	100,082
Payables for management fee to Uniqa International	Entities under common control	5,994	13,803
Payables for reinsurance contracts to UNIQA Österreich	Entities under common control	55,746	1,100
Payables to Sigal Life Kosovo	Entities under common control	7,154	16,596
		397,078	**296,299**

Receivables	Relationship	;ember 2018	31 December 2018
Reinsurance requests to Uniqa Re AG	Entities under common control	2,417,269	2,417,269
Reinsurance requests to Uniqa Österreic	Entities under common control	128,000	88,322
Provision for unearned premiums	Entities under common control	-	15,074
Other receivables from Sigal Uniqa Group Austria Sh.a.	Entities under common control	-	10,388
		2,545,269	**2,531,053**

Expenses	Relationship	2018	2018
Management fee expenses to Uniqa Insurance Group	Entities under common control	60,916	81,765
Management fee expenses to Uniqa IT services	Entities under common control	5,994	13,803
Expenses for reinsurance contracts to Uniqa Re	Entities under common control	128,289	108,148
Expenses for reinsurance contracts to Uniqa Entities	Entities under common control	134,231	152,685
Expenses for reinsurance contracts and other expenses to Sigal sh.a	Entities under common control	19,662	41,320
Vehicle rent expenses to Avel sh.a.	Immediate family member of key management	13,000	6,000
		362,092	**403,721**

Key management compensations	**2018**	**2017**
Salaries	108,130	99,400
Short term social security and other contributions	1,086	1,041
Total	**109,216**	**100,441**

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

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.

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 679 claims outstanding as at 31 December 2018 with an estimated reserve of EUR 4,066 thousand which are in litigation at the court with or without a court decision.

At 31 December 2018, 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 addition, as at 31 December 2018, the Company is engaged in a litigation process for a retention guarantee, pre-financing payment guarantee and performance guarantee that the Company issued to one of its clients. The claimant requires compensation from the Company for the lack of fulfilment of the responsibilities and non-fulfilment of performance obligations in amount of EUR 1,684 thousand. The claims though are statute-barred according to the Company's external and internal legal advice and thus management does not expect to incur a loss from this litigation case. Therefore, no provision was recognized in the financial statements in this respect. Furthermore, the Company has secured the above guarantees with a mortgage, on which the Company is the first order pretender based on a document issued by official competent authorities. The mortgage securing the guarantee was not recognized in the financial statements neither.

Nevertheless the court case is in the process and the final outcome might differ from the management assessment.

Operating lease commitments The Company has outstanding commitments under non-cancellable rental contracts which fall due as follows:

	31 December 2018	31 December 2017
Within one year	39,620	26,468
Total	**39,620**	**26,468**

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.

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

Supplementary Schedules

Annex I - Table for Solvency Calculation

1	**Table of reserves for claims**	**2018**
1.1	Requirements for outstanding claims at the beginning of the period	10,558,128
1.2	Paid claims	6,806,166
1.3	Requirements for outstanding claims at the end of the period	10,226,207
1.4	**Incurred losses (1.2 + 1.3) - 1.1**	**6,474,245**
1.5	**Average of incurred losses**	**6,667,694**
2	**Table of part of reinsurer requirements**	
2.1	Part of reinsurance for pending claims at the beginning of the period	2,505,591
2.2	Accepted reinsurance	**1,994,650**
2.3	Part of reinsurance for pending claims at the end of the period	2,545,269
2.4	**Part of reinsurance for incurred claims**	**2,034,328**
2.5	**Net incurred losses (held claims)**	**4,439,917**
2.6	**Holding level**	**68.6%**
2.7	**Average of holding level**	**88,9%**
3	**Based on premiums**	**Dec-18**
3.1	Gross written premiums	**10,173,811**
3.2	Change of premiums	**(524,743)**
3.3	For QI: 11,12,13 increase of premium for 50%	**503,141**
3.4	Others (tax & reinsurance)	-
3.5	**Total**	**10,152,209**
3.6	First layer (fixed to 10 million)	**10,000**
3.7	Second layer (more than 10 million)	-
3.8	Percentage of the first layer (fixed)	**18%**
3.9	Percentage of the second layer (fixed)	**16%**
3.10	**Result based on premiums**	**1,621,756**
3.11	Holding level	89%
3.12	**Result of solvency based on premiums**	**1,621,756**
4	**Based on claims**	
4.1	Incurred gross claims (see table of claims)	6,667,694
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**	**1,541,081**
4.7	Net and gross incurred claims ratio	89%
4.8	**Minimum percentage**	**50%**
5	**Result of solvency based on claims**	**1,541,081**
5	**Required solvency**	**2018**
5.1	Based on premiums	1,621,756
5.2	Based on claims	**1,541,081**
5.3	Required solvency	1,621,756
5.4	Required solvency for the previous year	1,828,506
5.5	**Solvency based on growth of 150%**	**2,742,759**

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

Annex II - Charter Capital

		2018
I	**CHARTER CAPITAL, Article 4: (1 + 2 + 3)**	**3,909,454**
1	*Paid share capital of insurers in cash*	*6,000,000*
2	*Capital reserves (reserves recognized by law and free reserves),*	
3	Accumulated profits transferred after the deduction of dividends to be paid	*(2,090,546)*
II	**DEDUCTIBLE ELEMENTS FROM CHARTER CAPITAL, Article 4: (1 + 2 + 3 + 4)**	-
1	Repurchased own shares	-
2	Investments in intangible (non-material) assets;	-
3	Transferred losses and losses of the current year;	-
4	Difference between reserves for discounted and undiscounted claims	-
III	**SUPPLEMENTARY CAPITAL, Article 5; (1 + 2 + 3 + 4), max 50%**	-
1	Share capital of the insurer, consisting of preferential shares issuance according to their nominal amount paid in cash in insurer equity	-
2	Subordinated debt Instruments,	-
3	Capital reserves linked to preferential shares	-
4	Other elements	-
IV	**REGULATORY CAPITAL, (I - II + III)**	***3,909,454***
V	**DEDUCTIBLE ELEMENTS IN CAPITAL CALCULATION, Article 6: (1 + 2)**	-
1	Participations or possessions in ownership of other companies	-
2	Investments in subordinated debt instruments	-
VI	**Non-liquid assets, Article 6; (1 to 9)**	***260,063***
1	Premiums receivable and debtors from the reinsurance for more than 180 days	68,995
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	-
7	Other assets which are not easily convertible into cash	-
8	Intangible assets	10,692
9	Others	180,376
VII	**Net property - Available capital (IV - V - VI)**	**3,649,391**
VIII	**Guarantee fund according to the law**	**3,200,000**
IX	**Request for capital according to the Guarantee Fund**	**449,391**
X	**Request for solvency coverage**	**906,632**
XI	**Final request for capital growth**	-

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

Annex III - Assets deemed to back insurance liabilities

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

Assets/Investments covering technical provisions	Current Amount Invested	% of allowed assets in covering technical reserves	Allowed amount as per the Regulation
Cash Deposits (EUR) in licensed banks in Kosovo more than 3 months (excluding the charter capital)	8,907,743	No Limit	8,782,743
Government Securities	-		-
Issued by the Government of the Republic of Kosovo (excluding charter capital)	-	No Limit	-
Treasury Bonds	-		-
Securities	-		-
Other capital market financial instruments	-		-
Issued and guaranteed by the central banks of governments of EU member states, which need to have a credit ranking not lower than BBB	-	20% in total 5% of separate issuer	-
Treasury Bonds	-		-
Securities	-		-
Other capital market financial instruments	-		-
Land and Building	**1,717,680**	20% in total 10% of separate issuer	**1,717,680**
Operation use purpose	1,717,680		1,717,680
Investing purpose	-		-
Cash and Cash equivalents	**864,619**	3%	**454,368**
Deposits with maturity <= 3 months	-		-
Current Accounts	864,619		864,619
Cash equivalents in Cash Register	-		-
Reinsurer's receivables, net of payables	-		-
With Credit Rating >= BBB	-	No Limit	-
With Credit Rating< BBB	-	25%	-
Reinsurers share in technical provisions, net of payables	**2,545,269**		**2,545,269**
With Credit Rating >= BBB	2,545,269	No Limit	2,545,269
With Credit Rating< BBB	-	25%	-
Accrued interests from investments	39,367	5%	39,367
Premiums Receivables, up to 180 days	**1,688,438**	Up to 20% of unearned premium	**957,682**
From policyholders	1,688,438		957,682
From intermediaries	-		-
Other Fixed Assets, other than item 3.	118,809	5%	118,809
Total assets/investments covering the technical provision	**15,987,350**		**14,736,988**
Technical Provisions as at 31 December 2018			**Amount**
Unearned premium provisions and not matured risk			4,788,408
Provisions for claims and claims reconciliation			10,357,207
Other technical provisions			-
Total required amount to cover technical provisions			**15,145,615**
Assets covering technical provisions			14,615,918
Total Technical Provisions			15,014,615
Difference (6-5)			**529,697**
Coverage in %			**96.50%**

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, and which requires insurance companies to maintain assets covering technical provisions from 1 January 2018 to 31 December 2018 at minimum of 85%.