SIGAL UNIQA GROUP AUSTRIA SH.A

Financial statements for the year ended 31 December 2017

(with independent auditors' report thereon)

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Independent Auditors' Report

To the Board of Directors and Management of Sigal Uniqa Group Austria sh.a.

Opinion

We have audited the financial statements of Sigal Uniqa Group Austria sh.a. ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements of the Law No.04/L -014 "On accounting, financial reporting and audit", and the Law No.05/L -045 "On Insurances" that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company prepared in accordance with IFRS for the year ended 31 December 2016 were audited by another firm, which on 2 May 2017 expressed an unqualified opinion on these financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2017, prepared by management in accordance with article 81 of the Law 05/L -045 "On Insurances" but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRS 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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.

KPMG

Report on regulatory requirements of the supervisory authority, the Central Bank of Kosovo, for Solvency Calculation, Charter Capital and Assets Covering Technical Reserves.

Pursuant to the requirements of the Central Bank of Kosovo ("CBK"), we have read the accompanying Supplementary Schedules of Solvency Calculation, Charter Capital and Assets Covering Technical Reserves ("Supplementary Schedules"). These Supplementary Schedules prepared by management are not part of the accompanying financial statements. The historical financial information, presented in the Supplementary Schedules prepared by management is consistent, in all material respects, with the annual financial information disclosed in the accompanying financial statements of the Company as of 31 December 2017, prepared in accordance with International Financial Reporting Standards, applicable for insurance companies in Kosovo. Management is responsible for the preparation of the Supplementary Schedules, in accordance with CBK Rule "On calculation of the minimum solvency margins, capital adequacy and guarantee fund for non-life insurers" dated 1 March 2017.

KPMG Albania Shpk - Kosovo Branch

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Prishtina, 27 April 2018

(All amounts are expressed in EUR)

	Note	31 December 2017	31 December 2016
Assets			
Cash and cash equivalents	9	1,348,864	558,015
Term deposits	10	11,757,960	9,907,824
Investment securities	11	-	250,000
Insurance receivables	12	1,180,600	1,254,457
Deferred acquisition costs	13	727,269	805,673
Reinsurance assets	14	2,850,207	2,813,688
Property and equipment	15	1,989,413	2,124,976
Intangible assets		9,638	16,747
Other assets	16	348,640	316,664
Total assets		**20,212,591**	**18,048,044**
Liabilities			
Claim reserves	18	10,558,128	10,909,188
Unearned premium reserves	19	4,258,665	4,338,658
Insurance and other payable	20	1,536,923	967,593
Total liabilities		**16,353,716**	**16,215,439**
Equity			
Share capital	17	6,000,000	4,500,000
Accumulated losses		(2,141,125)	(2,667,395)
Total equity		**3,858,875**	**1,832,605**
Total liabilities and equity		**20,212,591**	**18,048,044**

These financial statements have been approved by the Executive Management of the company on 27 April 2018 and signed on their behalf by:

Mr. Mal Berisha
Chief Executive Officer

Mrs. Valbona Bardhoshi
Finance Director

(All amounts are expressed in EUR)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Gross written premiums	21	9,559,576	10,501,432
Premium tax		(481,297)	(527,125)
Change in the gross provision for unearned premiums	18	79,993	470,208
Gross earned premiums net of premium tax		**9,158,272**	**10,444,515**
Premium ceded to reinsurers	22	(770,791)	(725,053)
Reinsurers share of change in the provision for unearned premiums	18	53,197	29,604
Net insurance premium revenue		**8,440,678**	**9,749,066**
Other income		108,214	107,541
Net income		**8,548,892**	**9,856,607**
Losses and loss adjustment expenses	18	(3,827,561)	(9,701,277)
Reinsurance share in losses and loss adjustment expenses	18	11,649	2,676,449
Acquisition costs	23	(1,273,673)	(1,384,808)
Share of expenses of Kosovo Insurance Bureau	24	(189,495)	(278,847)
Administrative expenses	25	(2,724,370)	(2,926,762)
Impairment of insurance receivables and other assets	12,16	(78,511)	(300,819)
		(8,081,961)	**(11,916,064)**
Bank charges		(21,362)	(26,728)
Interest income		80,701	88,305
Net profit/(loss) for the year		**526,270**	**(1,997,880)**
Other comprehensive income		**-**	**-**
Total comprehensive income/(loss) for the year		**526,270**	**(1,997,880)**

(All amounts are expressed in EUR)

	Share capital	Accumulated losses	Total
Balance as at 1 January 2016	**3,000,000**	**(669,515)**	**2,330,485**
Total comprehensive income for the period			
Net loss for the period	-	(1,997,880)	(1,997,880)
Other comprehensive income	**-**	**-**	-
Total comprehensive loss	**-**	**(1,997,880)**	**(1,997,880)**
Transactions with owners of the Company			
Increase of share capital	1,500,000	-	**1,500,000**
Total transactions with owners of the Company	**1,500,000**	**-**	**1,500,000**
Balance as at 31 December 2016	**4,500,000**	**(2,667,395)**	**1,832,605**
Balance as at 1 January 2017	**4,500,000**	**(2,667,395)**	**1,832,605**
Total comprehensive income for the period			
Net profit for the period	-	526,270	526,270
Other comprehensive income	**-**	**-**	-
Total comprehensive income	**-**	**526,270**	**526,270**
Transactions with owners of the Company			
Increase of share capital	1,500,000	-	**1,500,000**
Total transactions with owners of the Company	**1,500,000**	**-**	**1,500,000**
Balance as at 31 December 2017	**6,000,000**	**(2,141,125)**	**3,858,875**

(All amounts are expressed in EUR)

	Notes	31 December 2017	31 December 2016
Cash flows from operating activities			
Profit/(loss) for the year after tax		**526,270**	**(1,997,880)**
Depreciation and amortisation	15	220,223	225,947
Premium tax expenses		481,297	527,125
Gain from disposals of property and equipment		5,844	-
Impairment of receivables and other assets	12,16	78,511	300,819
Interest income		(80,701)	(88,305)
Cash generated from operations before changes in operating assets and liabilities		1,231,444	(1,032,294)
Changes in operating assets and liabilities			
Decrease/(increase) in deferred acquisition costs		78,404	(50,149)
(Increase) in reinsurer assets		(36,519)	(2,551,873)
Decrease in insurance receivables		80,373	202,630
(Increase)/decrease in other assets		(117,686)	83,472
(Decrease)/increase in claim reserves		(351,060)	3,625,681
Decrease in unearned premium reserve		(79,993)	(457,858)
Increase in insurance and other payable		554,206	144,393
Changes in operating assets and liabilities		127,725	996,296
Premium tax paid		(465,491)	(539,475)
Net cash used in operating activities		**893,678**	**(575,473)**
Cash flows from investing activities			
Acquisition of property and equipment	15	(83,395)	(31,245)
Acquisition of intangible assets		-	(13,474)
Increase in term deposits		(1,850,000)	(2,999,652)
Redemption of investment securities	11	250,000	1,510,000
Acquisition of investment securities	11	-	(250,000)
Interest received		80,566	97,474
Net cash used in investing activities		**(1,602,829)**	**(1,686,897)**
Cash flows from financing activities			
Proceeds from paid in capital increase	17	1,500,000	1,500,000
Net cash inflows from financing activities		**1,500,000**	**1,500,000**
Net increase/(decrease) in cash and cash equivalents		**790,849**	**(762,370)**
Cash and cash equivalents at January 1		558,015	1,320,385
Cash and cash equivalents at 31 December	**9**	**1,348,864**	**558,015**

1. General information

The Company, formerly branch of Sigal Uniqa Group Austria sh.a., Albania, which took over Drini 2000 insurance company and was then established as Sigal Drini Insurance. The Company was established on 23 October 2003 under 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 (currently Central Bank of Kosovo ("CBK")), to issue compulsory third party liability ("CTPL") motor vehicle insurance policies and voluntary insurance products within the territory of Kosovo. During 2012 the Company changed its legal status from branch to subsidiary. On 27 August 2012, CBK approved the change of the legal status of the Company and issued a new license authorizing the Company to operate the insurance business within the territory 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 services for motor vehicle, property, health, marine and aviation, and various other non-life types of insurance in the Republic of Kosovo. Part of the Company's business includes agency services for international insurance and reinsurance companies which clients are domiciled in Kosovo.

Registered address and place of business

The Company's headquarter is located in Pashko Vasa str., Pristina, Kosovo. At 31 December 2017, the Company employed 146 personnel, senior management and agents (2016: 150 staff, senior management and agents).

Management of the Company The Management Board during 2017 and up to the date of approval of these financial statements, comprised:

Mal Berisha	CEO
Anila Pishtari	Deputy CEO
Arber Ponari	Deputy CEO
Valbona Bardhoshi	CFO

Board of Directors The Board of Directors during 2017 and up to the date of approval of these financial statements, comprised:

Alma Totokoci	Chairman
Avni Ponari	Member
Edvin Hoxhaj	Member
Elvis Ponari	Member
Mal Berisha	Member

2. Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Details of the Company's accounting policies are included in Note 4.

3. 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.

4. Significant accounting policy

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

(a) Basis of measurement

These financial statements have been prepared on the historical cost basis

(b) 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 denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

4. Significant accounting policies (continued)

(c) Classification of insurance contracts

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.

(d) Recognition and measurement of insurance contracts

(i) 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.

(ii) Premiums arising from general insurance business

Gross written premiums comprise the amounts due during the financial year in respect of direct insurance regardless of the fact that such amounts may relate wholly or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. 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.

(iii) Unearned premium provision

The provision for unearned premiums across all business segments comprises the proportion of gross premiums written which is estimated to be earned in the following financial year, using the daily pro-rata basis 1/365, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract. Unearned premiums are those proportions of the premium which relate to periods after the reporting date. Unearned premium is calculated on written premiums which are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums. Deferred acquisition costs are deferred separately as an asset.

(iv) 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.

(v) 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 paid triangles method for Motor Third Party Liability (“MTPL”) product while for the other business lines a simplified methodology based on Earned Premium Ratio is used.

4. Significant accounting policies (continued)

(d) Recognition and measurement of insurance contracts (continued)

(v) Claims arising from general insurance business (continued)

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.

(vi) Contingency for claims under legal process

A significant portion of claims are under legal process. The Company has recorded appropriate insurance liabilities based on management's assessment and disclosed contingencies in note 27.

(vii) 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 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 recognised 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 recognised 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.

(viii) 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.

(ix) Liability Adequacy Test

At each reporting date the Company performs tests to ensure the adequacy of claim reserves. The primary tests performed are "Claim Ratio" analysis and "Run-off" analysis of claim reserves. The claim ratio analysis is performed annually on the major lines of business individually. The calculation is performed on claims alone as well as claims including acquisition costs and any other external claim handling costs. In performing this analysis the Company takes into account current estimates of cash outflows. The Company does not discount these estimated cash flows because most claims are expected to be settled within one year. 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. If a deficiency is identified it will be charged immediately to profit or loss by establishing an unexpired risk provision from losses arising from Liability Adequacy Test.

4. Significant accounting policies (continued)

(e) Financial Instruments

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

(i) 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.

(ii) Non-derivative financial assets – Measurement

Loans and receivables and Held-to-maturity 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.

(iii) 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.

(iv) 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.

(v) 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 maximise the use of relevant observable inputs and minimise 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 recognised 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.

4. Significant accounting policy (continued)

(e) Financial Instruments (continued)

(vi) 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 borrower, restructuring of a loan or advances on terms that the Company would not otherwise consider, indication that the borrower will enter in bankruptcy or other observable data relating to a group of assets such as adverse change in the payment status of borrowers or economic conditions that correlate with defaults in the group.

The Company considers evidence of impairment at both collective and specific levels. Loans at the collective level are assessed for impairment by grouping together borrowers with similar credit characteristics. Loans at the specific level are identified based on objective evidence of a risk level that exceeds the historical risk level of loans such as default, restructuring, deteriorated economic conditions and delinquency of more than 90 days for a single borrower 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.

(f) 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 amortised cost using the effective interest method.

(g) 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. Interest is accrued using the effective interest method and interest receivable is reflected in other receivables.

(h) Investment securities

Investment securities are debt investments that the Company has the intent and ability to hold to maturity and are classified as held-to-maturity assets. Investments, which have fixed or determinable payments and which are intended to be held-to-maturity are subsequently measured at amortized cost, less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition.

(i) Insurance and other receivables

Receivables including insurance receivables are initially recognized at fair value and subsequently measured at their amortised cost less impairment losses.

(j) Insurance and other payables

Insurance and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

4. Significant accounting policy (continued)

(k) Property and equipment

i) Recognition and measurement

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 labour, 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 capitalised 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 recognised net within other income in profit or loss.

ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised 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 recognised in profit or loss as incurred.

iii) Depreciation and amortization

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

(l) Intangible assets

The Company’s intangible assets have definite useful lives and primarily include capitalised computer software, patents, trademarks and licences. Acquired computer software licences, patents and trademarks are capitalised 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. Capitalised 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 amortised using the straight-line method over their useful lives of 3 years.

(m) 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 recognised in profit or loss for the year. An impairment loss recognised 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.

4. Significant accounting policy (continued)

(n) Revenue recognition

The accounting policy in relation to revenue from insurance contracts is disclosed in notes 4.d.ii. Interest income on financial assets is recognised using the effective interest method.

(o) Employee benefits

The Company makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The Government is responsible for providing the legally set minimum threshold for pensions in Kosovo under a defined contribution pension plan. The Company's contributions to the pension plan are charged to profit or loss as incurred and the Company has no further liabilities.

(p) 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.

(q) Provision

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre tax rate. Provisions reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(r) 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. Effective 1 January 2010 in accordance with Republic of Kosovo Law on Corporate Income Tax no.05/L-029, insurance companies are required to pay a premium tax of 5% (2016: 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. Premium tax constitutes a part of acquisition costs and is expensed when incurred. Insurance companies are not liable to tax on profit in Kosovo. Therefore, the Company is not subject to income tax and related temporary or permanent differences between the accounting and tax bases.

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017, and have not been early applied in preparing these financial statements. Those that may be relevant to the Company are set out below:

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Although it has not yet fully completed its initial assessment of the potential impact of IFRS 9 on the Company's financial statements, the Company does not expect that the new Standard, when initially applied, will have material impact on the financial statements.

The estimated expected credit losses (ECLs) for trade receivables will be calculated based on actual credit loss experience over the past few years, separately for corporates and individuals. Actual credit loss experience will be adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors will be based on GDP and inflation rate forecasts and industry outlook.

4. Significant accounting policy (continued)

(s) New standards and interpretations not yet adopted (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance standard, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Company's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Company's financial statements. The timing and measurement of the Company's revenues are not expected to change under IFRS 15 because of the nature of the Company's operations and the types of revenues it earns.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new Standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Standard is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

The Company has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at 1 January 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions. So far, the most significant impact identified is that the Company will recognize new assets and liabilities for its operating leases of offices. As at 31 December 2017, the Company's future minimum lease payments under operating leases amounted to EUR 28,080 (see Note 27). In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

IFRS 17 Insurance contracts

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

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

Other standards and interpretations

The following new or amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Annual Improvements to IFRS: 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Transfers of Investment Property (Amendments to IAS 40)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12, IAS 23

5. Use of estimates and judgements

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

Policyholder claims and benefits The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. The Company's decisions for reported and unreported losses and establishing resulting provisions and related reinsurance recoverable are annually reviewed and updated, and adjustments resulting from this review are reflected in profit or loss. The process is based on the assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Insurance risk management is discussed in detail in Note 6, whilst insurance contract provisions are analysed in Note 18.

Impairment losses on insurance receivables Insurance and other receivables are initially recognized at fair value. Subsequently receivables are measured at amortised 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.

Compliance with minimum capital requirement and going concern As disclosed in note 7 (iv), regulatory capital, the Company's total equity as at 31 December 2017 is EUR 3,948 thousand or EUR 748 thousand higher than the minimum required equity according to the specified legislation. Management of the Company acknowledges that in cases of noncompliance, that may lead to administrative measures such as close supervision and appointment of administrator by the regulator whereas the shareholder of the Company will be required to increase the paid-in capital of the Company within 30 days after the insufficiency is identified. At 24 February 2017, the shareholder increased the paid-up capital of the Company with an additional amount of EUR 1,500,000 all paid by complying also with the minimum capital requirement for the Company effective from 1 January 2017 of EUR 3,200 thousand. As the shareholder contributed to the capital as required by legislation confirming its commitment to support the Company and based on the future budgets approved by the Board of Directors, management believes that it is appropriate to prepare the financial statements on a going concern basis.

6. Insurance risk management

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

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 misestimate 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.

6. Insurance risk management (continued)

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

		2017			2016	
Business line	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
MTPL	6,842,027	-	6,842,027	5,532,309	-	5,532,309
Property	3,327,186	(2,505,591)	821,595	4,709,339	(2,522,269)	2,187,070
Health and accidents	388,915	-	388,915	667,540	-	667,540
Total	**10,558,128**	**(2,505,591)**	**8,052,537**	**10,909,188**	**(2,522,269)**	**8,386,919**

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

		2017			2016	
Business line	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
MTPL	2,855,436	-	2,855,436	2,773,147	-	2,773,147
Property	876,440	(344,616)	531,824	1,007,477	(291,419)	716,058
Health and accidents	526,789	-	526,789	558,034	-	558,034
Total	**4,258,665**	**(344,616)**	**3,914,049**	**4,338,658**	**(291,419)**	**4,047,239**

Actual claims compared to estimates The following table shows actual claims incurred compared to previous estimates for the year ended 31 December 2017 and 2016:

	2017	**2016**	**2015**	**2014**	**2013**
RBNS					
Opening claim estimates	7,303,145	4,356,502	2,358,483	2,507,143	2,109,400
Prior periods' claims paid during the year	1,287,150	1,650,309	1,794,445	1,479,370	931,240
Closing claim estimates for prior periods' claims	5,143,944	1,962,174	1,120,629	1,456,142	1,307,355
Run off in Euro	**872,051**	**744,019**	**(556,591)**	**(428,369)**	**(129,195)**
Run off in %	**11.94%**	**17.08%**	**(23.60%)**	**(17.09%)**	**(6.12%)**
IBNR					
Opening claim estimates	3,368,204	2,767,653	2,512,390	2,674,164	2,176,987
Actual results related to claims incurred	412,921	649,638	1,054,992	518,195	489,783
Closing claim estimates	1,665,023	1,626,057	1,403,077	1,688,050	1,977,803
Run off in Euro	**1,290,260**	**491,958**	**54,321**	**467,919**	**-290,599**
Run off in %	**38.31%**	**17.78%**	**2.16%**	**17.50%**	**(13.35%)**
Total claim reserves					
Opening claim estimates	10,671,349	7,124,155	4,870,873	5,181,307	4,286,387
Paid and reported during the period	1,700,071	2,299,947	2,849,437	1,997,565	1,421,023
Closing claim estimates	6,808,967	3,588,231	2,523,706	3,144,192	3,285,158
Run off in Eur '000	**2,162,311**	**1,235,977**	**(502,270)**	**39,550**	**(419,794)**
Run off in %	**20.26%**	**17.35%**	**-10.31%**	**0.76%**	**(9.79%)**

Management reviews claims estimates and assumptions based on claim development. During 2017 and 2016 there was a greater reliance and improvement on proper actuarial methodologies and full consideration for first instance court decisions in estimating RBNS and the Company calculated IBNR based on expected claims ratio "ECR" method.The above run-off analysis compares prior year claim estimates against current year payments for those claims.

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

6. 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	**2010 and earlier**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total:**
Estimate of final claims cost:									
-at the end of the reporting period	9,618,749	2,206,514	2,645,991	3,562,217	4,564,225	6,811,699	9,367,146	4,969,472	
-one year later	10,427,142	2,378,133	2,577,727	4,000,818	4,491,041	6,411,313	8,511,207		
-two years later	10,952,090	2,511,574	2,782,080	3,965,809	4,501,785	6,341,418			
-three years later	11,428,631	2,483,400	2,745,103	4,003,679	4,468,832				
-four years later	11,402,430	2,550,422	2,757,033	4,029,936					
-five years later	11,456,351	2,690,088	2,797,932						
-six years later	12,039,904	2,720,501							
- seven years later	12,583,869								
Current estimate of cumulative claims cost	12,583,869	2,720,501	2,797,932	4,029,936	4,468,832	6,341,418	8,511,207	4,969,472	46,423,166
Cumulative payments of claims	(12,659,003)	(2,415,475)	(2,405,750)	(3,552,366)	(4,018,898)	(5,617,611)	(4,678,227)	(2,447,830)	(37,795,160)
Liability recognised in the balance sheet	**(75,134)**	**305,026**	**392,182**	**477,570**	**449,933**	**723,807**	**3,832,980**	**2,521,642**	**8,628,006**

Management reviews claims estimates and assumptions based on actual claim development and makes appropriate adjustments to claim methodologies. The insurance liabilities above presented are net of Kosovo Insurance Bureau compensation fund border insurance liabilities (see note 24) amounting to EUR 1,611,201 as at 31 December 2017.

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

6. 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 2017 and 2016 is as below:

	2017	**2016**
Claim ratio	39.86%	66.89%
Expense ratio	44.85%	46.83%
Combined ratio	84.71%	113.72%

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	**2017**	**Impact**	**2016**
<u>Claim ratio</u>				
5% increase in claim ratio	Loss	(190,544)	Loss	(351,241)
5% decrease in claim ratio	Gain	190,544	Gain	351,241
<u>Expense ratio</u>				
5% increase in expense ratio	Loss	(214,371)	Loss	(245,898)
5% decrease in expense ratio	Gain	214,371	Gain	245,898
<u>Combined ratio</u>				
5% increase in combined ratio	Loss	(404,915)	Loss	(597,139)
5% decrease in combined ratio	Gain	404,915	Gain	597,139

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.

The 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 finalise 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 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

This is broadly split into Industrial and Personal lines. For Industrial lines the Company uses risk management techniques to identify risks and analyse 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)

7. 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.

i. 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.

ii. 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 2017 and 2016 there are no financial assets and liabilities in currencies other than EUR and therefore the Company is not significantly exposed to currency risk.

iii. 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**	**Not 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
Investment securities	-	-	-	-	-	-
Insurance receivables	-	-	-	-	1,180,600	1,180,600
Reinsurance assets	-	-	-	-	2,850,207	2,850,207
Other financial assets	-	-	-	-	-	-
Total assets	**1,155,349**	**705,619**	**6,023,877**	**1,345,529**	**7,907,257**	**17,137,631**
Claim reserves	-	-	-	-	10,558,128	10,558,128
Unearned premium reserve	-	-	-	-	4,258,665	4,258,665
Other financial liabilities	-	-	-	-	1,215,871	1,215,871
Total liabilities	**-**	**-**	**-**	**-**	**16,032,664**	**16,032,664**
IR gap as at 31 December 2017	**1,155,349**	**705,619**	**6,023,877**	**1,345,529**	**(8,125,407)**	**1,104,967**

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

7. Financial risk management (continued)
iii. Interest rate risk (continued)

Interest rate risk	Up to 3 months	From 3 to 6 months	6 months to 1 year	Over 1 year	Not interest sensitive	Total
Cash on hand and at banks	-	-	-	-	558,015	**558,015**
Term deposits	767,106	909,468	8,231,250	**-**	**-**	**9,907,824**
Investment securities	250,000	-	-	-	-	**250,000**
Insurance receivables	-	-	-	-	1,254,457	**1,254,457**
Reinsurance assets	-	-	-	-	2,813,688	**2,813,688**
Other financial assets	-	-	-	-	198	**198**
Total assets	**1,017,106**	**909,468**	**8,231,250**	**-**	**4,626,358**	**14,784,182**
Claim reserves	-	-	-	-	10,909,188	**10,909,188**
Unearned premium reserve	-	-	-	-	4,338,658	**4,338,658**
Other financial liabilities	-	-	-	-	635,746	**635,746**
Total liabilities	**-**	**-**	**-**	**-**	**15,883,592**	**15,883,592**
IR gap as at 31 December 2016	**1,017,106**	**909,468**	**8,231,250**	**-**	**(11,257,234)**	**(1,099,410)**

Interest rates are fixed. However, any increase/decrease by 1% in interest rate would result in a net impact of EUR 92 thousand (2016: EUR 102 thousand).

iv. 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 2017	31 December 2016
Cash and cash equivalents	9	1,348,864	558,015
Term deposits with banks	10	11,757,960	9,907,824
Investment securities	11	-	250,000
Insurance receivables	12	1,180,600	1,254,457
Reinsurance assets	14	2,850,207	2,813,688
Other financial assets	16	-	198
Maximum exposure to credit risk		**17,137,631**	**14,784,182**

v. 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.

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

7. Financial risk management (continued)

v. Liquidity risk (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
Investment securities	-	-	-	-
Insurance receivables	1,180,600	-	-	1,180,600
Reinsurance assets	-	2,850,207	-	2,850,207
Total assets	**6,212,399**	**9,579,703**	**1,345,529**	**17,137,631**
Claim reserves	4,867,094	411,053	5,279,981	10,558,128
Unearned premium reserve	595,576	3,566,684	96,405	4,258,665
Other financial liabilities	1,215,871	-	-	1,215,871
Total liabilities	**6,678,541**	**3,977,737**	**5,376,386**	**16,032,664**
Net liquidity position as at 31 December 2017	**(466,142)**	**5,601,966**	**(4,030,857)**	**1,104,967**

The table below analyses the financial assets and liabilities of the Company at 31 December 2016 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	558,015	-	-	558,015
Term deposits	767,106	9,140,718	-	9,907,824
Investment securities	250,000	-	-	250,000
Insurance receivables	1,254,457	-	-	1,254,457
Reinsurance assets	-	2,813,688	-	2,813,688
Other financial assets	198	-	-	198
Total assets	**2,829,776**	**11,954,406**	**-**	**14,784,182**
Claim reserves	6,938,158	609,267	3,361,763	10,909,188
Unearned premium reserve	639,963	3,613,804	84,891	4,338,658
Other financial liabilities	635,746	-	-	635,746
Total liabilities	**8,213,867**	**4,223,071**	**3,446,654**	**15,883,592**
Net liquidity position as at 31 December 2016	**(5,384,091)**	**7,731,335**	**(3,446,654)**	**(1,099,410)**

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

7. Financial risk management (continued)

vi. Regulatory capital

According to the Central Bank regulation "On deposit of assets as security, capital adequacy, financial reporting, risk management, investment liquidation" Article 7, all insurance Companies are required to ensure a minimum total equity of EUR 3,200 thousand. As at 31 December 2017, the total equity of the Company is EUR 3,859 thousand or EUR 659 thousand higher than the minimum required equity according to the specified legislation at 31 December 2017. As the sole shareholder of the Company is required to increase the paid-in capital of the Company within 30 days after the insufficiency is identified, it has increased on 24 February 2017 the share capital of the Company with an additional paid-up capital of EUR 1,500.

As at 31 December 2017 and as at the date of approval of these financial statements, solvency margin calculations shows that the Company has a solvent position (see Supplementary schedules).

vii. Other risks

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

8. Fair value of financial instruments

The fair value measurement is determined utilising 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.

Investment securities - comprises of treasury bills issued by the Government of the Republic of Kosovo, those assets have fixed interest rates and are held to maturity and the company has no intention to sell such assets.

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 analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on 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.

	31 December 2017		31 December 2016	
	Fair value Level 2	**Carrying amount**	**Fair value Level 2**	**Carrying amount**
Financial Assets				
Cash and cash equivalents	1,348,864	1,348,864	558,015	558,015
Term deposits with banks	11,757,960	11,757,960	9,907,824	9,907,824
Investment securities	-	-	250,000	250,000

The fair value of the financial instruments presented above is similar to their carrying amount.

9. 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 2016
Cash at banks – current accounts with local banks	1,348,864	558,015
Total cash on hand and at banks	**1,348,864**	**558,015**

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

10. Term deposits

	31 December 2017	31 December 2016
Term deposits – commercial local banks	11,157,960	9,607,824
Deposits with the Central Bank of Kosovo	600,000	300,000
Total	**11,757,960**	**9,907,824**

The interest rate on term deposits during the year 2017 was between 0.00% and 2.00% per annum (2016: 0.00% to 1.65% per annum).

11. Investment securities

The company has purchased government treasury bills in 2016 with face value of EUR 250,000 which have matured during 2017 and Company has opted not to extend their maturity. The issuer was Central Bank of Kosovo which is not rated in any agency. The movements in investment securities are presented below:

	31 December 2017	31 December 2016
Opening	250,000	1,510,000
Acquired during the year	-	250,000
Matured during the year	(250,000)	(1,510,000)
Total	-	**250,000**

12. Insurance receivables

Insurance receivables comprise the following:

	31 December 2017	31 December 2016
Receivable from insurance customers	1,180,600	1,254,457
	1,180,600	**1,254,457**

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

	31 December 2017	31 December 2016
Receivable from insurance customers	1,984,769	1,974,702
Receivables from insurance companies	183,113	273,553
Less: Allowance for impairment losses	(987,282)	(993,798)
	1,180,600	**1,254,457**

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

	2017	2016
Opening balance	993,798	953,063
Insurance receivable written off	-	(260,084)
Impairment (release)/charge for the year:	(6,516)	300,819
Total	**987,282**	**993,798**

The credit quality of insurance receivables is presented below:

	31 December 2017			31 December 2016		
	Gross Balance	Impairment	Net Balance	Gross Balance	Impairment	Net Balance
0-3 months	599,863	-	599,863	830,521	-	830,521
3-6 months	526,961	(6,631)	520,330	291,941	(14,597)	277,344
6 months to 1 year	501,101	(440,694)	60,407	410,676	(264,084)	146,592
more than 1 year	539,957	(539,957)	-	715,117	(715,117)	-
Total	**2,167,882**	**(987,282)**	**1,180,600**	**2,248,255**	**(993,798)**	**1,254,457**

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

13. Deferred acquisition costs

Deferred acquisition costs at year end comprise:

	31 December 2017	31 December 2016
Commissions paid	210,908	216,449
Premium tax	465,452	531,010
Commissions for CBK	50,909	58,214
	727,269	**805,673**

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

	2017	2016
Balance at 1 January	805,673	755,524
(Decrease)/increase for the year	(78,404)	50,149
Balance at 31 December	**727,269**	**805,673**

14. Reinsurance assets

	31 December 2017	31 December 2016
Reinsurance share in claims reported	2,505,591	2,522,269
Share in other claim reserves and UPR	344,616	291,419
Total	**2,850,207**	**2,813,688**

At 31 December 2017, the Company reinsurance share in reported claims included a property claim of EUR 2,417 thousand (2016: EUR 2,417 thousand) reinsured with Uniqa Re (note 26) and a property claim for Cash in Transit of EUR 88 thousand (2016: 105 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 2016	2,411,926	322,516	243,907	236,297	3,214,646
Additions during the year	-	5,735	25,510	-	31,245
Disposals	(6,931)	-	-	-	(6,931)
As at 31 December 2016	**2,404,995**	**328,251**	**269,417**	**236,297**	**3,238,960**
Additions during the year	-	30,738	6,380	46,277	83,395
Disposals	-	-	-	(50,000)	(50,000)
As at 31 December 2017	**2,404,995**	**358,989**	**275,797**	**232,574**	**3,272,355**
Accumulated depreciation:					
As at 1 January 2016	331,279	258,261	176,705	133,333	899,578
Charge for the year	121,064	26,399	35,359	38,515	221,337
Disposals	(6,931)	-	-	-	(6,931)
As at 31 December 2016	**445,412**	**284,660**	**212,064**	**171,848**	**1,113,984**
Charge for the year	120,783	32,577	21,276	38,478	213,114
Disposals	-	-	-	(44,156)	(44,156)
As at 31 December 2017	**566,195**	**317,237**	**233,340**	**166,170**	**1,282,942**
Carrying amounts					
As at 1 January 2016	**2,080,647**	**64,255**	**67,202**	**102,964**	**2,315,068**
As at 31 December 2016	**1,959,583**	**43,591**	**57,353**	**64,449**	**2,124,976**
As at 31 December 2017	**1,838,800**	**41,752**	**42,457**	**66,404**	**1,989,413**

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

16. Other assets

	31 December 2017	31 December 2016
Receivables from rent	-	198
Other financial assets	**-**	**198**
Prepayments to Kosovo Insurance Bureau (KIB)	125,000	125,000
Advances to employees	170,588	88,219
Advances paid	57,033	73,539
Investments in SIGAL CAFÉ	15,000	-
Other assets	66,532	29,708
Other non-financial assets	**434,151**	**316,664**
Impairment of other assets	(85,511)	-
	348,640	**316,664**

Prepayments to Kosovo Insurance Bureau relate to Memorandum of Understanding signed between Kosovo Insurance Bureau and Association of Serbian Insures dated 23 June 2015 on mutual recognition of motor third party liability insurance and arrangement for the processing and payment of claims.

17. Share capital

At 31 December 2017 the registered share capital is EUR 6,000,000 composed of 60,000 shares fully paid and authorised with a nominal value of EUR 100 (2016: 45,000 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. Claim reserves

	2017			2016		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Reported claims	7,303,145	(2,676,449)	4,626,696	4,356,502	-	4,356,502
Incurred but not reported	3,368,204	-	3,368,204	2,767,653	-	2,767,653
Claims handling costs	237,839	-	237,839	159,352	-	159,352
Total at beginning of the year	**10,909,188**	**(2,676,449)**	**8,232,739**	**7,283,507**	**-**	**7,283,507**
Claims incurred	3,746,285	11,649	3,757,934	9,622,790	(2,676,449)	6,946,341
Claims paid	(4,178,621)	-	(4,178,621)	(6,075,596)	-	(6,075,596)
Claims handling costs	81,276	-	81,276	78,487	-	78,487
	(351,060)	**11,649**	**(339,411)**	**3,625,681**	**(2,676,449)**	**949,232**
Total at end of year	**10,558,128**	**(2,664,800)**	**7,893,328**	**10,909,188**	**(2,676,449)**	**8,232,739**
Reported claims	7,505,026	(2,664,800)	4,840,226	7,303,145	(2,676,449)	4,626,696
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
Change in claims reserves, net	**(351,060)**	**11,649**	**(339,411)**	**3,625,681**	**(2,676,449)**	**949,232**

Paid claims by insurance product are as follows:

	2017	2016
Motor vehicles	2,841,743	3,075,622
Health and accidents	1,275,947	2,317,494
Property	57,344	673,087
Other	3,587	9,393
Total	**4,178,621**	**6,075,596**

Notified outstanding claims reserve	**2017**	**2016**
At 1 January	7,221,869	4,278,015
Net change during the year	283,157	3,025,130
At 31 December	**7,505,026**	**7,303,145**

Incurred but not reported claims reserve	**2017**	**2016**
At 1 January	3,368,204	2,767,653
Net change during the year	(634,217)	600,551
At 31 December	**2,733,987**	**3,368,204**

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

19. Unearned premium reserve

	2017	2016
As at 1 January	4,338,658	4,808,866
Premiums written during the year	9,559,576	10,501,432
Less: premiums earned during the year	(9,639,569)	(10,971,640)
Balance at 31 December	**4,258,665**	**4,338,658**

	2017	2016
Gross change in provision for unearned premium	79,993	470,208
Change in reinsurers share	(53,197)	(29,604)
Change in provision for unearned premium, net	**26,796**	**440,604**

20. Insurance and other payable

	31 December 2017	31 December 2016
Reinsurance payables	809,659	411,942
Payable to suppliers	296,977	191,875
Payable to the agents	109,235	31,929
Other financial liabilities	**1,215,871**	**635,746**
Tax payable related premiums	116,582	101,457
VAT payables	117,695	107,828
Personal income tax	8,431	28,003
Payable to the Central Bank of Kosovo	31,056	27,122
Pension contribution payable	10,591	10,468
Payable to KIB	30,722	928
Other payables	5,975	56,041
Non-financial liabilities	**321,052**	**331,847**
Total	**1,536,923**	**967,593**

21. Gross written premium

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

	2017	2016
Motor vehicles	6,143,240	6,149,059
Health and accidents	1,841,048	2,546,754
Property	1,542,156	1,763,842
Marine and aviation	33,132	41,777
Total	**9,559,576**	**10,501,432**

Motor vehicle premiums are further detailed as follows:

	2017	2016
Motor third party liability	4,581,303	4,718,086
Motor hull (casco)	860,737	693,668
Border insurance	701,200	737,305
Total	**6,143,240**	**6,149,059**

22. Premium ceded to reinsurers

Premiums as per products ceded to reinsurers, for the year are comprised as follows:

	2017	2016
Property	704,050	615,240
Motor vehicles	58,700	104,955
Health and accidents	6,341	858
Marine and aviation	1,700	4,000
Total	**770,791**	**725,053**

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

23. Acquisition costs

Policy acquisition costs for the year are comprised as follows:

	2017	2016
Commissions to agents and intermediaries	1,066,215	1,293,188
Commissions to Central Bank of Kosovo	129,054	141,769
Change in deferred acquisition costs (note 13)	78,404	(50,149)
	1,273,673	**1,384,808**

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 2017 the Company contributed to KIB a total amount EUR 189,495 as administrative expenses (2016: EUR 278,847). KIB allocated an amount of EUR 707,222 (2016: EUR 644,594) as a reserve for the border which is part of Company's insurance contract liabilities for the year ending 31 December 2017.

In addition each insurance company is required to contribute to KIB for the Guarantee Fund Kosovo ("Guarantee Fund"), which was established under "Rule 3, an amending rule on Compulsory Third party Liability Motor Vehicle Insurance", Section 4 dated 27 June 2002. Its role is to settle insurance claims related to accidents caused by uninsured vehicles, unknown vehicles or other specified events. It is funded equally by all the insurance companies in the territory of Kosovo licensed by the CBK to sell CTPL insurance. The insurance companies have taken collective responsibility for providing the Guarantee Fund with sufficient funding to be able to meet all future claims in the event that claims and costs incurred by the Guarantee Fund are in excess of its retained surplus. At 31 December 2017, KIB allocated an amount of EUR 903,979 to the Company as a reserve for the guarantee fund (2016: EUR 852,301) which is part of the Company's insurance contract liabilities.

25. Administrative expenses

Administrative expenses for the year are comprised as follows:

	2017	2016
Staff cost	875,090	802,700
Penalty	328,734	-
Other expenses	306,469	235,486
Rent expenses	311,798	358,846
Advertising costs	279,844	885,124
Depreciation and amortization	220,223	225,947
Consultancy	97,700	123,200
Maintenance and repairs	77,051	51,251
Office expenses	63,740	58,324
VAT expenses	58,976	77,386
Electricity expenses	31,097	30,029
Telecommunication expenses	28,364	31,981
Fuel expenses	26,075	25,194
Representation expenses	19,209	21,294
Total	**2,724,370**	**2,926,762**

(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 2017 and 2016 are as follows:

	Relationship	31 December 2017	31 December 2016
Liabilities			
Payables for reinsurance contracts to Sigal Uniqa Group Austria sh.a (Albania)	Parent company	-	92,540
Payables for reinsurance contracts to Uniqa Re AG	Entities under common control	164,718	56,570
Payables for management fee to Uniqa Insurance Group	Entities under common control	100,082	76,189
Payables for management fee to Uniqa International	Entities under common control	13,803	-
Payables for reinsurance contracts to UNIQA Österreich	Entities under common control	1,100	-
Payables to Sigal Life Kosovo	Entities under common control	16,596	-
		296,299	**225,299**

	Relationship	31 December 2017	31 December 2016
Receivables			
Reinsurance requests to Uniqa Re AG	Entities under common control	2,417,269	2,417,269
Reinsurance requests to Uniqa Vaduz	Entities under common control	88,322	105,000
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	-
		2,531,053	**2,522,269**

	Relationship	31 December 2017	31 December 2016
Expenses			
Management fee expenses to Uniqa Insurance Group	Entities under common control	13,803	-
Management fee expenses to Uniqa International	Entities under common control	81,765	76,189
Expenses for reinsurance contracts to Uniqa Re	Entities under common control	108,148	116,345
Expenses for reinsurance contracts to Uniqa Entities	Entities under common control	152,685	117,717
Expenses for reinsurance contracts and other expenses to Sigal sh.a	Entities under common control	41,320	-
Vehicle rent expenses to Avel sh.a.	CEO of the group is the main shareholder	6,000	12,000
		403,721	**322,251**

Key management Compensations	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Salaries	99,400	68,300
Short term contributions	1,041	998
Total	**100,441**	**69,298**

(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.

Litigations 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 611 claims outstanding as at 31 December 2017 with an estimated reserve of EUR 4,265 thousand which are in litigation at the court with or without a court decision.

At 31 December 2017, the Company was also engaged in a litigation proceeding with NPT Hi&TI, 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 recognised 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).

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

	31 December 2017	31 December 2016
Within one year	26,468	28,080
Total	**26,468**	**28,080**

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)

Annex I - Table for Solvency Calculation

1	**Table of reserves for claims**	**2017**
1.1	Requirements for outstanding claims at the beginning of the period	10,909,188
1.2	Paid claims	4,178,621
1.3	Requirements for outstanding claims at the end of the period	10,558,128
1.4	**Incurred losses (1.2 + 1.3) - 1.1**	**3,827,561**
1.5	**Average of incurred losses**	**7,061,250**
2	**Table of part of reinsurer requirements**	
2.1	Part of reinsurance for pending claims at the beginning of the period	2,522,269
2.2	Accepted reinsurance	**28,327**
2.3	Part of reinsurance for pending claims at the end of the period	2,505,591
2.4	**Part of reinsurance for incurred claims**	**11,649**
2.5	**Net incurred losses (held claims)**	**3,815,912**
2.6	**Holding level**	**99.7%**
2.7	**Average of holding level**	**99.4%**
3	**Based on premiums**	**Dec-17**
3.1	Gross written premiums	**9,559,576**
3.2	Change of premiums	**79,993**
3.3	For Ql: 11,12,13 increase of premium for 50%	-
3.4	Others (tax & reinsurance)	-
3.5	**Total**	**9,639,569**
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**	**1,729,842**
3.11	Holding level	100%
3.12	**Result of solvency based on premiums**	**1,729,842**
4	**Based on claims**	
4.1	Incurred gross claims (see table of claims)	7,061,250
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**	**1,828,506**
4.7	Net and gross incurred claims ratio	100%
4.8	**Minimum percentage**	**50%**
5	**Result of solvency based on claims**	**1,828,506**
5	**Required solvency**	**2017**
5.1	Based on premiums	1,729,842
5.2	Based on claims	1,828,506
5.3	Required solvency	1,828,506
5.4	Required solvency for the previous year	1,924,385
5.5	**Solvency based on growth of 150%**	**2,886,578**

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

Annex II - Charter Capital

		2017
I	**CHARTER CAPITAL, Article 4: (1 + 2 + 3)**	**3,858,875**
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	*(2,141,125)*
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)**	***3,858,875***
V	**DEDUCTIBLE ELEMTS 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)**	***293,686***
1	Premiums receivable and debtors from the reinsurance for more than 180 days	60,407
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	9,639
9	Others	223,640
VII	**Net property - Available capital (IV - V - VI)**	**3,565,189**
VIII	**Guarantee fund according to the law**	**3,200,000**
IX	**Request for capital according to the Guarantee Fund**	**365,189**
X	**Request for solvency coverage**	**678,612**
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)	8,659,577	No Limit	8,659,577
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	**1,838,800**	20% in total 10% of separate issuer	**1,838,800**
Operation use purpose	1,838,800		1,838,800
Investing purpose	-		-
Cash and Cash equivalents	**1,348,864**	3%	**444,504**
Deposits with maturity <= 3 months	-		-
Current Accounts	1,348,864		1,348,864
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	**2,850,207**		**2,850,207**
With Credit Rating >= BBB	2,850,207	No Limit	2,850,207
With Credit Rating< BBB	-	25%	-
Accrued interests from investments	23,383	5%	23,383
Premiums Receivables, up to 180 days	**1,120,193**	Up to 20% of unearned premium	**851,733**
From policyholders	1,120,193		1,120,193
From intermediaries	-		-
Other Fixed Assets, other than item 3.	150,613	5%	150,613
Total assets/investments covering the technical provision	**15,991,637**		**14,818,817**
Technical Provisions as at 31 December 2017			**Amount**
Unearned premium provisions and not matured risk			4,258,665
Provisions for claims and claims reconciliation			10,558,128
Other technical provisions			-
Total required amount to cover technical provisions			**14,816,793**
Assets covering technical provisions			14,818,817
Total Technical Provisions			14,816,793
Difference (6-5)			**(2,024)**
Coverage in %			**100%**

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 2017 to 31 December 2017 at minimum of 70%.