SIGAL UNIQA GROUP AUSTRIA SH.A.

International Financial Reporting Standards
Financial Statements as at and for the year ended
31 December 2016

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Independent Auditor's Report

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Sigal Uniqa Group Austria sh.a. (the "Company") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in the Republic of Kosovo. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Management is also responsible for preparing the accompanying supplementary schedules of assets covering technical reserves and solvency margin ("Supplementary Schedules") in accordance with Central Bank of Kosovo rules on nonlife insurance. The supplementary schedules are not part of these financial statements.

PricewaterhouseCoopers Kosovo sh.p.k.

PricewaterhouseCoopers Kosovo sh.p.k
Prishtina, Kosovo
2 May 2017

STATEMENT OF FINANCIAL POSITION

(All amounts expressed in EUR, unless otherwise stated)

	Note	31 December 2016	31 December 2015
ASSETS			
Property and equipment	9	2,124,976	2,315,068
Intangible assets		16,747	7,883
Deferred acquisition costs	10	805,673	755,524
Reinsurance assets	11	2,813,688	261,815
Term deposits	12	9,907,824	6,917,341
Financial assets held to maturity	13	250,000	1,510,000
Insurance receivables	14	1,254,457	1,757,906
Other assets	15	316,664	400,136
Cash and cash equivalents	16	558,015	1,320,385
Total assets		**18,048,044**	**15,246,058**
SHAREHOLDERS' EQUITY			
Share capital	17	4,500,000	3,000,000
Accumulated losses		(2,667,395)	(669,515)
Total shareholders' equity		**1,832,605**	**2,330,485**
LIABILITIES			
Insurance contract liabilities	18	10,909,188	7,283,507
Unearned premium reserves	19	4,338,658	4,808,866
Insurance and other payable	20	967,593	823,200
Total liabilities		**16,215,439**	**12,915,573**
Total equity and liabilities		**18,048,044**	**15,246,058**

These financial statements have been approved by the Executive Management of the company on 27 April 2017 and signed on their behalf by:

Mr. Mal Berisha
Chief Executive Officer

Mrs. Valbona Bardhoshi
Finance Director

Notes on pages 5 to 29 form an integral part of these financial statements.

(All amounts expressed in EUR, unless otherwise stated)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Gross written premiums	21	10,501,432	12,483,894
Premium tax		(527,125)	(625,422)
Change in the gross provision for unearned premiums	19	470,208	565,202
Net written premiums		**10,444,515**	**12,423,674**
Premium ceded to reinsurers	22	(725,053)	(610,990)
Reinsurers share of change in the provision for unearned premiums	19	29,604	42,101
Net insurance premium revenue		**9,749,066**	**11,854,785**
Interest income		88,305	89,179
Other income		107,541	54,477
Net income		**9,944,912**	**11,998,441**
Losses and loss adjustment expenses	18	(9,701,277)	(7,654,913)
Reinsurance share in losses and loss adjustment expenses	18	2,676,449	(50,000)
Acquisition costs	23	(1,384,808)	(1,483,243)
Share of expenses of Kosovo Insurance Bureau	24	(278,847)	(365,712)
Administrative expenses	25	(2,953,490)	(3,058,105)
Impairment of insurance receivables	14	(300,819)	(512,840)
		(11,942,792)	**(13,124,813)**
Net loss for the year		**(1,997,880)**	**(1,126,372)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(1,997,880)**	**(1,126,372)**

Notes on pages 5 to 29 form an integral part of these financial statements.

(All amounts expressed in EUR, unless otherwise stated)

	Share capital	Accumulated losses	Total
Balance as at 1 January 2015	**3,000,000**	**456,857**	**3,456,857**
Net loss for the period	-	(1,126,372)	(1,126,372)
Other comprehensive income	-	-	-
Total comprehensive loss	**-**	**(1,126,372)**	**(1,126,372)**
Balance as at 31 December 2015	**3,000,000**	**(669,515)**	**2,330,485**
Share capital increase	1,500,000	-	1,500,000
Net loss for the year	-	(1,997,880)	(1,997,880)
Other comprehensive income	-	-	-
Total comprehensive loss	**1,500,000**	**(1,997,880)**	**(497,880)**
Balance as at 31 December 2016	**4,500,000**	**(2,667,395)**	**1,832,605**

Notes on pages 5 to 29 form an integral part of these financial statements.

(All amounts expressed in EUR, unless otherwise stated)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from operating activities			
Loss for the year after tax		**(1,997,880)**	**(1,126,372)**
Depreciation and amortisation	25	225,947	248,836
Premium tax expenses		527,125	625,422
Impairment of receivables	14	300,819	512,840
Interest income		(88,305)	(89,179)
Cash generated from operations before changes in operating assets and liabilities		(1,032,294)	171,547
Changes in operating assets and liabilities			
(Increase)/decrease in deferred acquisition costs		(50,149)	132,217
(Increase)/decrease in reinsurer assets		(2,551,873)	7,899
Decrease/(increase) in insurance receivables		202,630	(35,402)
Decrease/(increase) in other assets		83,472	(107,772)
Increase in insurance contract liabilities		3,625,681	834,860
Decrease in unearned premium reserve		(457,858)	(565,202)
Increase/(decrease) in insurance and other payable		144,393	(193,449)
Changes in operating assets and liabilities		996,296	73,151
Premium tax paid		(539,475)	(653,386)
Net cash used in operating activities		**(575,473)**	**(408,688)**
Cash flows from investing activities			
Acquisition of property and equipment	9	(31,245)	(26,955)
Acquisition of intangible assets		(13,474)	(7,884)
(Increase)/decrease in term deposits		(2,999,652)	1,268,063
Proceeds from matured financial assets held to maturity	13	1,510,000	-
Acquisition of financial assets held to maturity	13	(250,000)	(1,510,000)
Interest received		97,474	99,686
Net cash used in investing activities		**(1,686,897)**	**(177,090)**
Cash flows from financing activities			
Additional paid in capital	17	1,500,000	-
Net cash inflows from financing activities		**1,500,000**	-
Net decrease in cash and cash equivalents		**(762,370)**	**(585,778)**
Cash and cash equivalents at January 1		1,320,385	1,906,163
Cash and cash equivalents at 31 December	16	**558,015**	**1,320,385**

Notes on pages 5 to 29 form an integral part of these financial statements.

(All amounts expressed in EUR, unless otherwise stated)

1. General information

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

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 2016, the Company employed 150 personnel, senior management and agents (2015: 149 staff, senior management and agents).

Management of the Company The Management Board during 2016 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 2016 and up to the date of approval of these financial statements, comprised:

Alma Totokoci	Chairman
Avni Ponari	Member
Edvin Hoxhaj	Member
Ahmet Ismaili	Member
Mal Berisha	Member

2. Significant accounting policies

(a) Statement of compliance

The Company's financial statements for the year ended 31 December 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The interpretations issued by the International Financial Reporting Standards Interpretations Committee ("IFRIC") and its predecessor body have also been applied.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

Going concern. Management prepared these financial statements on a going concern basis. Refer to Note 3 for uncertainties relating to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern.

(c) Functional currency

The Company's functional and presentation currency is EUR, the currency of the primary economic environment in which the Company operates.

(All amounts expressed in EUR, unless otherwise stated)

2. Significant accounting policies (continued)

(d) Insurance contracts

The Company's insurance products for accounting purposes are classified as such at inception. A contract, which is classified as an insurance contract remains as such until all rights and obligations are extinguished, or expire.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified variable such as interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

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

Premiums arising from general insurance business Gross written premiums comprise the amounts due during the financial year in respect of direct insurance regardless of the fact that such amounts may relate wholly or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Insurance receivables for which the amount due is estimated to be uncollectable is written off.

Unearned premium provision 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.

Deferred acquisition costs Acquisition costs are capitalized and charged to expense in proportion to premium revenue recognized. To associate acquisition costs with related premium revenue, acquisition costs are allocated by groupings of insurance contracts consistent with the Company's manner of acquiring, servicing, and measuring the profitability of its insurance contracts. Unamortized acquisition costs are classified as an asset.

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.

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.

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.

2. Significant accounting policies (continued)

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.

Insurance receivables and payables Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables.

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.

(e) Financial instruments

The Company's financial instruments are measured at amortised cost depending on their measurement category.

i. Recognition

The Company's financial instruments (assets and liabilities) are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price.

A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

ii. Classification

Financial assets have the following categories: (a) loans and receivables (term deposits with banks and insurance receivables) and (b) financial assets held to maturity (HTM). Financial liabilities are classified as other financial liabilities (including insurance/trade liabilities and other liabilities) and are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

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

Financial assets held to maturity include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Held-to-maturity investments are carried at amortised cost using the effective interest method, net of any provision for incurred impairment losses.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

iii. Derecognition

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv. Amortised cost measurement

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

v. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions, such as in the Company's trading activity.

vi. Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status, liabilities that can be offset for the same customer and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

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

Cash and cash equivalents and term deposits with banks Cash and cash equivalents comprise cash balances on hand, cash deposited with banks and short-term highly liquid investments with maturities of three months or less when purchased. Cash and cash equivalents are carried at amortised cost using the effective interest method. Term deposits with original maturities of more than three months are classified as term deposits with banks as a sub-category of loans and receivable financial assets.

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

Financial assets held to maturity include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Held-to-maturity investments are carried at amortised cost using the effective interest method, net of any provision for incurred impairment losses.

2. Significant accounting policies (continued)

(f) 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 labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. 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	5
Computers and related equipment	25
Furniture, fixtures and equipment	20
Motor vehicles	20

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

(g) Intangible assets

The Company's intangible assets other than goodwill 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 5 years.

(h) Impairment of non-financial assets

At each end of each reporting period management assesses whether there is any indication of impairment of property, plant 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.

(i) Share capital

Share capital represents the nominal value of paid-in ordinary shares classified as equity.

Dividends Dividends on ordinary share capital are recognized as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the note of events after the reporting period.

2. Significant accounting policies (continued)

(j) 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.

(k) Revenue recognition

The accounting policies for the recognition of premium earned from insurance contracts are disclosed in note 2 (d).

Investment income

Investment income represents income from financial assets and is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

(l) Policy acquisition costs

Acquisition costs are defined as the costs arising on the acquisition of new insurance contracts, including direct costs, such as acquisition commissions and the cost of drawing up the insurance document, and apportioned administrative expenses connected with processing of proposals and issuing of policies. Policy acquisition costs are expensed as incurred. Direct acquisition costs are deferred over the term of policies in force by a method consistent with the computation of the unearned premiums provision and are presented gross of the related insurance liabilities as an asset. Deferred acquisition costs are amortised systematically over the life of the contract and tested for impairment at each reporting date. Any amount not recovered is expensed.

Deferred acquisition costs Acquisition costs are those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. Commissions and other costs (for example, salaries of certain employees involved in the underwriting and policy issue functions, and medical and inspection fees) that are primarily related to insurance contracts issued or renewed during the period in which the costs are incurred are considered acquisition costs. Acquisition costs are capitalized and charged to expense in proportion to premium revenue recognized. To associate acquisition costs with related premium revenue, acquisition costs are allocated by groupings of insurance contracts consistent with the Company's manner of acquiring, servicing, and measuring the profitability of its insurance contracts. Unamortized acquisition costs are classified as an asset.

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.

(m) Interest income

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset to the carrying amount of the financial asset.

(n) Employee benefits

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

(o) 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.

(p) 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% (2014: 5%) on their quarterly gross premiums. Premiums returned and retrospective premium adjustments are deducted from gross premiums to arrive at the tax base.

2. Significant accounting policies (continued)

(p) Income tax (continued)

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.

3. 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 8 vi, regulatory capital, the Company's total equity as at 31 December 2016 is EUR 1,832 thousand or EUR 1,167 thousand lower than the minimum required equity according to the specified legislation. Management of the Company acknowledges that noncompliance may lead to administrative measures such as close supervision and appointment of administrator by the regulator. In such situation, the shareholder of the Company is 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, all paid. The additional paid-up capital should also cover the new minimum capital requirement for the Company effective 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.

4. Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Company from 1 January 2016:

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).

(All amounts expressed in EUR, unless otherwise stated)

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

- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

The new standards and interpretations did not have a material impact on the Group's consolidated financial statements.

5. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 or later, and which the Company has not early adopted.

Amendments to IFRS 4, Insurance Contracts (issued on 12 September 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments introduce two approaches: (i) an overlay approach and (ii) a deferral approach. Insurers will have the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued. In addition, entities whose activities are predominantly connected with insurance will have an optional temporary exemption from applying IFRS 9 until 2021. The Company is currently evaluating the options provided by the amendments it will apply in its separate financial statements. The resulting impact is not expected to be material.

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

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

The Company is not expected to have a significant impact from the new standard in terms of classification and measurement..

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

(All amounts expressed in EUR, unless otherwise stated)

5. New accounting pronouncements (continued)

Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is both a lessee and a lessor. The Company is evaluating the effect of the lease agreements where the company is a lesee in its financial statements.

The following other new pronouncements are not expected to have any material impact on the Company when adopted:

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).
- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4, Insurance Contracts (issued on 12 September 2016 and effective for annual periods beginning on or after 1 January 2018).

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

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

		2016			2015	
Business line	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
MTPL	5,532,309	-	5,532,309	6,345,963	-	6,345,963
Property	4,709,339	(2,522,269)	2,187,070	169,414	-	169,414
Health and accidents	667,540	-	667,540	768,130	-	768,130
Total	**10,909,188**	**(2,522,269)**	**8,386,919**	**7,283,507**	**-**	**7,283,507**

(All amounts expressed in EUR, unless otherwise stated)

6. Insurance risk management (continued)

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

	2016			2015		
Business line	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
MTPL	2,773,147	-	2,773,147	2,877,489	-	2,877,489
Property	1,007,477	291,419	716,058	1,189,489	261,815	927,674
Health and accidents	558,034	-	558,034	741,888	-	741,888
Total	**4,338,658**	**291,419**	**4,047,239**	**4,808,866**	**261,815**	**4,547,051**

Claim development

Claims incurred by the Company have generally short processing period and are normally closed within one year. In the experience of the Company, the development of claims does not differ materially from initial estimates.

Actual claims compared to estimates The following table shows actual claims incurred compared to previous estimates for the year ended 31 December 2016 and 2015:

	2016	2015	2014	2013
RBNS				
Opening claim estimates	3,361,451	2,358,483	2,507,143	2,109,400
Actual results related to claims incurred	1,650,309	1,794,445	1,479,370	931,240
Closing claim estimates	1,962,174	1,120,629	1,456,142	1,307,355
Run off in Euro	**(251,032)**	**(556,591)**	**(428,369)**	**(129,195)**
Run off in %	**-7.5%**	**-23.6%**	**-17%**	**-6%**
IBNR				
Opening claim estimates	2,316,190	2,512,390	2,674,164	2,176,987
Actual results related to claims incurred	649,638	1,054,992	518,195	489,783
Closing claim estimates	1,626,057	1,403,077	1,688,050	1,977,803
Run off in Euro	40,495	54,321	467,919	(290,599)
Run off in %	1.7%	2.2%	17.5%	-13%

Management reviews claims estimates and assumptions based on claim development. In the current year there was a greater reliance and improvement on proper actuarial methodologies and full consideration for first instance court decisions in estimating RBNS. Comparing to prior year where the Company used chain ladder "CH-L" paid triangles for IBNR calculation of MTPL, this year the Company calculated IBNR based on expected claims ratio "ECR" method, claiming that the CH-L results are not reasonable.The above run-off analysis compares prior year claim estimates against current year payments for those claims.

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 2016 and 2015 is as below:

	2016	2015
Claim ratio	66.89%	61.72%
Expense ratio	46.83%	43.42%
Combined ratio	113,72%	105.13%

(All amounts expressed in EUR, unless otherwise stated)

6. Insurance risk management (continued)

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	2016	Impact	2015
Claim ratio				
5% increase in claim ratio	Loss	(351,241)	Loss	(385,246)
5% decrease in claim ratio	Gain	351,241	Gain	385,246
Expense ratio				
5% increase in expense ratio	Loss	(245,898)	Loss	(270,995)
5% decrease in expense ratio	Gain	245,898	Gain	270,995
Combined ratio				
5% increase in combined ratio	Loss	(597,139)	Loss	(656,241)
5% decrease in combined ratio	Gain	597,139	Gain	656,241

7. 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 expressed in EUR, unless otherwise stated)

8. Financial risk management

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

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 2016 and 2015 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**	**Not interest sensitive**	**Total**
Reinsurance assets	-	-	-	2,813,688	**2,813,688**
Insurance receivables	-	-	-	1,254,457	**1,254,457**
Term deposits	767,106	909,468	8,231,250	-	**9,907,824**
Treasury bills	250,000	-	-	-	**250,000**
Other financial assets	-	-	-	198	**198**
Cash on hand and at banks	-	-	-	558,015	**558,015**
Total assets	**1,017,106**	**909,468**	**8,231,250**	**4,626,358**	**14,784,182**
Insurance contract liabilities	-	-	-	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)**

(All amounts expressed in EUR, unless otherwise stated)

8. 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	Not interest sensitive	Total
Reinsurance assets	-	-	-	261,815	**261,815**
Insurance receivables	-	-	-	1,757,906	**1,757,906**
Term deposits	3,257,000	1,603,000	2,057,341	-	**6,917,341**
Treasury bills	-	810,000	700,000	-	**1,510,000**
Other financial assets	-	-	-	59,423	**59,423**
Cash on hand and at banks	-	-	-	1,320,385	**1,320,385**
Total assets	**3,257,000**	**2,413,000**	**2,757,341**	**3,399,529**	**11,826,870**
Insurance contract liabilities	-	-	-	7,283,507	**7,283,507**
Unearned premium reserve	-	-	-	4,808,866	**4,808,866**
Other financial liabilities	-	-	-	521,581	**521,581**
Total liabilities	-	-	-	**12,613,954**	**12,613,954**
IR gap as at 31 December 2015	**3,257,000**	**2,413,000**	**2,757,341**	**(9,214,425)**	**(787,084)**

Interest rates are fixed. However, any increase/decrease by 10% in interest rate would result in a net impact of EUR 10 thousand (2015: EUR 9 thousand).

iv. Credit risk

In the normal course of its business as premiums are received, these funds are invested to pay for future policy holder obligations. The Company is exposed to credit risk on its cash at bank, debt securities-held to maturity, 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 debt securities, 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'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 2016	31 December 2015
Reinsurance assets	11	2,813,688	261,815
Insurance receivables	12	1,254,457	1,757,906
Financial assets held to maturity	13	250,000	1,510,000
Term deposits with banks	13	9,907,824	6,917,341
Other financial assets	14	198	59,423
Cash and cash equivalents	15	558,015	1,320,385
Maximum exposure to credit risk		14,784,182	11,826,870

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, term deposits and other assets as neither past due nor impaired.

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.

Refer to the notes for the credit quality of the other financial assets.

(All amounts expressed in EUR, unless otherwise stated)

8. Financial risk management (continued)

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. The table below analyses the financial assets and liabilities of the Company at 31 December 2016 into relevant maturity estimated based on undiscounted cash flows, except as for insurance and reinsurance balances.

Liquidity risk	**Up to 3 months**	**From 3 to 6 months**	**6 months to 1 year**	**No maturity**	**Total**
Reinsurance assets	-	-	-	2,813,688	**2,813,688**
Insurance receivables	1,254,457	-	-	-	**1,254,457**
Term deposits	807,405	909,468	8,231,250	-	**9,948,123**
Treasury bills	251,791	-	-	-	**251,791**
Other financial assets	198	-	-	-	**198**
Cash on hand and at banks	-	-	-	558,015	**558,015**
Total assets	**2,313,851**	**909,468**	**8,231,250**	**3,371,703**	**14,826,272**
Insurance contract liabilities	-	-	-	10,909,188	**10,909,188**
Unearned premium reserve	4,338,658	-	-	-	**4,338,658**
Other financial liabilities	635,746	-	-	-	**635,746**
Total liabilities	**4,974,404**	-	-	**10,909,188**	**15,883,592**
Net liquidity position as at 31 December 2016	**(2,660,553)**	**909,468**	**8,231,250**	**(7,537,485)**	**(1,057,320)**

The table below analyses the financial assets and liabilities of the Company at 31 December 2015 into relevant maturity estimated based on undiscounted cash flows, except as for insurance and reinsurance balances.

Liquidity risk	**Up to 3 months**	**From 3 to 6 months**	**6 months to 1 year**	**No maturity**	**Total**
Reinsurance assets	-	-	-	261,815	**261,815**
Insurance receivables	1,757,906	-	-	-	**1,757,906**
Term deposits	3,257,000	1,603,000	2,057,341	-	**6,917,341**
Treasury bills	-	810,000	700,000	-	**1,510,000**
Other financial assets	59,423	-	-	-	**59,423**
Cash on hand and at banks	-	-	-	1,320,385	**1,320,385**
Total assets	**5,074,329**	**2,413,000**	**2,757,341**	**1,582,200**	**11,826,870**
Insurance contract liabilities	-	-	-	7,283,507	**7,283,507**
Unearned premium reserve	4,808,866	-	-	-	**4,808,866**
Other financial liabilities	521,581	-	-	-	**521,581**
Total liabilities	**5,330,447**	-	-	**7,283,507**	**12,613,954**
Net liquidity position as at 31 December 2015	**(256,118)**	**2,413,000**	**2,757,341**	**(5,701,307)**	**(787,084)**

(All amounts expressed in EUR, unless otherwise stated)

8. 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 3,000 thousand. As at 31 December 2016, the total equity of the Company is EUR 1,832 thousand or EUR 1,167 thousand lower than the minimum required equity according to the specified legislation at 31 December 2016. 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 the share capital of the Company with an additional paid-up capital of EUR 1,500 thousand paid in cash on 24 February 2017.

As at 31 December 2016 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.

viii. Fair value of financial instruments

Fair value represents the amount at which an asset could be replaced or a liability settled on an arm's length basis. Fair values have been based on management assumptions according to the profile of the asset and liability base.

The Company's accounting policies and disclosures require the determination of fair values for financial assets and liabilities. Fair values have been determined for disclosures purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed as followed:

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

Financial assets held to maturity – comprises of government bonds and treasury bills issued by Ministry of Finance of the Republic of Kosovo, those assets have fixed interest rates/prices and are held for liquidity purposes, the Company has no intention to sell such assets. As those bonds/treasury bills are held to maturity, the Company performs no fair value calculation.

The carrying amounts of those financial assets and liabilities approximate their fair values due to their short term maturity.

(All amounts expressed in EUR, unless otherwise stated)

9. Property and equipment

	Buildings and premises	Furniture, fixtures and equipment	Computers and related equipment	Motor vehicles	Total
Cost:					
As at 1 January 2015	2,411,926	315,460	224,008	267,214	3,218,608
Additions during the year	-	7,056	19,899	-	26,955
Disposals	-	-	-	(30,917)	(30,917)
As at 31 December 2015	**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**
Accumulated depreciation:					
As at 1 January 2015	211,029	219,810	125,844	124,976	681,659
Charge for the year	120,250	38,451	50,861	39,274	248,836
Disposals	-	-	-	(30,917)	(30,917)
As at 31 December 2015	**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**
Net book value:					
As at 31 December 2015	**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**

10. Deferred acquisition costs

Deferred acquisition costs at year end comprise:

	31 December 2016	31 December 2015
Commissions paid	216,449	239,076
Premium tax	531,010	451,932
Commissions for CBK	58,214	64,516
	805,673	**755,524**

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

	2016	2015
Balance at 1 January	755,524	887,741
Increase/(decrease) in deferred acquisition costs for the year	50,149	(132,217)
Balance at 31 December	**805,673**	**755,524**

11. Reinsurance assets

	31 December 2016	31 December 2015
Reinsurance share in claims reported	2,522,269	-
Share in other insurance contract liabilities and UPR	291,419	261,815
Total	**2,813,688**	**261,815**

At 31 December 2016, the Company recorded a reinsurance share in reported claims of EUR 2,522 thousand. The amount is related to a property claim of EUR 2,417 thousand reinsured with Uniqa Re (note 27). An amount of EUR 105 thousand is related to a property claim for Cash in Transit with Uniqa Vaduz. Both reinsurers are companies under common control with the Company.

(All amounts expressed in EUR, unless otherwise stated)

12. Term deposits

	31 December 2016	31 December 2015
Term deposits – commercial local banks	9,607,824	6,617,341
Deposits with the Central Bank of Kosovo	300,000	300,000
Total	**9,907,824**	**6,917,341**

The banks in which the Company has deposits are listed below, most of which are domestic subsidiaries of foreign banks. None of these domestic banks have their own credit ratings. The ratings below represents those of their main shareholders. Term deposits are neither past due nor impaired.

	Agency	Rating	31 December 2016	31 December 2015
Banka Kombëtare Tregtare	JCR Eurasia	AAA	2,821,178	2,678,076
TEB Bank	Moody's	BBB-	2,189,770	1,290,930
Raiffeisen Bank Kosovo	Moody's	Baa1	1,413,011	3,009
Banka Private per Biznes	Not rated	-	906,060	902,748
Banka Ekonomike	JCR Eurasia	AAA	725,225	1,028,130
Procredit Bank	Fitch	AAA	650,002	-
IS Bankasi	Fitch	AA+	501,229	300,916
NLB Prishtina	Fitch	BB-	401,349	413,532
CBK	Not rated	-	300,000	300,000
			9,907,824	**6,917,341**

The interest rate on term deposits during the year 2016 was between 0.00% and 1.65% per annum (2015: 002% to 1.65% per annum).

13. Financial assets held to maturity

The company has purchased government treasury bills in 2016 with face value of EUR 250,000 (2015: EUR 1,510,000). The issuer is Central Bank of Kosovo which is not rated in any agency. The movements in financial assets held to maturity is presented below:

	31 December 2016	31 December 2015
Opening	1,510,000	-
Acquired during the year	250,000	1,510,000
Matured during the year	(1,510,000)	-
Total financial assets held to maturity	**250,000**	**1,510,000**

14. Insurance receivable

Insurance receivables comprise the following:

	31 December 2016	31 December 2015
Receivable from insurance customers	1,974,702	2,430,740
Receivables from insurance companies	273,553	280,229
Less: Allowance for impairment losses	(993,798)	(953,063)
	1,254,457	**1,757,906**

(All amounts expressed in EUR, unless otherwise stated)

14. Insurance receivable (continued)

Movement in allowance for impairment losses is detailed below:

	31 December 2016	31 December 2015
Opening balance	953,063	440,223
Insurance receivable written off	(260,084)	-
Impairment charge for the year:	300,819	512,840
Impairment charge for receivable from insurance customers	*288,532*	*451,561*
Impairment charge for receivable from insurance companies	*12,287*	*61,279*
Total	**993,798**	**953,063**

The credit quality of insurance receivables is provided below:

	31 December 2016	31 December 2015
Neither past due nor impaired	830,520	1,016,013
Past due but not impaired	-	-
Impaired	1,417,735	1,694,956
Total gross receivables	**2,248,255**	**2,710,969**
Less: Allowance for impairment loss	(993,798)	(953,063)
Total	**1,254,457**	**1,757,906**

No credit rating is available for receivables arising from insurance contracts. Neither past due nor impaired are comprised of premium receivable and receivables from insurance companies and grouped by day's receivables outstanding as follows:

	Premium receivable	Receivable from insurance companies	31 December 2016
Neither past due nor impaired			
Less than 3 months	797,347	33,174	830,521
Impaired			
3 to 6 months	258,654	33,287	291,941
6 months to 1 year	355,908	54,768	410,676
More than 1 year	562,793	152,324	715,117
	1,974,702	**273,553**	**2,248,255**
Less: Allowance for impairment losses	(828,856)	(164,942)	(993,798)
Total	**1,145,846**	**108,611**	**1,254,457**

Premium receivables from policy holders as at 31 December 2016 are further detailed as below:

	Property	MTPL	Health & Accidents	Premium receivable
Neither past due nor impaired				
Less than 3 months	147,823	219,638	429,885	797,346
Impaired				
3 to 6 months	128,389	60,953	69,313	258,655
6 months to 1 year	101,768	51,566	202,574	355,908
More than 1 year	255,199	117,085	190,509	562,793
	633,179	**449,242**	**892,281**	**1,974,702**
Less: Allowance for impairment losses	(337,945)	(158,807)	(332,104)	(828,856)
Total	**295,234**	**290,435**	**560,177**	**1,145,846**

(All amounts expressed in EUR, unless otherwise stated)

14. Insurance receivable (continued)

	Premium receivable	Receivable from insurance companies	31 December 2015
Neither past due nor impaired			
Less than 3 months	992,046	23,967	1,016,013
Impaired			
3 to 6 months	626,675	17,869	644,544
6 months to 1 year	206,444	31,270	237,714
More than 1 year	605,575	207,123	812,698
	2,430,740	**280,229**	**2,710,969**
Less: Allowance for impairment losses	(800,408)	(152,655)	(953,063)
Total	**1,630,332**	**127,574**	**1,757,906**

The following provisioning rates are applied by the Company to the balances of premium receivable from customers grouped based on days past due.

	2016	2015
Less than 3 months	0%	0%
3 to 6 months	5%	5%
6 months to 1 year	75%	75%
More than 1 year	100%	100%

In managing delinquent accounts, the Company enters into legal agreements with customers in order to settle obligations in instalments. Restructured receivables are monitored for performance after the date of the agreement and classified as less than 3 months, not due, in case the performance of the agreement is as expected. In case of lack of performance, the receivable is classified as more than 1 year due.

Below it is presented the concentration of premium receivables by premium line of business.

	2016	2015
Private health and travel insurance	797,032	1,096,425
Casco	224,573	181,598
Contract and offer guarantee	215,737	339,937
MTPL	215,448	179,416
Fire and related risks	200,309	148,581
Other lines of business	173,891	244,596
Liability insurance	130,319	209,587
Personal accidents	17,393	30,599
Receivable from insurance customers	**1,974,702**	**2,430,739**
Receivable from insurance companies	**273,553**	**280,229**
	2,248,255	**2,710,968**

15. Other assets

	31 December 2016	31 December 2015
Receivables from rent	198	59,423
Other financial assets	**198**	**59,423**
Advances to employees	88,219	125,969
Prepayments to Kosovo Insurance Bureau (KIB)	125,000	125,287
Advances paid	73,539	69,719
Other assets	29,708	19,738
Other non-financial assets	**316,466**	**340,713**
	316,664	**400,136**

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.

(All amounts expressed in EUR, unless otherwise stated)

16. Cash and cash equivalents

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

	31 December 2016	31 December 2015
Cash at banks – current accounts with local banks	558,015	1,320,385
Total cash on hand and at banks	**558,015**	**1,320,385**

The banks in which the Company has bank accounts are listed below. None of these domestic banks have their own credit ratings. The ratings below represents those of their main shareholders.

	Agency	Rating	31 December 2016	31 December 2015
Raiffeisen Bank Kosovo – RBKO	Moody's	Baa1	217,126	492,052
TEB Bank	Moody's	BBB-	90,690	300,264
NLB Prishtina	Fitch	BB-	61,099	76,111
PCB	Fitch	AAA	51,862	134,119
Banka Private per Biznes – BPB	Not rated	-	50,677	11,406
Banka Ekonomike (BE)	JCR Eurasia Rating	AAA	40,912	38,562
Banka Kombëtare Tregtare (BKT)	JCR Eurasia Rating	AAA	36,744	263,157
CBK	Not rated	-	4,585	4,714
IS Bankasi	Fitch Ratings	AA+	4,320	-
Total cash and cash equivalents			**558,015**	**1,320,385**

17. Share capital

At 31 December 2016 the registered share capital is EUR 4,500,000 composed of 45,000 shares with a nominal value of EUR 100 (2015: 30,000 shares with a nominal value of EUR 100), which were previously held as funds available deposited with CBK and presented as payable to shareholders.

100% of the shares in the Company's share capital are owned by Sigal Uniqa Group Austria sh.a. a subsidiary of Uniqa Insurance Group AG operating in Albania.

18. Insurance contract liabilities

	31 December 2016	31 December 2015
Notified outstanding claim reserve (a)	7,540,984	4,515,854
- Out of which, claims handling costs	*237,839*	*159,352*
Incurred but not reported claims (b)	3,368,204	2,767,653
Gross insurance contract liabilities	**10,909,188**	**7,283,507**

The movement in insurance contract liabilities is presented in the table below:

	31 December 2016	31 December 2015
As at 1 January	**7,283,507**	**6,448,647**
Loss and loss adjustment expenses	9,701,277	7,654,913
Claims paid	(6,075,596)	(6,820,053)
Gross insurance contract liabilities	**10,909,188**	**7,283,507**

A significant measure of experience and judgment is involved in assessing outstanding insurance liabilities, the ultimate costs of which cannot be assessed with certainty as at the reporting date. The insurance liabilities for losses and loss adjustment expenses are determined on the basis of information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

	2016	2015
Claims paid	**6,075,596**	**6,820,053**
Net change in notified outstanding claims reserve	**348,681**	**1,175,859**
Net change in gross reserve (a)	3,025,130	1,125,859
Reinsurers' share	(2,676,449)	50,000
Change in incurred but not reported claims reserve	**600,551**	**(290,999)**
Claims and benefits incurred, net of reinsures' share	**7,024,828**	**7,704,913**

(All amounts expressed in EUR, unless otherwise stated)

18. Insurance contract liabilities (continued)

(a) Analysis of movements in notified outstanding claims reserve (including claims handling costs)

	2016 Gross	2016 Reinsurance	2016 Net	2015 Gross	2015 Reinsurance	2015 Net
Balance as at 1 January	*4,515,854*	-	*4,515,854*	*3,439,995*	*(50,000)*	*3,389,995*
Current year claims	7,138,552	(2,676,449)	4,462,103	6,770,053	-	6,770,053
Change in previous years claims	1,962,174	-	1,962,174	1,125,859	50,000	1,175,859
Claims paid	(6,075,596)	-	(6,075,596)	(6,820,053)	-	(6,820,053)
Balance at 31 December	**7,540,984**	**(2,676,449)**	**4,864,535**	**4,515,854**	**-**	**4,515,854**

(b) Analysis of movement in incurred but not reported claims reserve

	2016 Gross	2016 Reinsurance	2016 Net	2015 Gross	2015 Reinsurance	2015 Net
Balance as at 1 January	*2,767,653*	-	*2,767,653*	*3,058,652*	-	*3,058,652*
Additions recognized during the year	600,551	-	600,551	(290,999)	-	(290,999)
Balance at 31 December	**3,368,204**	**-**	**3,668,204**	**2,767,653**	**-**	**2,767,653**

19. Unearned premium reserve

	2016	2015
As at 1 January	4,808,866	5,374,068
Premiums written during the year	10,501,432	12,483,894
Less: premiums earned during the year	10,971,640	13,049,096
Balance at 31 December	**4,338,658**	**4,808,866**

	2016	2015
Gross change in provision for unearned premium	470,208	565,202
Change in reinsurers share	(29,604)	(42,101)
Change in provision for unearned premium, net	**440,604**	**523,101**

Unearned premium reserve by product is comprised as follows:

Product	31 December 2016	Change for the period	31 December 2015	Change for the period	31 December 2014
TPL	2,407,067	140,088	2,547,155	203,010	2,750,165
Casco	366,080	(35,746)	330,334	(38,820)	291,514
Contract Guarantee	267,934	152,945	420,879	60,812	481,691
Personal accidents	41,019	45,445	86,464	29,594	116,058
Health	459,252	130,509	589,761	344,110	933,871
Fire	417,725	(40,075)	377,650	(42,937)	334,713
Other	379,581	77,042	456,623	9,433	466,056
Total	**4,338,658**	**470,208**	**4,808,866**	**565,202**	**5,374,068**

(All amounts expressed in EUR, unless otherwise stated)

19. Unearned premium reserve (continued)

Development of unearned premium revenue for the Company is presented below:

2016	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
UPR	4,140,156	175,318	23,184	-	-	-	4,338,658

2015	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years	Total
UPR	4,610,363	198,503	-	-	-	-	4,808,866

20. Insurance and other payable

	31 December 2016	31 December 2015
Reinsurance payables	411,942	419,038
Payable to suppliers	191,875	58,743
Payable to the agents	31,929	43,800
Other financial liabilities	**635,746**	**521,581**
Tax payable related premiums	101,457	113,807
VAT payables	107,828	94,621
Personal income tax	28,003	35,796
Payable to the Central Bank of Kosovo	27,122	31,923
Pension contribution payable	10,468	9,712
Payable to KIB	928	1,276
Other payables	56,041	14,484
Non-financial liabilities	**331,847**	**301,619**
Total	**967,593**	**823,200**

21. Gross written premium

Gross written premiums by product for the year are comprised as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Third party liability motor vehicle insurance ("TPL")	4,993,837	5,384,701
Private health and travel insurance	2,595,459	3,333,086
CTPL insurance	737,304	1,287,055
Fire insurance	963,881	880,398
Comprehensive motor vehicle insurance	701,541	659,471
Guarantee contracts	434,199	645,982
Public and professional liability insurance	392,114	430,526
CAR	26,243	146,933
Personal accidents	60,443	98,587
Other products	41,778	81,076
Returned premiums	(445,367)	(463,921)
Total gross premiums written	**10,501,432**	**12,483,894**

(All amounts expressed in EUR, unless otherwise stated)

21. Gross written premium (continued)

CTPL insurance gross written premiums amounting to EUR 737 thousand (2015: EUR 1,287 thousand) relates to share of premium written from Kosovo Insurance Bureau ("KIB"). KIB was established under Law No. 04/L-018 on Compulsory Motor Vehicle Insurance", Section 29, dated 23 June 2011 and administers the system of underwriting compulsory third party liability motor vehicle insurance ("CTPL") at the border of the Republic of Kosovo (the "pool") to drivers of foreign registered vehicles that do not possess such an insurance. The operations of the pool are self-contained and the revenues, claims and overheads are shared between all insurance companies licensed in Kosovo to sell TPL insurance within the Territory of Kosovo. KIB remits to each insurance company its share of the gross premiums received on a monthly basis (including VAT and premiums tax, which are then included in the insurance companies' own tax returns).

22. Written premium ceded to reinsurers

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

	2016	2015
Fire and related risks	290,741	286,399
Public and professional liability	268,256	204,513
Third party liability motor vehicle insurance	104,955	41,500
Other	61,101	78,578
Total	725,053	610,990

23. Acquisition costs

Policy acquisition costs for the year are comprised as follows:

	2016	2015
Commissions to agents and intermediaries	945,764	808,144
Commissions to Central Bank of Kosovo	103,682	115,368
Premium tax	385,511	427,514
Change in deferred acquisition costs (note 10)	(50,149)	132,217
	1,384,808	**1,483,243**

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 2016 the Company contributed to KIB a total amount EUR 278,847 as administrative expenses (2015: EUR 365,712).

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 2016, KIB allocated an amount of EUR 852,301 thousand to the Company as a reserve for the guarantee fund (2015: EUR 1,024,647) which is part of the Company's insurance contract liabilities.

(All amounts expressed in EUR, unless otherwise stated)

25. Administrative expenses

Administrative expenses for the year are comprised as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Advertising costs	885,124	1,013,158
Staff cost	802,700	845,888
Rent expenses	358,846	424,620
Other expenses	262,214	228,221
Depreciation and amortization	225,947	248,836
Consultancy	123,200	18,649
VAT expenses	77,386	-
Office expenses	58,324	79,624
Maintenance and repairs	51,251	84,323
Telecommunication expenses	31,981	31,213
Electricity expenses	30,029	39,709
Fuel expenses	25,194	32,215
Representation expenses	21,294	11,649
Total	**2,953,490**	**3,058,105**

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 2016 and 2015 are as follows:

	Relationship	31 December 2016	31 December 2015
Liabilities			
Payables for reinsurance contracts to Sigal Uniqa Group Austria sh.a (Albania)	Parent company	92,540	61,858
Payables for reinsurance contracts to Uniqa Re AG	Entities under common control	56,570	1,206
Payables for management fee to Uniqa Insurance Group	Entities under common control	8,359	-
Payables for management fee to Uniqa International	Entities under common control	67,830	-
		225,299	**63,064**

	Relationship	31 December 2016	31 December 2015
Receivables			
Reinsurance requests to Uniqa Re AG	Entities under common control	2,417,269	-
Reinsurance requests to Uniqa Vaduz	Entities under common control	105,000	-
		2,522,269	-

(All amounts expressed in EUR, unless otherwise stated)

26. Related parties (continued)

Expenses	Relationship	31 December 2016	31 December 2015
Management fee expenses to Uniqa Insurance Group	Entities under common control	8,359	-
Management fee expenses to Uniqa International	Entities under common control	67,830	-
Expenses for reinsurance contracts to Uniqa Re	Entities under common control	234,062	117,465
Vehicle rent expenses to Avel sh.a.	CEO of the group is the main shareholder	12,000	12,000
		310,251	**129,465**

Key management Compensations	**Year ended 31 December 2016**	**Year ended 31 December 2015**
Salaries	81,183	43,933
Short term contributions	7,823	8,676
Bonus	-	600
Total	**89,006**	**53,209**

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 9,634 claims outstanding as at 31 December 2016 with an estimated reserve of EUR 7,303 thousand. Out of these, 529 claims with an estimated reserve of EUR 1,249 thousand are in litigation at the first instance court with or without a first instance court decision.

At 31 December 2016, 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 EUR 2,417 thousand (note 11).

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

	31 December 2016	31 December 2015
Within one year	28,080	28,080
Total	**28,080**	**28,080**

28. Events after the end of the reporting period

On 24 February 2017, the sole shareholder of the Company increased its share capital with an additional paid-up capital of EUR 1,500 thousand, paid in cash. The increase followed the identification of a breach of minimum required capital of the Company at 31 December 2016. There are no other material events after the reporting date that would require additional disclosures or adjustments in the financial statements.

(All amounts expressed in EUR, unless otherwise stated)

i. Solvency margin

Solvency Margin is calculated as total assets less liabilities (excluding shareholders' equity) less inadmissible assets. The resulting solvency margin should be greater than Minimum Solvency Margin, which is 20% of the minimum collateral amount (20% of EUR 3,000 thousands).

The solvency margin for year ended 31 December 2016 is presented as follows:

Description		31 December 2016
Loss of the year	1	(1,997,880)
Net Assets	2	1,832,605
Total Assets	3	18,048,044
Minus: Premium Receivables older than 90 days	4	(348,499)
Minus: Other Debtors	5	(222,155)
Minus: Advances and prepayments	6	(73,539)
Minus: 25% of Deferred Acquisition Costs	7	(201,418)
Minus: Other non-liquid assets (reinsurance)	8	(291,419)
Minus: Intangible Assets	9	(16,747)
Minus: Liabilities	10	(16,215,438)
Net Admissible Assets [3-(4+5+6+7+8+9+10)]	**11**	**678,829**
Required Solvency Margin (as per rule 8 section 8)	**12**	**600,000**
Adequacy 13 = 11-12	**13**	**78,829**

(All amounts expressed in EUR, unless otherwise stated)

ii. 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 covering technical reserves	**31 December 2016** Maximum % of gross technical provisions that can be invested as per regulation	**Assets covering technical reserves**
a) Deposits in euro currency in Kosovo licensed banks;	No limits	7,045,960
b) Treasury bonds, securities and other capital market financial instruments, issued by the Government of the Republic of Kosovo with a maturity	No limits	250,000
c) Treasury bonds, securities and other capital market financial instruments, issued by and guaranteed by the central banks of governments of EU member states, with a credit rank not lower than BBB	-	-
d) Real estate (land, buildings), as well as other fixed assets evaluated according to depreciation norms;	20% in total, 5% individually	1,959,582
e) Cash at hand, cash in bank and term deposits with a maturity not less than 3 months in banks licensed by the CBK in the Republic of Kosovo;	3%	457,435
f) Reinsurance receivables arising from insurance activities, which are not older than 90 days from when the liability occurred.	No limits	2,813,688
g) Reinsurance portion of technical provisions;	-	-
h) Accrued interest arising from investments in bank deposits and other securities;	5%	23,248
i) Receivables up to 90 days, arising from insurers, agents and brokers, but not more than twenty percent (20%) of the gross unearned premium reserve;	Up to 20% of UPR	867,732
j) other fixed assets	5%	165,394
Total assets covering technical and mathematical provisions		**13,583,039**
Technical and mathematical provisions		**15,247,846**
Coverage in percentage		**89%**