SIGAL LIFE UNIQA GROUP AUSTRIA Sh.A.

Financial statements and supplementary schedules as at and for the year ended 31 December 2023

(with Independent Auditor’s Report thereon)

Independent Auditor's Report

To the shareholder of Sigal Life Uniqa Group Austria Sh.A.:

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Sigal Life Uniqa Group Austria Sh.A. (the "Company") are prepared, in all material respects, in accordance with the reporting requirements of law on insurance (No. 05/L-045) and announcement of Central Bank of Kosovo ("CBK") for postponement of implementation of International Financial Reporting Standard ("IFRS") 17 "Insurance Contracts", published on 29 December 2023 (together the "Rules and regulations of reporting for insurers").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

Non-audit services

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

Our audit approach

Overview

Materiality	• Overall Company materiality: EUR 24 thousand, which represents approximately 1% of gross written premiums
Key audit matter	• Estimates of insurance contract liabilities for life business

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

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

Materiality

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

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

Overall Company materiality	EUR 24 thousand
How we determined it	Approximately 1% of gross written premiums
Rationale for the materiality benchmark applied	The Company is profit oriented. Nevertheless, due to volatility of the profit of the Company and its main objectives of expanding life insurance market in general and its market share it is deemed that profit before tax does not appropriately represent the relative size of the Company's operations and its objectives which makes it less relevant as a benchmark for determining materiality. Therefore, a more appropriate and representative performance-related measure which is more relevant and indicative of the operations of the Company and its performance as compared to profit for the year, being gross written premiums, were used as a materiality benchmark. We chose 1% which we believe is within the range of acceptable quantitative materiality thresholds for this specific benchmark in the circumstances.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Estimates of insurance contract liabilities for the life business (Notes 13 and 14 to the financial statements) Insurance contract liabilities are comprised of: ● Claims Reported but Not Settled Reserve ("RBNS"); ● Incurred but not reported reserve ("IBNR"); and ● Mathematical reserve ("MR") The Company recorded RBNS, IBNR and MR as insurance contract liabilities in the amount of EUR 434,740, as presented in Note 13 of the financial statements. Out of this total amount EUR 328,061 is attributable to the mathematical reserve. The statement of financial position also includes unearned premium reserve ("UPR") in amount of EUR 941,595 (note 14).	We performed the following procedures in respect of insurance contract liabilities and UPR as of 31 December 2023: • We assessed and tested, on sample basis, the design and operating effectiveness of selected controls, related to insurance contract liabilities and UPR. • For a sample of claim files, we tested that the claim reserve is reassessed regularly and is periodically updated with relevant new information received. • We have involved our actuarial experts to assess the Company's methodology, models and the assumptions and to perform and independent calculation of insurance contract liabilities and unearned premium reserve.

Key audit matter	How our audit addressed the key audit matter
The estimation of mathematical reserve and unearned premium reserve was considered a key audit matter due to their relative significance compared to total liabilities of the Company, their potential impact on the results of the Company and the level of judgement involved in assessing the sufficiency of such reserves. Mathematical reserve is calculated on a policy basis using standard actuarial commutation factor formula, based on net reserving, which includes actuarial assumptions regarding the mortality and discount rates. Therefore, application of valid and reliable assumptions is highly important. Unearned premium reserve for term life is calculated using actuarial methods by considering the amortised sum insured adjusted with the mortality risk coefficient. For personal insurance and endowment insurance, unearned premium reserve is calculated by the standard pro-rata temporis method, considering the premium amortization in case of single premium payment.	• For a sample of claim files we requested and received an explanation with respect to the reserve assessment from the Company's management. Where necessary we corroborated the explanations by reference to relevant supporting documents. • Where material differences between our expectations and management estimates were found, we investigated them further. • We also assessed the appropriateness and sufficiency of the disclosures in the financial statements for both insurance contract liabilities and unearned premium reserve.

Reporting on other information

Management is responsible for the other information. The other information comprises supplementary schedules that include the "Solvency Margin" and "Assets deemed to back insurance liabilities" (but does not include the financial statements and our auditor's report thereon).

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company on 18 October 2022. Our appointment has been renewed by shareholder resolution on 10 June 2023 representing a total period of uninterrupted engagement appointment of two years.

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

Statutory Auditor
Jonid Lamllari

30 April 2024
Prishtina, Kosova

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

	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	7	289,048	221,704
Term deposits	8	4,544,877	4,470,035
Insurance receivable	9	1,462,086	1,192,092
Income tax receivable		1,439	4,868
Reinsurance assets		36,670	17,244
Deferred acquisition costs	10	59,726	49,734
Property and equipment	11	535,758	561,772
Right of use asset		4,596	195
Intangible assets	12	23,885	26,904
Total assets		**6,958,085**	**6,544,548**
Liabilities			
Insurance contract liabilities	13	434,740	420,508
Unearned premium reserve	14	941,595	785,887
Other liabilities	15	224,362	331,006
Deferred tax liability		12,615	12,615
Lease liabilities		4,924	200
Total liabilities		**1,618,236**	**1,550,216**
Equity			
Share capital	16	3,500,000	3,500,000
Revaluation reserve	16	113,534	113,534
Retained earnings		1,726,315	1,380,798
Total equity		**5,339,849**	**4,994,332**
Total liabilities and equity		**6,958,085**	**6,544,548**

These financial statements have been approved and authorized for issue by the Executive Management of the company on 30 April 2024 and signed on their behalf by:

KOMPANIA E SIGURIMEVE - INSURANCE COMPANY
Mrs. Kaltrina Gashi
Acting Chief Executive Officer
UNIQA GROUP AUSTRIA
SIGAL LIFE - DREJTORIA

Mrs. Vlera Halili
Chief Financial Officer

Notes from page 5 to 22 form an integral part of these financial statements.

(All amounts in EUR, unless otherwise stated)

	Note	31 December 2023	31 December 2022
Gross written premiums	17	2,335,774	2,019,984
Change in the gross provision for unearned premiums	14	(155,708)	(457,791)
Gross earned premium		**2,180,066**	**1,562,193**
Premium ceded to reinsurers		(42,074)	(22,369)
Reinsurance share of unearned premium		19,426	12,445
Net premium earned		**2,157,418**	**1,552,269**
Interest income	8	95,776	73,778
Net income		**2,253,194**	**1,626,047**
Change in reserve	13	(14,232)	60,798
Claims paid	13	(515,130)	(359,737)
Net insurance claims		**(529,362)**	**(298,939)**
Acquisition costs	18	(903,947)	(701,615)
Administrative expenses	19	(382,183)	(476,131)
Impairment of insurance receivables	9	(46,131)	(40,051)
Profit before income tax		**391,571**	**109,311**
Income tax expense	20	(46,054)	(31,759)
Profit for the year		**345,517**	**77,552**
Other comprehensive income: *Items that will not be reclassified to profit or loss*		-	-
Revaluation of property, plant and equipment		-	113,534
Other comprehensive income		**-**	**113,534**
Total comprehensive income for the year		**345,517**	**191,086**

Notes from page 5 to 22 form an integral part of these financial statements.

(All amounts in EUR unless otherwise stated)

	Share capital	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2022	**3,500,000**	-	**1,303,246**	**4,803,246**
Profit for the year	-	-	77,552	77,552
Other comprehensive income for the year	-	113,534	-	113,534
Total comprehensive income	**-**	**113,534**	**77,552**	**191,086**
Balance as at 31 December 2022	**3,500,000**	**113,534**	**1,380,798**	**4,994,332**
	-	-	-	-
At 1 January 2023	**3,500,000**	**113,534**	**1,380,798**	**4,994,332**
Profit for the year	-	-	345,517	345,517
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**345,517**	**345,517**
Balance as at 31 December 2023	**3,500,000**	**113,534**	**1,726,315**	**5,339,849**

SIGAL LIFE UNIQA GROUP AUSTRIA Sh.A.
Statement of cash flows

(All amounts in EUR, unless otherwise stated)

	Note	31 December 2023	31 December 2022
Cash flows from operating activities			
Profit before income tax		**391,571**	**109,311**
Adjustments for:			
Depreciation and amortization	19	49,508	44,757
Impairment of insurance receivables	9	46,131	40,051
Interest income	8	(95,776)	(73,778)
Operating cash flows before changes in:		**391,434**	**120,341**
Reinsurance share for unearned premiums		(19,426)	(12,445)
Insurance receivables		(316,590)	(381,684)
Deferred acquisition cost		(9,992)	(34,379)
Insurance contract liabilities		14,232	(60,798)
Unearned premium reserve		155,708	457,791
Other liabilities		(106,644)	53,651
Changes in operating assets and liabilities		**(282,712)**	**22,136**
Interest received		121,056	34,490
Corporate income tax paid		(42,160)	(35,981)
Net cash from operating activities		**187,618**	**140,986**
Cash flows from investing activities			
Purchase of property and equipment and intangible assets	11,12	(17,874)	(30,962)
Decrease in term deposits		(100,000)	(217,000)
Net cash used in investing activities		**(117,874)**	**(247,962)**
Financing activities			
Lease liability repayments during the year		(2,400)	(2,400)
Net cash used in financing activities		**(2,400)**	**(2,400)**
Net increase in cash and cash equivalents		**67,344**	**(109,376)**
Cash and cash equivalents at 1 January		221,704	331,080
Cash and cash equivalents at 31 December	**7**	**289,048**	**221,704**

Notes from page 5 to 22 form an integral part of these financial statements.

1. General information

The Company has prepared these financial statements in accordance with the reporting requirements of Law on insurance (No. 05/L-045) and announcement of Central Bank of Kosovo ("CBK") for postponement of implementation of International Financial Reporting Standard ("IFRS") 17 "Insurance Contracts", published on 29 December 2023 (together the "Rules and regulations of reporting for insurers"). The Company was established under UNMIK regulation 2001/25 and rule 31 of Central Bank of Kosovo in licensing of life insurance companies in Kosovo dated 18 December 2007. The Company is owned by Sigal Uniqa Group Austria Sh.A., an Albanian entity which ultimate parent is Uniqa Osterreich Versicherungen AG, Austria ("UNIQA" or "Ultimate Parent Company") a joint stock company incorporated and domiciled in Republic of Austria.

Principal activity: The Company provides life insurance services such as personal insurance, term life insurance and endowment insurance in the Republic of Kosovo.

Registered address and place of business: The Company's registered address and place of business is "Pashko Vasa" St, Pristina, Kosovo no.15.

At 31 December 2023, the Company had 13 employees (2022: 13).

Management of the Company. The Management Board during 2023 was comprised of:

Kaltrina Gashi	Acting CEO
Vlera Halili	CFO

The Board of Directors during 2023, was comprised of:

Avni Ponari	Chairman
Anila Pishtari	Member
Perparim Drini	Member
Elvis Ponari	Member
Alma Totokoqi	Member

2. Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by the measurement of buildings at revaluation model. The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements.

The Company has prepared these financial statements in accordance with the reporting requirements of Law on insurance (No. 05/L-045) and announcement of Central Bank of Kosovo ("CBK") for postponement of implementation of International Financial Reporting Standard ("IFRS") 17 "Insurance Contracts", published on 29 December 2023 (together the "Rules and regulations of reporting for insurers"). Prior year's financial statements of the Company were prepared in accordance with IFRS Accounting Standards effective in 2022. No standards were early adopted. Because of the departures highlighted above, this year's financial statements are no longer prepared in accordance with IFRS Accounting Standards effective 1 January 2023 onwards. The Company is expected to adopt IFRS Accounting Standards again starting from 1 January 2026, being its first-time adoption date of transition. Until then, the accounting policies based on which these financial statements are prepared are set out below. The preparation of the financial statements requires management to make estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

Foreign currency transactions. Foreign currency transactions are transactions undertaken by the Company other than in its functional currency. Foreign currency transactions are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign exchange rate ruling at the reporting date.

2. Basis of preparation (continued)

Classification of insurance contracts. The Company's products are classified at inception, for accounting purposes, as insurance contracts. A contract, which is classified as an insurance contract remains as insurance contract 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 interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Recognition and measurement of insurance contracts

Life insurance premiums. 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. The earned portion of premiums received is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of reinsurance service received.

Unearned premium provision. The provision for term life and personal insurance is calculated using actuarial methods by considering the outstanding principal adjusted with the mortality risk coefficient and risk of loss of life. The unearned premium is calculated net of acquisition expenses for credit life and term life. The unearned premium for the Payment Protection Insurance ("PPI") has been disclosed gross of policy acquisition costs. The effect of the acquisition costs is estimated based on the ratio of acquisition costs to gross written premium.

Claims. Benefits recognized for life insurance policies during the reporting period consist of payments during the financial year together with the movement in the provision for outstanding benefits.

Claims provisions. The provision represents the estimated ultimate cost of settling all claims including direct and indirect settlement costs, arising from events that occurred up to the reporting date including an estimate for the cost of claims incurred but not reported (IBNR) at that date. The provision for reported but not settled claims is created on a case by case basis to the amount of expected payment. The provision for claims incurred but not reported is created using the simple claims ratio method. Life insurance business claims reflect the cost of all claims arising during the year, including policyholder bonuses allocated in anticipation of a bonus declaration.

Other Technical reserves. The life insurance provision is calculated on a policy basis using standard actuarial commutation factor formula, based on net reserving. The assumptions on mortality and interest rate used in reserving are consistent with pricing assumptions.

Reinsurance. Contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. The Company ceded insurance premiums and risk in order to limit its potential losses arising from longer exposures to significant losses from credit life insurance. Reinsurance does not relieve the originating insurer of its liability.

Premiums ceded to reinsurers are presented in profit or loss on the basis of the current period reinsurance charges. Benefits reimbursed are presented in profit or loss and statement of financial position on a gross basis. The product portfolio has been covered by reinsurance obligatory treaty covering the surplus of the sum at risk on the related insurance policies. Any additional benefit is divided between the retention and the surplus at the same proportion as the basic life sum insured.

Deferred acquisition costs. Deferred acquisition costs ("DAC") are calculated based on Endowment, Regular Term and Single Term policies. For Term Life policies, DAC is calculated based on the commission determined on an individual policy basis. Commission paid per each policy is divided by the gross written premium of that policy. The resulting ratio is further multiplied by Unearned Premium Reserve (UPR). As a result, acquisition costs are deferred over the duration of the respective policies.

2. Basis of preparation (continued)

For Endowment policies, DAC is calculated in accordance with the simplified approach specified in Uniqa Group policies. For this purpose the following assumptions are used:

- Discount rates – risk free rates that are calculated and obtained from the Group;
- Lapse rates – rates calculated based on portfolio experience;
- Mortality rates – mortality from the Customized MT for the average policyholder per each underwriting year;
- Commission – actual brokerage commissions.

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.

Financial instruments

The Company's financial instruments are measured at amortised cost. Financial assets are all classified as loans and receivable. The Company classifies non-derivative financial liabilities into other financial liabilities.

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.

Classification. Financial assets of the Company are classified as loans and receivables (term deposits with banks and insurance receivables). Insurance receivables are insurance assets. 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 payments. Loans and receivables include term deposits with banks and insurance receivables and are carried at amortized cost using the effective interest method, net of provision for impairment.

Derecognition. The Company derecognises financial assets when the assets are redeemed or the rights to cash flows from the assets otherwise expire. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Amortized cost measurement. Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest income and accrued interest expense, are not presented separately and are included in the carrying values of related items in the statement of financial position.

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.

Impairment of financial assets carried at amortized cost. Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status.

Cash and cash equivalents. Cash and cash equivalents include cash at banks and deposits held at call with banks. Cash and cash equivalents are carried at amortized cost using the effective interest method.

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

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

2. Basis of preparation (continued)

Property and equipment. Items of property and equipment, except buildings and premises, are measured at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of an item of property and equipment. Estimated useful lives are as follows:

Building	20 years
Computers and related equipment	4 years
Furniture and fixtures	5 years

Intangible assets. Intangible assets are initially measured at cost. Intangible assets consist entirely of computer programs that are depreciated on a straight-line basis during their estimated lifetime. Intangible assets have a definite useful life of 3 years and are amortized over this term.

Revenue recognition. The accounting policy in relation to revenue from insurance contracts is disclosed in notes 4.2 and 4.3. Interest income on financial assets is recognised using the effective interest method.

Employee benefits. The Company makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The Government is responsible for providing the legally set minimum threshold for pensions in Kosovo under a defined contribution pension plan. The Company's contributions to the pension plan are charged to profit or loss as incurred.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted by the end of the reporting period. The income tax comprises current tax and is recognised in profit or loss for the year. Current tax is the amount expected to be paid, or recovered, in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

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

3. Critical accounting 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. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

3. Critical accounting estimates and judgements (continued)

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on customized mortality tables ("MTs") used in region due to lack of reliable MT's for Kosovo, adjusted where appropriate to reflect the Company's own experience. For contracts that ensure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums.
The main source of uncertainty is that epidemics could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk. At each reporting date, the Company performs tests to ensure the adequacy of insurance contract liabilities. The primary tests performed are claim ratio analysis. 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 outflows because most claims are expected to be settled within one year. Sensitivity analysis results for main assumptions used on estimate of liability arising from claims is shown in note 4.6.

4. Insurance risk management

The Company is exposed to actuarial and underwriting risk arising from the range of life products offered to customers. 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 as soon as the policy is issued, that is the risk 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 underestimated or that the actual claims will fluctuate around the statistical mean value.

Underwriting risk components of the life business include biometric risk (comprising mortality, longevity, morbidity, and disability) and lapse risk. Lapse risk relates to unanticipated higher or lower rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders.

4.1 Risk management objectives and policies for mitigating insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The Company accepts insurance risk through its insurance contracts and certain investment 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. 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 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. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

4. Insurance risk management (continued)

4.2 Underwriting strategy

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

4.3 Terms and conditions of insurance contracts

Substantially, all products underwritten by the Company cover mortality risk as well as additional risk such as temporary and/or permanent disability, medical expenses cover repatriating and hospitalization expenses. Products other than endowment fund have similar characteristics of short tail products and are renewable every year with an option to change the premium by the Company. The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contract are set out below.

Credit Life
The contracts classified as credit life are mainly renewable annual policies covering risk of death sold through a bank extending credit. In some cases, the risk is covered partially. The amount insured decreases with time together with the repayment of credit.

Combined insurance
The combined insurance represents policies under which the Company is writing both term life and health insurance. The term contracts pay out guaranteed benefits on death and critical illness that are fixed amounts and not at discretion of the Company. The contracts include both individual and group schemes.

Endowment

The Endowment product has a life and savings component. Benefits of such life insurance are payable to the insured if he/she is still living on the policy's maturity date, or to a beneficiary otherwise. The maturity varies from 5 to 30 years. In case of surrender in the first three years of the policy, the Company does not have any obligation to the policyholder. After this period the Company pays a value defined by the conditions of the policy. The product is long term with guaranteed benefits which volume is expected to grow in the future. The benefit in case of death is equal to the sum of the savings part of the reserve and the sum assured which is in the range of EUR 2,400 and EUR 50,000.

Reinsurance and concentration risk

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. The Company has ceded insurance risk to limit exposure to underwriting losses and to minimize the effect of losses from credit life insurance, by way of reinsurance treaties entered into.

4.4 Exposure relating to catastrophic events

The Company considers that it has not accumulated significant exposures in its major insurance activity related to catastrophic events.

4.5 Technical interest

The technical interest rate is used when calculating the reserve. The technical interest rate is the minimum guaranteed return for every life insurance contract. To avoid the risk that income from investments will not cover the minimum guaranteed return, the Company has used an interest rate not higher than 1.75% in calculating mathematical reserves. In 2023 the generated net income on investments (including mathematical reserves) covers the minimum guaranteed income for some part of the portfolio, granting additional profit above the technical interest. The analysis of the actuarial parameters used in the calculation of the tariffs and life insurance reserves shows that the assumptions are appropriate.

4. Insurance risk management (continued)

4.6 Reserves and actuarial assumptions

The Company calculates and charges the technical provisions to provide for future payments under long term insurance policies. Many factors affect the calculation of these reserves including, mortality, cancellations and technical interest. Technical provision is calculated based on current assumptions for the basic parameters.

Mortality is the risk covered by all insurance products, underwritten by the Company. Mortality risk occurrence data for 2023 and 2022 including estimations used are as follows:

	2023	2022
Number of people currently insured susceptible to the risk of death	51,402	50,705
Average age of people susceptible to the risk of death	37	37
Number of payments following deaths of insured	31	24

Assumptions and sensitivities

The main factors affecting the profit of the company are the level of claims ratio and expenses. The table below presents a simulation, taking into account changes to claims incurred or increases in expenses, and its effect on the net equity of the Company and the available solvency margin. For the purpose of the simulation, the model uses claims increase equal to the corresponding largest claim incurred in the last two years, and administrative expense increase by 10%.

Situation as at 31 December 2023	Profit/(loss)	Net Equity	Required Guarantee Fund
Current	345,517	5,339,849	3,200,000
Increase in claims incurred	(286,698)	5,053,151	3,200,000
Increase in expenses (+10%)	(133,226)	4,919,925	3,200,000

Situation as at 31 December 2022	Profit/(loss)	Net Equity	Required Guarantee Fund
Current	77,552	4,994,332	3,200,000
Increase in claims incurred	(130,729)	4,863,603	3,200,000
Increase in expenses (+10%)	(121,780)	4,741,823	3,200,000

The risks associated with the 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 life insurance claims reserve 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 2023 and 2022 is provided below:

	2023	2022
Claim ratio	25%	19%
Expense ratio	60%	76%
Combined ratio	85%	95%

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	2023	2022
Claim ratio			
10% increase in claim ratio	Loss	(58,564)	(29,893)
10% decrease in claim ratio	Gain	58,564	29,893
Expense ratio			
10% increase in expense ratio	Loss	(133,226)	(121,779)
10% decrease in expense ratio	Gain	133,226	121,779
Combined ratio			
10% increase in combined ratio	Loss	(191,790)	(151,673)
10% decrease in combined ratio	Gain	191,790	151,673

4.7 Reinsurance

The Company cedes insurance risk to limit exposure to underwriting losses under separate agreements for each type of insurance. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company’s evaluation of the specific risk, subject in certain circumstances to maximum limits based on characteristics of coverage.

4. Insurance risk management (continued)

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

The concentration of technical and claims provisions by type is summarized on the table below:

		2023			2022	
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Type of provision						
RBNS	97,990	-	97,990	32,884	-	32,884
IBNR	8,689	-	8,689	3,288	-	3,288
Mathematical provision	328,061	-	328,061	384,336	-	384,336
Total	**434,740**	**-**	**434,740**	**420,508**	**-**	**420,508**

The concentration of unearned premium by type of contract is summarized on the table below:

		2023			2022	
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Business line						
Term insurance	785,563	(28,749)	756,826	660,341	(14,136)	646,205
Personal Insurance	155,515	(7,921)	147,594	125,546	(3,108)	122,438
Endowment	517	-	517	-	-	-
Total	**941,595**	**(36,670)**	**904,937**	**785,887**	**(17,244)**	**768,643**

The movement in reinsurance assets is presented below:

As at 1 January 2022	**(4,799)**
Reinsurance share of unearned premiums	(12,445)
As at 31 December 2022	**(17,244)**
Reinsurance share of unearned premiums	(19,426)
As at 31 December 2023	**(36,670)**

5. Financial risk management

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

Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates. There is minimal market risk at 31 December 2023. The Company does not invest in equities and has financial instruments denominated in Euro. Interest rate risk is mainly with term deposits.

Currency risk

The Company undertakes transactions mainly in Euro to satisfy regulatory and self-imposed capital requirements. The Company has no exposure to monetary assets and liabilities denominated in foreign currencies as at 31 December 2023.

Interest rate risk

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

5. Financial risk management (continued)

The interest rate profile of the Company's interest-bearing financial instruments as reported as at 31 December 2023 and 31 December 2022 is as follows:

	Note	31 December 2023	31 December 2022
Fixed-rate instruments			
Interest bearing financial assets			
Term deposits	8	4,544,877	4,470,035
Interest bearing financial liabilities			
Lease liabilities	-	(4,924)	200
Total		**4,539,953**	**4,469,835**

Interest rates are fixed. However, any increase/decrease by 1% in interest rate would result in a net impact of EUR 45 thousand (2022: EUR 45 thousand) in Company's profit and and net impact of EUR 41 thousand (2022: EUR 40 thousand) in equity.

Credit risk

In the normal course of its business, as premiums are received, they are invested to pay for future policy holder obligations. The Company is exposed to credit risk on its cash at banks, term deposits and insurance receivables.

The Company manages its exposure to credit risk on a regular basis by closely monitoring its exposure to term deposit counterparties and insurance receivables. The Company's credit risk is primarily with the cash invested with the Central Bank and commercial banks operating in Kosovo.

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 2023	31 December 2022
Cash and cash equivalents	7	289,048	221,704
Term deposits	8	4,544,877	4,470,035
Insurance receivables	9	1,462,086	1,192,092
Total		**6,296,011**	**5,883,831**

Details for credit risk for insurance receivables are disclosed in note 9. All other financial assets are not past due and not impaired.

Liquidity risk

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

Financial assets and liabilities as of 31 December 2023 and 31 December 2022 detailed by expected (for insurance liabilities only) and contractual maturity are disclosed below:

31 December 2023	**Up to 6 months**	**6 months to 1 year**	**More than 1 year**	**Total**
Cash and cash equivalents	289,048	-	-	289,048
Term deposits	625,148	100,727	3,819,002	4,544,877
Insurance receivables	1,462,086	-	-	1,462,086
Total financial assets	**2,376,282**	**100,727**	**3,819,002**	**6,296,011**
Insurance contract liabilities	434,740	-	-	434,740
Other liabilities	183,657	-	-	183,657
Total financial liabilities	**618,397**	**-**	**-**	**618,397**
Net liquidity position as at 31 December 2023	**1,757,885**	**100,727**	**3,819,002**	**5,677,614**

5. Financial risk management (continued)

31 December 2022	Up to 6 months	6 months to 1 year	More than 1 year	Total
Cash and cash equivalents	221,704	-	-	221,704
Term deposits	3,108,218	782,100	579,717	4,470,035
Insurance receivables	1,129,629	53,264	9,199	1,192,092
Total financial assets	**4,459,551**	**835,364**	**588,916**	**5,883,831**
Insurance contract liabilities	420,508	-	-	420,508
Other liabilities	297,985	-	-	297,985
Total financial liabilities	**718,493**	**-**	**-**	**718,493**
Net liquidity position as at 31 December 2022	**3,741,058**	**835,364**	**588,916**	**5,165,338**

Regulatory capital

According to the local requirements of Central Bank regulation “On licensing of insurers and branches of foreign insurers” Article 4, all insurance Companies in order to provide life insurance are required to ensure a minimum total equity of EUR 3,200 thousand and shareholders paid in capital minimum 3,200 thousand. As at 31 December 2023, the total equity of the Company is EUR 5,340 thousand or EUR 2,140 thousand higher than the minimum required equity.

Solvency margin

In accordance with CBK rules and regulations, required solvency margin is calculated separately for life insurance and supplementary insurance. Solvency margin for life insurance is calculated as a sum of first and second result, where first results is calculated as a fraction of 4% of the mathematical provisions relating to direct business and second results is calculated as a 0.3% fraction of capital at risk multiplied by reinsurance ratio for the last financial year. For supplementary insurance solvency margin is calculated by obtaining the higher of the two results, premium basis results or claim basis results. As at 31 December 2023 the Company has a solvent position based on solvency margin calculations as presented in the supplementary schedules of this financial statements.

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.

6. Fair value hierarchy

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

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

		Fair value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
31 December 2023				
Cash and cash equivalents	289,048	-	289,048	-
Term deposits	4,544,877	-	4,142,159	-
Reinsurance assets	36,670	-	36,670	-
Insurance receivables	1,462,086	-	1,462,086	-
31 December 2022				
Cash and cash equivalents	221,704	-	221,704	-
Term deposits	4,470,035	-	4,470,035	-
Reinsurance assets	17,244	-	17,244	-
Insurance receivables	1,192,092	-	1,192,092	-

Non-recurring fair value adjustments

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

	Fair value	**Valuation technique**	**Inputs used**
Property and equipment - Building	550,000	Market comparable buildings	Price, location and size

The Company did not revalue the building in 2023 as management does not believe the carrying amount of buildings differs materially from it's market value.

7. Cash and cash equivalents

	31 December 2023	31 December 2022
Cash at Central Bank of Kosovo	2,400	1,812
Cash at banks – current accounts with local banks	286,648	219,892
Total	**289,048**	**221,704**

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

Credit rating	2023	2022
A+	176,988	123,646
B+	242	72
B	10,474	1,812
BB	26,756	23,018
BBB	33,488	973
Not rated	41,100	72,183
Total	**289,048**	**221,704**

8. Term deposits

	31 December 2023	31 December 2022
Term deposits – commercial banks	4,224,877	4,150,035
Deposit of minimum required amount in CBK	320,000	320,000
Total term deposits	**4,544,877**	**4,470,035**

The interest rate on term deposits during the year 2023 was 2.24% p.a. on average (2022: 1.99%). The maturity on term deposits during the year was between 12 and 24 months (2022: 12 and 24 months). Interest income related to deposits amounted to EUR 95,776 (2022: EUR 73,778).

The credit risk ratings of their respective banking groups is presented below:

Credit rating	2023	2022
A+	202,896	204,111
B+	1,055,061	1,061,378
B	862,309	867,473
BB	811,585	714,389
Not rated	1,613,026	1,622,684
Total	**4,544,877**	**4,470,035**

The Company operates with local banks, which are mainly subsidiaries of international banking groups. Accounts with banks are not secured. Because few local banks are rated by international rating agencies, the Company uses the credit ratings of the banks' major shareholders in order to take its investment decisions. The not rated financial institutions include Central Bank of Kosovo that is the regulatory body for financial institutions in the Republic of Kosovo and few banks with local ownership. The later are stable mid-sized local banks, operating in local market, with local shareholders and well established in the market.

9. Insurance receivable

Insurance receivables comprise the following:

	31 December 2023	31 December 2022
Receivables from Credit Life Insurance	1,380,180	1,079,564
Receivables from Term Life Insurance	156,974	146,794
Receivables from Endowment	53,020	47,691
Gross insurance receivables	**1,590,174**	**1,274,049**
Less: Allowance for impairment loss	(128,088)	(81,957)
Insurance receivables, net	**1,462,086**	**1,192,092**

Movement in allowance for impairment losses are as follows:

	2023	2022
Opening balance	81,957	41,906
Impairment charge for the year	46,131	40,051
Total	**128,088**	**81,957**

Insurance receivables exposures to individual policyholders and groups of policyholders are monitored for delays. As part of individual monitoring of insurance receivables among other factors the Company takes in consideration days past due.

Insurance receivable by ageing and their impairment rate are as follows:

	2023	Impairment	2022	Impairment
Less than 3 months	1,388,925	-	1,109,431	-
3 to 6 months	39,730	1,798	53,161	2,658
6 months to 1 year	42,932	7,703	40,597	8,439
More than 1 year	118,587	118,587	70,860	70,860
Total	**1,590,174**	**128,088**	**1,274,049**	**81,957**

The Company manages its exposure to credit risk on a regular basis by closely monitoring its insurance receivables. Insurance and other receivables based on their past due status are presented in the following tables:

	2023	2022
Neither past due nor impaired	1,230,562	982,651
Past due but not impaired	158,363	126,459
Impaired	201,249	164,939
Gross insurance receivables	**1,590,174**	**1,274,049**
Less: Allowance for impairment	(128,088)	(81,957)
Net insurance receivables	**1,462,086**	**1,192,092**

10. Deferred acquisition costs

	2023	2022
Balance at 1 January	49,734	15,355
Increase in deferred acquisition costs (note 18)	9,992	34,379
Total	**59,726**	**49,734**

(All amounts in EUR, unless otherwise stated)

11. Property and equipment

	Building	Computers and related equipment	Furniture and fixtures	Total
Cost:				
1 January 2022	**466,824**	**13,328**	**4,537**	**484,689**
Additions during the year	-	5,351	695	6,046
Revaluation surplus	83,176	-	-	83,176
31 December 2022	**550,000**	**18,679**	**5,232**	**573,911**
Additions during the year	-	3,130	1,920	5,050
31 December 2023	**550,000**	**21,809**	**7,152**	**578,961**
Accumulated depreciation:				
1 January 2022	**(19,952)**	**(5,030)**	**(3,488)**	**(28,470)**
Charge for the year	(23,323)	(2,129)	(1,190)	(26,642)
Revaluation surplus	42,973	-	-	42,973
31 December 2022	**(302)**	**(7,159)**	**(4,678)**	**(12,139)**
Charge for the year	(27,500)	(2,619)	(945)	(31,064)
31 December 2023	**(27,802)**	**(9,778)**	**(5,623)**	**(43,203)**
Carrying amount:				
31 December 2022	**549,698**	**11,520**	**554**	**561,772**
31 December 2023	**522,198**	**12,031**	**1,529**	**535,758**

12. Intangible assets

Cost:	**Software**
1 January 2022	**42,967**
Additions during the year	24,916
31 December 2022	**67,883**
Additions during the year	12,825
31 December 2023	**80,708**
Accumulated amortization:	
1 January 2022	**(25,164)**
Charge for the year	(15,815)
31 December 2022	**(40,979)**
Charge for the year	(15,844)
31 December 2023	**(56,823)**
Carrying amount:	
31 December 2022	**26,904**
31 December 2023	**23,885**

13. Insurance contract liabilities

	31 December 2023	31 December 2022
Provision for reported but not settled claims ("RBNS")	97,990	32,884
Provision for incurred but not reported claims ("IBNR")	8,689	3,288
Total	**106,679**	**36,172**
Mathematical reserve – endowment	328,061	384,336
Total insurance contract liabilities	**434,740**	**420,508**

Net policyholder claims and benefits incurred	**2023**	**2022**
Claims paid	515,130	359,737
Change in RBNS and IBNR	(70,507)	(20,071)
Change in mathematical reserves	56,275	(40,727)
Net claims and benefits incurred	**500,898**	**298,939**

Analysis of movements in provisions for reported but not settled claims and incurred but not reported claims is provided below:

	2023	2022
At 1 January	36,172	56,243
Additions in the provisions of insurance contract liabilities	585,637	339,666
Losses and loss adjustment expenses paid	**(515,130)**	**(359,737)**
- Endowment	*(62,949)*	*(76,413)*
-Term life	*(32,303)*	*(39,371)*
- Personal insurance	*(419,878)*	*(243,953)*
Net insurance liabilities for losses and loss adjustment expenses at 31 December	**106,679**	**36,172**

Analysis of movement in mathematical reserves:

	31 December 2023	31 December 2022
Balance as at 1 January	384,336	425,063
(Settled claims)/additions recognized during the year	(56,275)	(40,727)
Balance at 31 December	**328,061**	**384,336**

14. Unearned premium insurance liabilities

Unearned premium reserve by product is comprised as follows:

	31 December 2023	31 December 2022
Unearned premium reserve - life term insurance	785,569	660,341
Unearned premium reserve - life personal insurance	155,515	125,546
Unearned premium reserve – endowment	511	-
Total	**941,595**	**785,887**

Movement of unearned premium reserve is presented below:

	31 December 2023	31 December 2022
Balance as at 1 January	785,887	328,096
Gross written premiums (note 17)	2,335,774	2,019,984
Less: premiums earned during the year	(2,180,066)	(1,562,193)
Total	**941,595**	**785,887**

	31 December 2023	31 December 2022
Gross change in provision for unearned premium	(155,708)	(457,791)
Change in reinsurers share of unearned premium	19,426	12,445
Change in provision for unearned premium, net	**(136,282)**	**(445,346)**

15. Other liabilities

Financial liabilities	**31 December 2023**	**31 December 2022**
Commission payable	88,531	61,725
Accrued expenses	58,308	59,432
Reinsurance payable	26,754	54,723
Payable to suppliers	10,064	122,105
Total financial liabilities	**183,657**	**297,985**
Non-financial liabilities		
Prepayments from customers	26,495	15,553
Payable to Central Bank of Kosova	10,000	10,000
Other taxes payable	2,889	5,857
Pension contribution payable	1,321	1,611
Total non-financial liabilities	**40,705**	**33,021**
Total other liabilities	**224,362**	**331,006**

16. Share capital

The Company's share capital as at 31 December 2023 is EUR 3,500,000 (2022: EUR 3,500,000). The share capital is composed of 35,000 common shares with par value of EUR 100 per share authorized and fully paid as at 31 December 2023. Shares of the company as at 31 December 2023 are 100% owned by Sigal Uniqa Group Austria Sh.A. in Albania (2022: 100% owned by SIGAL UNIQA Group Austria sh.a.). No dividends were declared or paid by the Company in the year 2023.

Revaluation reserve

The revaluation reserve as at 31 December 2023 is composed of revaluation surplus related to building valuation that took place during 2022. During 2023 there was no movement in revaluation reserve.

17. Gross written premiums

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

	2023	**2022**
Personal insurance	1,916,223	1,567,298
Term life	388,643	405,547
Endowment	30,908	47,139
Total	**2,335,774**	**2,019,984**

18. Acquisition costs

Policy acquisition costs for the year are comprised as follows:

	2023	**2022**
Commissions	913,939	735,994
Change in deferred acquisition cost (note 10)	(9,992)	(34,379)
Total	**903,947**	**701,615**

19. Administrative expenses

Administrative expenses for the year are comprised as follows:

	2023	2022
Staff costs	129,053	145,755
Professional services	63,235	121,675
Depreciation and amortization	49,508	44,757
Supervision charges	40,000	40,600
Consultancy expenses	30,306	33,901
Sponsorship and marketing	30,000	30,690
VAT expenses	14,579	26,495
Workshop expenses	9,856	16,281
Bank charges	2,443	2,265
Travel expenses	1,973	1,906
Interest expense	124	60
Other expenses	11,106	11,746
Total	**382,183**	**476,131**

Staff costs are composed of the following expenses:

	2023	2022
Net salaries	119,265	132,235
Taxes and contributions	7,215	8,081
Other staff costs	2,573	5,439
Total staff costs	**129,053**	**145,755**

20. Income tax expense

a) Components of income tax expense

	2023	2022
Current tax	46,054	31,759
Total income tax	**46,054**	**31,759**

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

The Company determines taxation at the end of the year in accordance with the tax legislation in Kosovo. In 2023 Kosovo corporate tax rate on profit was equal to 10% of the taxable profit. A reconciliation between the expected and the actual taxation charge is provided below.

	2023	2022
Profit before tax for the year	**391,571**	**109,311**
Tax calculated by applying statutory income tax rate at 10%	39,157	10,931
Effects of:		
Nontaxable income	(2,353)	(4,270)
Non-deductible expenses	8,055	10,597
Adjustments for technical reserves	1,195	14,501
Total	**46,054**	**31,759**

21. Related party transactions

At the reporting date, the following transactions and balances are made with and are due from parent company and other related parties:

Transactions with related parties	Nature of relationship	2023	2022
Income			
Sigal UNIQA Group Austria sh.a (Kosovo)	Under common control	4,480	13,192
Expenses			
Sigal UNIQA Group Austria sh.a (Kosovo)	Under common control		-
Sigal UNIQA Group Austria sh.a (Albania)	Under common control	(2,400)	(2,400)
UNIQA Insurance Group AG	Ultimate Parent Company	(51,710)	(102,925)
UNIQA IT SERVICES	Under common control	(7,769)	(6,343)
Sigal UNIQA Group Austria sh.a (Albania)	Under common control	(39,672)	(20,250)
UNIQA RE	Under common control	(2,402)	(2,118)
Receivables			
Sigal UNIQA Group Austria sh.a (Kosovo)	Under common control	3,062	14,218
Liabilities			
UNIQA Insurance Group AG	Ultimate Parent Company	12,904	116,689
UNIQA IT SERVICES	Under common control	-	-
Sigal UNIQA Group Austria sh.a (Albania)	Parent Company	26,754	59,728
Sigal UNIQA Group Austria sh.a (Albania)	Parent Company	1,000	-
Sigal UNIQA Group Austria sh.a (Kosovo)	Under common control		324
Uniqa Re	Under common control	-	2,118
Key Management compensation			
Key management remuneration		43,756	57,718
Pension contribution		2,188	2,886

22. Commitment and contingencies

Tax commitments

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

Litigations

In the ordinary course of business, the Company is involved in various claims and legal actions. In the opinion of management, the ultimate settlement of these matters will not have a material adverse effect on the Company’s financial position or changes in net assets. Legal cases are common when claimants do not agree with the claim valuation performed by the Company. Management evaluates claims using internal expertise including legal advice. The Company believes that these estimates are appropriate however acknowledges that the outcome may be higher or lower than the amount provided.

Supplementary Schedules (UNAUDITED)

(All amounts in EUR, unless otherwise stated)

Solvency Margin

Required solvency margin supplementary insurance

Personal Accident

Premium basis (€)		**31 December 2023**
Written premium net of written off insurance receivables	1	282,619
unearned premium reserve at the beginning of the year	2	125,546
unearned premium reserve at the end of the year	3	156,032
Premium earned ([1] + [2] - [3])	4	252,133
Premium received from reinsurance	5	-
Total premium ([4] + [5])	**6**	**252,133**
sum up to 10 million x 18/100	7	45,384
sum above 10 million x 16/100	8	-
Total premium basis ([7] + [8])	**8**	**45,384**
Reinsurance ratio	9	1
Required margin on premium basis([8]*[9])	10	**45,384**

Claims basis (€)		
Claims paid	11	777
Claims reserves at the beginning of the year	12	445
Claims reserves at the end of the year	13	31,824
Total claims ([11] - [12] + [13])	**14**	**32,156**
claims up to 7 million EUR x 26/100	15	8,361
claims above 7 million EUR x 23/100	16	-
Total ([15] + [16])	**17**	**8,361**
Reinsurance ratio	18	1
Required margin on claims basis ([17]*[18])	19	**8,361**

Required solvency margin (€)		
Max ([10],[19])	**20**	**45,384**

i. Solvency Margin (continued)

Table 2

Required solvency margin Life (including personal accidents)		**31 December 2023**
		12.2. a.b.
factor (12.2.d)		4%
Gross mathematical provisions	without profit sharing bonus	0
	profit sharing bonus	328,061
	total	328,061
net mathematical provisions	without profit sharing bonus	0
	profit sharing bonus	328,061
	total	328,061
ratio (not less than 0.85)		100%
First result (12.2.d) (7)* (1)		**13,122.45**
Capital at risk	death with term up to three years	271,217,571
	death with term three to five years	179,536
	other life insurance	981,505
	total ([11]*0.1%+[12]*0.15%+[13]*0.3%)	274,431
Capital at risk net of reinsurance		265,396
ratio (not less than 0,5)		0.97
Second result (12.2.e)		**265,396**
Sum first and second result (9) + (17)		**278,518**

	This year
Required solvency margin life (12.2) (18)	278,519
Required solvency margin supplementary insurance (12.3) (See table 1)	45,384
Required solvency margin capital redemption (12.4)	-
Required solvency margin tontine (12.5)	-
Required solvency margin unit linked (12.6)	-
Required solvency margin (19)+(20)	323,903
Guarantee fund (13.1) ([24] / 3)	107,968
Guarantee fund (13.2)	3,200,000
Guarantee fund (max([25] , [26])	3,200,000
Required available solvency margin (max([24] , [27])	3,200,000

(All amounts in EUR, unless otherwise stated)

i. Solvency Margin (continued)

Table 3
Available solvency margin

Section 11.2		**31 December 2023**
Paid-up share capital (a)	1	3,500,000
reserves (b)	2	113,534
profit brought forward (c)	3	1,726,616
losses brought forward (c)	4	-
profit reserves (d)	5	-
own shares (d)	6	-
Total (1+2+3-4+5-6)	**7**	**5,340,150**
Guarantee fund	**8**	**3,200,000**
Adequacy (Section 13)	**9**	2,140,150
Other available solvency margin (12.3., 12.4.)	10	-
Total available solvency margin (7+ 10)	**11**	**5,340,150**
Required solvency margin **(See table 2(24))**	12	323,903
Adequacy of solvency margin (11-12)	**13**	**5,016,247**

(All amounts in EUR, unless otherwise stated)

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 2023**	
	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;	-	1,180,000
b) Treasury bonds, securities and other capital market financial instruments, issued by the Government of the Republic of Kosovo with a maturity	-	-
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	20% in total 5% Individual	-
d) Real estate (land, buildings), as well as other fixed assets evaluated according to depreciation norms;	30% in total 10% Individual	137,633
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%	41,290
f) Reinsurance receivables arising from insurance activities, which are not older than 90 days from when the liability occurred.	Unlimited for => BBB 25% for < BBB	-
g) Reinsurance portion of technical provisions;	Unlimited for => BBB 25% for < BBB	36,670
h) Accrued interest arising from investments in bank deposits and other securities;	5%	68,817
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;	20% of UPR	188,320
j) other fixed assets	5%	13,271
Total assets covering technical and mathematical provisions		**1,666,001**
Technical and mathematical provisions		**1,376,334**
Coverage in percentage		**121%**