

IC SCARDIAN J.S.C.

**Independent Auditors' Report and
Financial Statements for the year
ended December 31, 2023**

Table of Contents

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Profit or Loss and other Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Cash Flow	6
Notes to the financial statements	7 - 41
Annex I - Solvency Margin	i
Annex II -Capital Calculation	ii
Annex III - Assets covering technical provisions	iii



Tel: +383 38 60 00 31
Fax: +383 38 60 00 32
www.bdokosovo.com

BDO Kosova L.L.C.
Str. Ukshin Hoti C4/3, Ent. A, Floor II
10000 Pristina, Kosovo

INDEPENDENT AUDITORS' REPORT

To the Management and the Shareholders of IC SCARDIAN J.S.C.

Opinion

We have audited the accompanying financial statements of Insurance Company SCARDIAN J.S.C. ("the Company"), which comprise: the statement of financial position as at December 31, 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Insurance Company SCARDIAN J.S.C. (the "Company") as at 31 December 2023, and its financial performance and its cash flows for the year then ended, in accordance Regulatory Reporting Requirements of the Central Bank of the Republic of Kosovo as disclosed in note 3 of the financial statements.

Basis for Opinion

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

We communicate with those charged with governance 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.

Statements for other legal and regulatory requirements

Management is responsible for the preparation of supplementary statements for the coverage of technical reserves and solvency margin ("Supplementary Statements") in accordance with the requirements of the Central Bank of Kosovo ("CBK"). We have read the Supplementary Statements attached to the Annex, the Supplementary Statements prepared by the Management are not part of the financial statements.

Sami Tahiraga
Engagement Partner
BDO Kosova L.L.C.

Str. Ukshin Hoti, C4/3, Ent. A, 2nd Floor,
Pristina, Kosovo
April 25, 2024

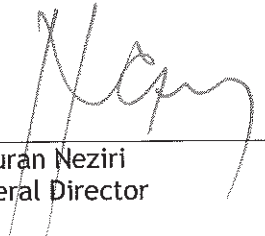


BDO Kosova L.L.C.
audit, accounting and financial advisory
Pristina, Kosovo

IC SCARDIAN J.S.C.
Statement of financial position
As at December 31, 2023

	Note	31 December 2023 (EUR'000)	31 December 2022 (EUR'000)
Assets			
Property and equipment	9	623	509
Investment property	10	1,838	1,838
Right-of-use assets	11	448	208
Intangible assets	12	493	342
Reinsurance assets	13	182	193
Securities at fair value through OCI	14	999	500
Term deposits with banks	15	17,142	16,066
Deferred acquisition costs	16	872	832
Insurance and other receivables	17	1,353	1,043
Receivables from Related parties		103	103
Corporate income tax prepayment		180	79
Other assets	18	978	608
Cash and cash equivalents	19	564	627
Total assets		25,775	22,948
Liabilities			
Insurance contract liabilities	21	8,382	7,263
Unearned premium reserve	22	7,449	7,134
Insurance and other liabilities	23	1,100	621
Income tax payable		82	94
Lease liabilities	11	461	215
Total liabilities		17,474	15,327
Shareholders' equity			
Shareholders' equity	20	5,538	5,538
Accumulated profit		2,763	2,083
Total shareholders' equity		8,301	7,621
Total equity and liabilities		25,775	22,948

Authorized for issue by the management and signed on its behalf on April 25, 2024.


Hekuran Neziri
 General Director


Fatos Krasniqi
 Finance Director

The notes on pages 7 to 41 are an integral part of these financial statements.

IC SCARDIAN J.S.C.
Statement of Profit or Loss and other Comprehensive Income
For the year ended December 31, 2023

	Note	Year ended 31 December 2023 (EUR'000)	Year ended 31 December 2022 (EUR'000)
Gross written premium	24	17,877	16,211
Change in provision for unearned premiums		(315)	(1,317)
Change in provision for reinsurance unearned premiums		(11)	24
Net written premiums		17,551	14,918
Less: Premium ceded to reinsurers	25	(517)	(403)
Net earned premiums		17,034	14,515
Financial income	28	420	329
Other income		57	124
Total revenues		17,511	14,968
Claims paid gross		(7,901)	(6,299)
Contribution to Guarantee Fund		(356)	(532)
Change in gross insurance contract liabilities		(1,131)	(984)
Change in reinsurance share of insurance contract liabilities		-	(385)
Net insurance claims		(9,388)	(8,200)
Share of expenses to KIB		(229)	(214)
Acquisition cost	26	(1,634)	(1,395)
Depreciation and amortization expenses		(346)	(318)
Administrative expenses	27	(3,476)	(3,151)
Total expenses		(15,073)	(13,278)
Interest expenses	28	(28)	(14)
Profit before tax		2,410	1,676
Income taxes	29	(226)	(297)
Net profit for the year		2,184	1,379
Other comprehensive income		(4)	(2)
Total comprehensive income		2,180	1,377

The notes on pages 7 to 41 are an integral part of these financial statements.

IC SCARDIAN J.S.C.
Statement of Changes in Equity
For the year ended December 31, 2023

	Shareholders' equity (EUR'000)	Accumulated profit (EUR'000)	Total shareholders' equity (EUR'000)
At 1 January 2022	6,838	1,906	8,744
Profit for the year	-	1,379	1,379
Decrease of paid in capital	(1,300)	-	(1,300)
Dividends	-	(1,200)	(1,200)
Other comprehensive income	-	(2)	(2)
At 31 December 2022	5,538	2,083	7,621
Profit for the year	-	2,184	2,184
Dividends	-	(1,500)	(1,500)
Other comprehensive income	-	(4)	(4)
At 31 December 2023	5,538	2,763	8,301

The notes on pages 7 to 41 are an integral part of these financial statements.

IC SCARDIAN J.S.C.
Statement of Cash Flow
For the year ended December 31, 2023

	Note	31 December 2023 (EUR'000)	31 December 2022 (EUR'000)
Cash flows from operating activities			
Profit for the year		2,410	1,676
<i>Adjustments for:</i>			
Depreciation and amortization	9,11,12	597	454
Interest income		(420)	(329)
Interest expenses		28	14
Impairment of receivables		66	39
Cash flows from operating profits before changes in operating assets and liabilities		2,681	1,854
Changes in insurance contract liabilities		1,119	984
Changes in unearned premium reserve		315	1,317
Changes in deferred acquisition costs		(40)	(169)
Changes in insurance premiums receivables and other receivables		(376)	(33)
Changes in receivables from related parties		-	10
Changes in reinsurance assets		11	2,233
Changes in other assets		(227)	110
Changes in insurance and other liabilities		479	(1,897)
Cash generated from operations before interests and tax		3,962	4,409
Income tax paid		(238)	(297)
Net cash generated from operating activities		3,724	4,112
Cash flows from investing activities			
Purchase of fixed assets, intangible assets		(611)	(336)
Right of use asset addition		(491)	-
Increase in term deposits		(1,076)	(2,492)
Interest paid		(28)	(14)
Interest receives		176	62
Changes in securities at fair value through OCI		(503)	(252)
Cash flow used in investing activities		(2,533)	(3,032)
Cash flows from financing activities			
Dividend payment		(1,500)	(1,200)
Decrease of paid in capital		-	(1,300)
Lease liabilities		246	10
Cash flow used in financing activities		(1,254)	(2,490)
(Decrease) in cash and cash equivalents		(63)	(1,410)
Cash and cash equivalents at beginning of the period		627	2,037
Cash and cash equivalents at end of the period		564	627

The notes on pages 7 to 41 are an integral part of these financial statements.

1. General information

IC Scardian J.S.C (the "Company") was incorporated under the laws of the Republic of Kosovo and registered with the Ministry of Trade and Industry under registration no. 810838138 as a joint stock company. The Company is 100% owned and controlled by Fundway L.L.C., being the ultimate parent company.

The Company is licensed as a non-life insurance company. The main business activity of the Company is motor third-party liability insurance and other classes of insurance such are:

- Property insurance;
- Health Insurance;
- Travel health insurance;
- Personal accidents;
- Casco;
- Construction All Risk (CAR), etc.

The Company's registered office is located at: street Perandori Justinian no 69, Pristina, Republic of Kosovo.

On December 31, 2023 the company employed 218 employees.

2. Adoption of new or revised standards and interpretations

2.1. Standards, amendments and interpretations that are already effective

The following new standards, amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)
- International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2.2 Standards, amendments and interpretation issued but not yet effective

There are number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements);
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures);

These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

3. Basis of preparation

These financial statements have been prepared in accordance with Central Bank of Republic of Kosovo's decision on postponement of IFRS 17 Insurance Contracts. The Central Bank of Republic of Kosovo on December 29, 2023 issued a decision to postpone the implementation of IFRS 17 Insurance Contracts starting January 1, 2026. According to this decision the Company has to continue to report Insurance Contracts under IFRS 4. The Central Bank of Republic of Kosovo decision has no impact on application of other IFRS standards. These financial statements have been prepared under the historical cost basis. The principal accounting policies applied in the preparation of these financial statements are set out in Note 6. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 4 and 5 for adoption of new or revised standards and interpretations and new accounting pronouncements adopted by the Company). The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 9.

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.

4. Material accounting policies

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

4.1 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. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

4.2 Classification of insurance contracts

The Company's underwritten non-life insurance risks for accounting purposes are classified at inception as insurance contracts. A contract, which is classified as an insurance contract remains as such until all rights and obligations are extinguished or expire. Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified variable(s) 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.

4. Material accounting policies (continued)

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, if any. Premiums are earned from the date of underwriting risks, over the indemnity period, based on the pattern of risks underwritten.

Unearned premium reserve. 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. The Regulation of the Central Bank of Kosovo regulate the calculation of unearned premium reserves "On calculation and retention of technical and mathematical reserves for non-life and life insurers".

Deferred acquisition costs. Acquisition costs are the costs that an insurer incurs to sell, underwrite and initiate a new insurance contract. Acquisition costs that are incremental to the underwriting of the premiums 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. Insurance liabilities for claims outstanding are not discounted. Adjustments to claims insurance liabilities 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 insurance liabilities for incurred but not reported claims are estimated based on Chain Ladder paid triangles method for Motor Third Party Liability ("MTPL"). For MTPL plus, Casco, Personal Accidents, Travel Health, Property and Health Insurance, the Simple Ratio method was used. Reserve for Incurred but not reported ('IBNR') claims for Border Guarantee fund is determined by Kosovo Insurance Bureau ('KIB').

4. Material accounting policies (continued)

4.2 Classification of insurance contracts (continued)

Claims and reserves arising from the compensation fund. On behalf of all insurance companies licensed by the Central Bank of Kosovo to underwrite CTPL insurance in Kosovo, 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. KIB remits the monthly share of the gross premiums received (including VAT and premiums tax, which are then included in the insurance companies' own tax returns), to each insurance company. 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. The accounting treatment of written premiums and insurance reserves determined by KIB, is the same as the treatment for the other categories of written premiums and insurance reserves, respectively.

In addition, each insurance company is required to contribute to KIB for the Guarantee Fund of 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. The guarantee fund is used 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 Kosovo licensed by the CBK to underwrite 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. Claims reserves from KIB are part of the Company's insurance contract liabilities. Contribution for the compensation fund is recognized in profit or loss as incurred.

Liability Adequacy Test. At each reporting date the Company performs test to ensure the adequacy of claim insurance liabilities. 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.

The Company performs the run-off analysis of claim reserves to assess its provisioning methodology. The run-off analysis is performed on RBNS and IBNR separately as well as on combined basis. In case the analysis shows major discrepancies, proper adjustments are made to the reserving methodology. If a deficiency is identified it will be charged immediately to profit or loss by establishing an unexpired risk provision from losses arising from Liability Adequacy Test.

4. Material accounting policies (continued)

4.2 Classification of insurance contracts (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. Assets and liabilities arising from ceded reinsurance risks are presented separately as assets and liabilities from related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligation to its policy holders. The Company's reinsurance policy is established in order to limit its potential losses arising from longer exposures to Motor Third Party Liability ("MTPL"), Property and Liabilities lines of business. Treaty agreements represent reinsurance at portfolio level. They cover all claims of the portfolio up to a certain amount (excess of loss) or on quota share basis.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk, are accounted for as financial instruments. Insurance premiums ceded to reinsurers are recognized in profit or loss 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 the reinsurance coverage is provided based on the pattern of the reinsured risk.

The unexpended portion of the ceded reinsurance premiums is included in the reinsurance assets. The amounts recognized as reinsurance assets are measured on a basis that is consistent with the measurement of the insurance liabilities 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.

Premium reserve portfolio. When a new reinsurer participates in a treaty based on the accounting year or when the involvement in a period of an existing participating reinsurer increases, the unearned premium received is calculated by the reinsurer for participating in risks for which the premium has already been collected but not yet earned. Premium portfolio entry at the beginning of the reinsurance period is the reinsurance percentage share of the unearned premiums at the beginning of period.

4.3 Financial instruments

Consistent with requirements of IFRS 4 amendments "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", the Company decided to defer adoption of IFRS 9. The Company expects to apply IFRS 9 from 2023 and it has not applied it at any earlier stage. The Company's financial instruments are measured at amortized cost or fair value through other comprehensive income and are classified depending on their measurement category. The financial assets meet the sole payment of principal and interest criteria and would thus be measured the same under IFRS 9. Credit ratings are provided in notes 15 and 16 respectively.

4. Material accounting policies (continued)**4.3 Financial instruments (continued)***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 of the Company are classified as investments at fair value. 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 amortized 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 amortized cost using the effective interest method, net of provision for incurred impairment losses.

iii) Derecognition

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

iv) Amortized cost measurement

Amortized cost is the amount at which the financial instrument was recognized 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 amortization 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 amortized 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.

4. Material accounting policies (continued)**4.3 Financial instruments (continued)****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 recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions, such as in the Company's trading activity.

vi) 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, liabilities that can be offset for the same customer and realizability 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 reorganization.
- there is adverse change in the payment status of the counterparty because of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases because of deteriorating market conditions.

4.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized 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.

4. Material accounting policies (continued)

4.5 Term deposits

Term deposits are stated at the amount of principal outstanding and are classified according to their maturities. Term deposits with maturities of less than three months are classified as cash equivalents.

4.6 Other receivables

Other receivables are stated at their cost less impairment losses.

4.7 Insurance receivables

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

4.8 Prepayments

Prepayments are carried at cost less provision for impairment and included in other assets. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss for the year.

4.9 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.

The income tax charge comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

4. Material accounting policies (continued)**4.8 Income tax (continued)**

Current tax is the amount expected to be paid to, or recovered from, the taxation authority in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorized prior to filing relevant tax returns. Taxes other than income are recorded within operating expenses.

Starting from 5 August 2019, based on the requirements of new Law No.06/L-105 on Corporate Income Tax, which is in force from then, insurance companies calculate income tax based on taxable profit or losses before tax for the period and their expenses are thus considered deductible.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and 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 utilized. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

4.9 Property and equipment

On initial recognition, items of property, plant and equipment are recognized at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows.

4. Material accounting policies (continued)**4.9 Property and equipment (continued)**

The annual depreciation rates are:

	%
Office furniture and equipment	20
Vehicles	20
Computers	20

The residual value, if not insignificant, is reassessed annually. Leasehold improvements are capitalized and depreciated over the lesser of their useful life and the lease term.

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

4.10 Right-of-use assets

The Company leases only offices. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. For leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs; and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives.

Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful life
Offices	1 - 10 years

4.11 Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives, if any. Intangible assets consist of software licenses and are amortized on straight-line basis over 5 years. Other Intangible Assets Intangible assets acquired separately are initially recognized at cost. Indefinite life intangible assets are not amortized and are subsequently measured at cost less than any impairment. The gains or losses recognized in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

4. Material accounting policies (continued)**4.12 Impairment of non-financial assets**

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment or intangible assets with definite useful lives. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year.

An impairment loss recognized for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

4.13 Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation because of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense within finance costs.

4.14 Premium tax

Premium tax refers to Corporate Income Tax for insurers which has been provided for in the financial statements in accordance with legislation enacted or substantively enacted until 5 August 2019. Until then, in accordance with Republic of Kosovo Law on Corporate Income Tax no.05/L-029, insurance companies are required to calculate premium tax of 5% on their quarterly gross premiums.

Premium tax is not deducted from premiums on a policy basis. The premium tax is calculated based on the overall gross written premium volume of the Company. As a result, it is disclosed in these financial statements as an expense.

4.15 Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in a number of property leases. These terms are used to maximize operational flexibility in terms of managing the assets used in the Company's operations. All extension and termination options held are exercisable by both parties, the Company and the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

4. Material accounting policies (continued)

4.15 Lease liabilities (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral, and conditions.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of offices and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise leased assets with value of EUR 5 thousand or less.

4.16 Revenue recognition

Premiums. The accounting policy in relation to revenue from insurance contracts is disclosed in note 5 (b).

Investment income. Interest income is recognized in profit or loss as earned, considering the effective yield on the financial asset.

Fee and commission income. Fee and commission income include reinsurance commission, recognized on the settlement with reinsurers. Reinsurance commissions continue to be recognized in full on the settlement with the reinsurer.

4.17 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 administrative expenses connected with processing of proposals and issuing of policies. Policy acquisition costs are expensed as incurred.

Deferred acquisition costs. Acquisition costs are the costs that an insurer incurs to sell, underwrite, and initiate a new insurance contract. 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.

4.18 Employee benefits

Salaries, contributions to the state or private pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the employees of the Company render the associated services. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory and private defined contribution scheme.