

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

IC SCARDIAN J.S.C

31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Management of IC Scardian J.S.C

Opinion

We have audited the financial statements of IC Scardian J.S.C. (the Company), which comprise the statement of financial position as at 31 December 2018 and the statement of profit and 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 significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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

Other Information

Management is responsible for the other information. The other information comprises supplementary schedules that include the "Solvency Margin", "Capital calculation" and "Adequacy of investments of assets covering technical reserves".

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

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- 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.

RSM Kosovo Shpk

RSM Kosovo Sh.p.k

Prishtina, Kosovo

5 April 2019

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STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Notes	31 December 2018 EUR '000	31 December 2017 EUR '000
ASSETS			
Cash and cash equivalents	6	1,466	421
Term deposits	7	7,533	6,933
Insurance receivables	8	535	397
Deferred acquisition costs	9	722	683
Property and equipment	10	535	500
Investment property	11	1,838	1,838
Intangible assets	12	231	169
Other assets	13	552	405
TOTAL ASSETS		13,412	11,346
Equity and liabilities			
Equity			
Share capital	14	6,838	6,838
Accumulated losses		(784)	(1,862)
TOTAL EQUITY		6,054	4,976
LIABILITIES			
Gross Claim Reserves	15	2,958	2,194
Gross Premium Reserves	16	4,003	3,792
Insurance and other liabilities	17	397	384
TOTAL LIABILITIES		7,358	6,370
TOTAL EQUITY AND LIABILITIES		13,412	11,346

These financial statements have been approved by the Management of the Company on 29 March 2019 and signed on its behalf by:


 Artan Lahaj
 Chief Executive Officer


 Fatos Krasniqi
 Finance Director

STATEMENT OF PROFIT AND LOSS AND OTHER - COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 EUR '000	2017 EUR '000
Gross written premiums	18	8,710	7,353
Less: Premium tax		(436)	(368)
Less: Premium ceded to reinsurers	19	(122)	(120)
Net written premiums		8,152	6,865
Net change in provision for unearned premiums		(212)	(1,035)
Net earned premiums		7,940	5,830
Financial income		147	109
Other income		14	8
Total revenues		8,101	5,947
Losses and loss adjustment expenses	15	(3,399)	(2,305)
Share of expenses to KIB	20	(191)	(175)
Contribution to Guarantee Fund	20	(196)	(171)
Underwriting and policy acquisition costs		(896)	(815)
Depreciation and amortization expenses	10,12	(217)	(159)
Administrative Expenses	21	(2,124)	(1,696)
Total expenses		(7,023)	(5,321)
Profit for the year		1,078	626
Other comprehensive income			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		1,078	626

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	Accumulated losses	Total
	EUR '000	EUR '000	EUR '000
At 1 JANUARY 2018	6,838	(1,862)	4,976
<u>Transaction with owner</u>			
Dividends	-	-	-
Total transactions with owner	-	-	-
Profit for the year	-	1,078	1,078
Other comprehensive income:	-	-	-
TOTAL COMPREHENSIVE INCOME	-	1,078	1,078
At 31 DECEMBER 2018	6,838	(784)	6,054
At 01 JANUARY 2017	5,000	(2,488)	2,512
<u>Transaction with owner</u>			
Contribution in Kind	1,838	-	-
Total transactions with owner	1,838	-	1,838
Profit for the year	-	626	626
Other comprehensive loss	-	-	-
TOTAL COMPREHENSIVE INCOME	-	626	626
At 31 DECEMBER 2017	6,838	(1,862)	4,976

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 EUR'000	2017 EUR'000
OPERATING ACTIVITIES			
Profit for the year		1,078	626
<i>Adjusted for non-cash items:</i>			
Depreciation and amortization		217	159
Interest income		(147)	(109)
Premium Tax expense		436	368
Impairment of receivables		12	8
		1,596	1,052
<i>Changes in operating assets:</i>			
Gross claim reserves		764	476
Premium reserves		212	1,035
Deferred acquisition costs		(39)	2
Insurance premiums receivables		(150)	(256)
Other assets		(107)	88
Insurance and other liabilities		-	80
Premium tax paid		(423)	(334)
Net cash generated from operating activities		1,853	2,143
INVESTING ACTIVITIES			
Purchase of fixed assets and intangible assets		(313)	(181)
Increase in term deposits	7	(600)	(2,100)
Interest received		105	98
Net cash used in investing activities		(808)	(2,183)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		1,045	(40)
Cash and cash equivalents at the beginning		421	461
Cash and cash equivalents at 31 December	6	1,466	421

1. GENERAL

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. 71055124 as a joint stock company. The Company is 100% owned and controlled by Fundway LLC, 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
- Construction All Risk (CAR);
- Travel health insurance;
- Personal accidents;
- Casco, etc.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE WITH IFRS

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS"), being Standards and Interpretations issued by the International Accounting Standards Board ("IASB"), in force at 31 December 2018.

The financial statements have been prepared on an historical cost basis, except for investment properties that have been measured at fair value. The financial statements are presented in euros (€) rounded to the nearest thousand (€000), unless otherwise indicated.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the respective note.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3: Significant judgments and key sources of estimation uncertainty.

The financial statements are prepared as of and for the years ended 31 December 2018 and 2017. Current and comparative data stated in these financial statements are expressed in thousands of Euro, unless otherwise stated. Where necessary, comparative figures have been reclassified to conform to changes in presentation for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (CONTINUED)

Application of new IFRS requirements

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and amended for effective date and clarifications in September 2015 and April 2016 respectively) - The Standard, effective for annual periods beginning on or after 1 January 2018 (earlier application permitted), replaces IAS 11, IAS 18 and their Interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). Based on the current accounting treatment of the Company's major sources of revenue the Management do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Company, apart from providing more extensive disclosures on the Company's revenue transactions. The new standard didn't have a material effect on the Company's financial statements
- Amendments to IAS 40 titled Transfers of Investment Property (issued in December 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018 (earlier application permitted), clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred. The amendments didn't have a material effect on the Company's financial statements

New IFRS requirements in issue but not yet effective or adopted by the company

The Company has not applied the following new standards or amended Standards and Interpretations that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2018.

The management anticipate that the new Standards, amendments and Interpretations will be adopted in the Company's financial statements when they become effective. The Company has assessed, where practicable, the potential effect of all these new requirements that will be effective in future periods.

New standards or amendments to existing Standards

- IFRS 9 Financial Instruments (issued in July 2014) – The Standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018 (earlier application permitted). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.
 - IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
 - For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
 - For the impairment of financial assets, IFRS 9 introduces an "expected credit loss (ECL)" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The recognition and derecognition provisions are carried over almost unchanged from IAS 39. The Management anticipate that IFRS 9 will be adopted in the Company's financial statements when it becomes mandatory. The Management have performed a preliminary assessment of the impact of IFRS 9 on the Company's financial statements based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2018 on the basis of the facts and circumstances that exist at that date.
- All the Company's financial assets and financial liabilities should continue to be measured on the same bases as currently under IAS 39.
- Concerning impairment, the management expect to apply the simplified approach to recognise lifetime ECL for the Company's trade receivables. Although the management are currently assessing the extent of this impact, they anticipate that the application of the ECL model of IFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed. In particular, the implementation of the new ECL model proves to be challenging and might involve significant modifications to the Company's credit management systems.
- The management do not anticipate that the application of the IFRS 9 hedge accounting requirements will have impact on the Company's financial statements.

The IFRS 9 is expected to be applied when IFRS 17 Insurance Contracts becomes effective and is expected to be effective from January 2021.

- Amendments to IFRS 4- "Applying IFRS 9 Financial Instrument with IFRS 4 Insurance Contract" (issued on 12 September 2016 and effective , depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach. The amendments address concerns arising from implementing the new financial instruments Standard, temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued. In addition, the amended Standard allows companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard IAS 39. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility. The Company opted for adoption of IFRS 9 when IFRS 17 becomes effective in January 2021. We provide the following disclosures about our financial assets as of 31 December 2018 in order to enable comparison with entities that apply IFRS 9 from 1 January 2018

	Carrying value of assets that are solely payments of principal and interest (IAS 39)		Assets that are solely payment of principal and interest (IFRS 9)
Financial Assets	Loans and Receivables	Held to Maturity	Financial assets at amortized cost
Balance at 31 December 2018			
Cash and Cash Equivalent	1,466	-	1,466
Term Deposits	-	7,533	7,533
Insurance Receivables	535	-	535
Total	2,001	7,533	9,534

New Standards not yet effective

- This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under IFRS 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The company will adopt this standard from 1 January 2019 and is expected to result in recognition of Right to use of asset and lease liability in amount of EUR 699 thousands.

B. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). These financial statements are presented in Euros, which is the Company's functional and presentation currency.

C. 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:

	Depreciation rates
Leasehold improvements	Shorter of asset useful life or lease term
Computers and related equipment	20%
Furniture, fixtures and other equipment	20%
Vehicles	20%

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

D. 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.

E. INVESTMENT PROPERTY

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise, including the corresponding tax effect. Fair values are evaluated annually by an accredited external, independent appraiser, applying a valuation model recommended by the International Valuation Standards Committee. Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal. Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

F. IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment of property, plant and equipment and of intangible assets with finite useful lives

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statement of profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of the asset / unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

G. FINANCIAL INSTRUMENTS

Initial recognition and measurement

The Company recognises a financial asset or a financial liability in the consolidated statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Company recognises all financial assets and financial liabilities at fair value. The fair value of a financial asset / liability on initial recognition is normally represented by the transaction price. The transaction price for financial assets / liabilities other than those classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition / issue of the financial instrument. Transaction costs incurred on acquisition of a financial asset and issue of a financial liability classified at fair value through profit or loss are expensed immediately.

The Company recognises financial assets using settlement date accounting, thus an asset is recognised on the day it is received by the Company and derecognised on the day that it is delivered by the Company.

Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification on initial recognition. The Company classifies financial assets in one of the following two categories:

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Insurance receivables, cash and cash equivalents and other assets are also classified in this category.

(b) Held to maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Company's management has the positive intention and ability to hold to maturity. These assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debt securities held to maturity is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Terms deposits are classified in this category.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (Company of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

In addition, for insurance receivables that are assessed not to be impaired individually, the Company assesses them collectively for impairment, based on the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for insurance receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly, or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

Derecognition

Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the “substance over form” based derecognition test prescribed by IAS 39. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership
- Evaluation of the transfer of control

Whether the assets are recognised / derecognised in full or recognised to the extent of the Company's continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. The Company classifies financial liabilities in other financial liabilities.

Other financial liabilities All liabilities which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

Typically, trade and other payables are classified in this category. Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

Derecognition of financial liabilities

A financial liability is removed from the Company's statement of financial position only when the liability is discharged, cancelled or expired (i.e. extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

H. PRODUCT CLASSIFICATION

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, 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 can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

I. INSURANCE CONTRACTS LIABILITIES

Non-life insurance contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the Statement of financial position date, whether reported or not. The liability is derecognized when the contract expires, is discharged or is cancelled.

The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognized as premium income.

At each reporting date, a liability adequacy test is performed. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the provision for outstanding claims. The provision for

unexpired risk is increased to the extent that future claims in respect of current insurance contracts exceed future premiums plus the current unearned premium provision.

Claims arising from general insurance business

Claims incurred in respect of general business consist of claims paid to policyholders during the financial year together with the changes in the valuation of the liabilities for outstanding claims.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and a prudential margin.

Whilst the Management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

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. Unpaid losses and loss adjustment expenses consist of estimates for reported losses and provisions for losses not reported. The method used to determine the provisions for claims, is based on the following applicable statutory rules but is also supported by actuarial valuations.

The provision for claims Reported but Not Settled ("RBNS") is set on a case by case basis. The reserve is calculated as the expected amount to settle the claim and estimates are adjusted as new information becomes available.

As at 31 December 2018 the technical reserves for IBNR are determined as 10% of gross written premium (31 December 2017: IBNR for MTPL and travel health insurance are calculated using chain-ladder method).

The percentage is estimated by the Company's actuary based on external data and actuarial judgement.

Reinsurance

The Company ceded reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks arising from MTPL, Property, and Personal Accidents lines of business.

Such reinsurance includes treaties and facultative agreements. Only contracts that give rise to a significant transfer of insurance risk and timing risk are accounted for as insurance. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Reinsurance liabilities comprise payable for outwards reinsurance contracts and are recognized as an expense based on the whole amount agreed with the reinsurer.

Benefits reimbursed are presented in the statement of comprehensive income and statement of financial position on a gross basis.

Anticipated reinsurance recoveries are disclosed separately as assets in the statement of financial position. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of the reinsurance contract.

Deferred Acquisitions Cost

Acquisition costs are defined as the costs arising on the acquisition of new insurance contracts, including direct costs, such as agent commissions, premium tax and fees paid to Central Bank of Kosovo.

Deferred acquisition costs and deferred origination costs are amortized systematically over the life of the contract and tested for impairment at reporting date. Any amount not recoverable is expensed. They are derecognized when the related contracts are settled or disposed of.

Liability adequacy test

At each reporting date the Company performs test to ensure the adequacy of claim reserves. The primary tests performed are Claim Ratio Analysis and Run-off analysis of claim reserves.

The claim ratio analysis is performed annually on the major lines of business individually. The calculation is performed on claims alone as well as claims including acquisition costs and any other external claim handling costs. In performing this analysis, the Company takes into account current estimates of cash outflows. The Company does not discount these estimated cash flows because most claims are expected to be settled within one year.

In addition, the Company performs annually a run-off analysis of claim reserves to assess its reserving methodology. The run-off analysis is performed on RBNS and IBNR separately as well as on combined basis. In case the analysis shows major discrepancies, proper adjustments are made to the reserving methodology.

If a deficiency is identified it will be charged immediately to profit or loss by establishing an unexpired risk provision from losses arising from Liability Adequacy Test.

Claims handling costs

Claim handling costs consist of internal and external expenses in relation to valuation, handling and assessment of claims by the Company's personnel as well as external expenses like legal fees and other expenses. Management has estimated claim-handling cost equal to 2% (2017: 2%) of total RBNS and IBNR reserves, excluding Border Claims and Guarantee fund handling costs which are determined by the Kosovo Insurance Bureau.

J. REVENUE RECOGNITION

Premium Income

General business written premiums comprise the premiums on contracts incepting in the financial year, irrespective of whether they relate in whole or in part to a later accounting period. Written premiums are disclosed gross of commission payable to intermediaries and exclude taxes based on premiums. 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.

The provision for unearned premiums 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. However, the all the products in force by the Company have linear risk and no adjustments for variation of risks have been currently made.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

K. BENEFIT CLAIMS AND EXPENSES RECOGNITION

Benefits and claims

Gross benefits and claims consists of benefits and claims paid to policyholders, as well as changes in the gross valuation of insurance and investment contract liabilities, except for gross changes in the unearned premium provision which are recorded in premium income. It further includes internal and external claims handling cost that are directly related to the processing and settlement of claims. Insurance claims are recorded on the basis of notifications received.

L. CASH AND CASH EQUIVALENTS

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

M. TERM DEPOSITS

Term deposits are stated in the statement of financial position at the amount of principal outstanding and are classified according to their maturities. Term deposits with maturities less than three months are classified as cash equivalents, those with maturities over three months are classified as investments in term deposits. Interest is calculated on an accrual basis.

N. SHARE CAPITAL

Share capital represents the nominal value of shares that have been issued. Shares are classified as equity when there is no obligation to transfer cash or other assets.

Accumulated losses

Accumulated losses include all prior period losses.

O. TAXATION

Premium taxes due are calculated in accordance with legislation in the Republic of Kosovo. Insurance companies pay a tax of 5% on gross premiums. Premiums returned and retrospective premium adjustments are deducted from gross premiums to arrive at the tax base. Tax on gross premiums written is presented separately as a deduction from gross premiums written.

Premium tax constitutes a part of acquisition costs and is deferred in a way consistent with the method of computation of the unearned premiums provision. Insurance companies are not liable to pay corporate income tax on profit in Kosovo.

Interest income received by the Company is also liable to withholding tax at the rate of 10% (2017: 10%).

P. EMPLOYEE BENEFITS

Retirement benefits cost

The Company makes no provision and has no obligation for employee pensions over and above the contributions paid into the state pension plan, Kosovo Pension Saving Trust (KPST).

Q. PROVISIONS

A provision is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

R. LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss in the period on a straight line basis over the period of the lease.

S. EXPENSES RECOGNITION

Operating expenses are recognized in profit or loss upon recognized of the service or as incurred

Operating lease payments

Payments under operating leases are recognized in the profit or loss on a straight-line basis over the term of the lease.

Finance cost

Interest paid is recognized in the profit or loss as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

T. COMMITMENTS AND CONTINGENCIES

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the statement of financial position date and a reasonable estimate of the amount of the resulting loss can be made.

U. RELATED PARTY TRANSACTIONS

Related parties consist of shareholder and directors of the Company, together with entities which they control, who can exert significant influence over the operations and management of the Company. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

V. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period that provide additional information about the Company's position at the Statement of financial position date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3. SIGNIFICANT JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances. Actual results may differ from those estimated. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Valuation of insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the Statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported at the Statement of financial position date (IBNR). The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Impairment losses on premium receivables

The Company reviews its insurance and non-insurance receivables to assess impairment on at least an annual basis. In determining whether an impairment loss should be recorded in the profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an individual debtor. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtor.

Estimation of fair values of Investment Property

Company's investment properties are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Company works closely with external qualified appraisers who perform the valuation, based on agreed appropriate valuation techniques and inputs to the model (e.g. use of the market comparable approach that reflects recent transaction prices for similar instruments, discounted cash flow analysis etc.). Prices determined then by the appraisers are used by the Company without adjustment. Changes in the fair value of assets and their causes are analysed by the company management. Such valuations require the Company to select among a range of different valuation methodologies and to make estimates about expected future cash flows and discount rates, market prices etc. Information for the valuation of property, plant and equipment is provided in note 5.b.

4. INSURANCE AND FINANCIAL RISK

A. Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The board of directors approves the Company risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

B. Regulatory framework

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy, solvency margin requirements) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

C. Reinsurance strategy

The majority of insurance business ceded is placed on an excess of loss basis. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is not dependent on a single reinsurer.

D. Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risk's mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is excess of loss reinsurance which is taken out to limit the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company principally issue following types of insurance contracts: motor third party liability insurance, health insurance, property insurance, professional indemnity insurance and other insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

For motor third party liability insurance, the most significant risk are material and not material damages caused due to accidents. For property insurance and healthcare insurance most significant risks are: natural disaster, fire, terrorist activities, epidemics, medical science and technology improvements.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The maximum insurance retentions are 10% of the capital.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract:

31 December 2018			
	Gross Liabilities	Reinsurance of liabilities	Net Liabilities
Motor Third party liability	2,363	-	2,363
Property insurance	123	-	123
Health insurance	111	-	111
Other Products	361	-	361
TOTAL	2,958	-	2,958

31 December 2017			
	Gross Liabilities	Reinsurance of liabilities	Net Liabilities
Motor Third party liability	1,628	-	1,628
Property insurance	330	-	330
Health insurance	51	-	51
Other Products	185	-	185
TOTAL	2,194	-	2,194

Claims development

The following tables show the estimates of cumulative incurred claims, only claims notified for each successive accident year at each reporting date, together with cumulative payments to date.

Estimate of cumulative claims	2015	2016	2017	2018	Total
- At end of underwriting year	348	312	280	284	-
- One year later	1,895	1,608	1,641	-	-
- Two years later	2,676	2,245	-	-	-
- Three years	3,448	-	-	-	-
Estimate of cumulative claims	3,448	2,245	1,641	284	7,618
Cumulative payments	(2,173)	(2,080)	(1,600)	(284)	(6,137)
Amount of claim outstanding					1,481
Kosovo Insurance Bureau part	-	-	-	-	437
Amount recognized at statement of financial position	-	-	-	-	1,918

E. Credit risk

The Company has no significant concentration of credit risk. The Company has policies that limit the amount of credit exposure to any single counter party. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of financial position.

	31 December 2018	31 December 2017
Cash and cash equivalents	1,466	421
Term deposits	7,533	6,933
Insurance receivables	535	397
Other Assets	552	348
MAXIMUM EXPOSURES TO CREDIT RISK	10,086	8,099

Terms Deposits and Cash and cash equivalents. All term deposits and cash held in current account are with Republic of Kosovo licensed banks. However, exposure to single bank should not exceed 30% of terms deposits according to Company policy and CBK regulations.

Insurance receivable. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

The age structure of insurance receivables as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Up to 30 days	257	199
From 1 to 3 months	98	81
From 3 to 6 months	73	56
From 6 to 12 months	74	52
Over 1 year	63	27
Less: impairment provision	(30)	(18)
INSURANCE RECEIVABLES, NET	535	397

	31 December 2018	31 December 2017
Neither Past due nor impaired	257	199
Past due but no impaired	308	216
Impaired	-	-
Less: impairment provision	(30)	(18)
INSURANCE RECEIVABLES, NET	535	397

Movements in the provision for impairment of premium receivables that are assessed for impairment collectively are as follows:

	2018	2017
At 1 January	18	10
Provision for impairment recognized during the year	12	12
Write off (Recoveries)	-	(4)
At 31 December	30	18

F. Market Risk

The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Interest Rate Risk

The Company's exposure to interest risk relates to deposits placed in local commercial banks. Deposits are with the reputable banks. Outstanding claims and provision for unearned premiums are not directly sensitive to market interest rates because are not discounted and non-interest bearing.

31 December 2018	Up to six months	6 months to one year	Over one Year	Non-interest bearing	Total
Cash and cash equivalents	-	-	-	1,466	1,466
Term deposits	-	2,463	4,750	320	7,533
Insurance receivables	-	-	-	535	535
Other Assets	-	-	-	552	552
Total	-	2,463	4,750	2,873	10,086
Outstanding claims provisions	-	-	-	2,958	2,958
Other Payables	-	-	-	120	120
Total	-	-	-	3,078	3,078

31 December 2017	Up to six months	6 months to one year	Over one Year	Non-interest bearing	Total
Cash and cash equivalents	-	-	-	421	421
Term deposits	-	1,200	5,733	-	6,933
Insurance receivables	-	-	-	397	397
Other Assets	-	-	-	348	348
Total	-	1,200	5,733	1,166	8,099
Outstanding claims provisions	-	-	-	2,194	2,194
Other Payables	-	-	-	145	145
Total	-	-	-	2,339	2,339

Foreign currency risk

The Company is not exposed to foreign currency risk since all of its transactions are performed in local currency.

G. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, then, availability of funds through adequate credit facilities and ability to collect timely, within the terms established the amounts due from the deposits.

31 December 2018	Up to six months	6 months to one year	Over one Year	Total
Cash and cash equivalents	1,466	-	-	1,466
Term deposits	-	2,463	5,070	7,533
Insurance receivables	535	-	-	535
Other Assets	552	-	-	552
Total	2,553	2,463	5,070	10,086
Outstanding claims provision	2,958	-	-	2,958
Other Payables	120	-	-	120
Total	3,078	-	-	3,078

31 December 2017	Up to six months	6 months to one year	Over one Year	Total
Cash and cash equivalents	421	-	-	421
Term deposits	-	1,200	5,733	6,933
Insurance receivables	397	-	-	397
Other Assets	348	-	-	348
Total	1,166	1,200	5,733	8,099
Outstanding claims provision	2,194	-	-	2,194
Other Payables	145	-	-	145
Total	2,339	-	-	2,339

H. Capital risk management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The Company is subject to minimum capital requirements. The capital requirements are monitored from Central Bank of Republic of Kosovo (CBK). As at 31 December 2018 and 31 December 2017 the Company was in Compliance with capital requirements.

	31 December 2018 EUR'000	31 December 2017 EUR'000
Available Capital according to CBK Regulation	4,487	3,600
Minimum required capital	3,200	3,200
Surplus/ (Deficit)	1,287	400

5. FAIR VALUE ESTIMATION

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values have been based on management assumptions according to the profile of the asset and liability base.

A. Financial and insurance instruments measured at fair value

The financial assets measured according to the fair value in the statement of financial position are presented in accordance with the hierarchy of the fair value. This hierarchy Company's financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets:

- **Level 1:** quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- **Level 2:** other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices) and
- **Level 3:** incoming data on the asset or liability that are not based on data available for market observing.

As of the reporting dates, the Company does not have financial instruments measured at fair value.

Financial assets not measured at fair value

The difference between carrying value and fair value of those financial assets and liabilities which are not presented in the Statement of financial position at their fair value are as follows:

	31 December 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	1,466	1,466	421	421
Term deposits	7,533	7,533	6,933	6,933
Insurance receivables	535	535	397	397
Other Assets	552	552	348	348
Total	10,086	10,086	8,099	8,099
Outstanding claims provision	2,958	2,958	2,194	2,194
Other Payables	120	120	145	145
Total	3,078	3,078	2,339	2,339

The management assessed that cash and term deposits, insurance receivables, other payable and claim provisions approximate their carrying amounts largely due to the short-term maturities of these instruments.

B. Fair value measurement of non-financial assets

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. The Company classified land in the level 2.

31 December 2018	Level 1	Level 2	Level 3	Total
Land	-	1,838	-	1,838
TOTAL NON-FINANCIAL ASSETS	-	1,838	-	1,838
31 December 2017	Level 1	Level 2	Level 3	Total
Land	-	1,838	-	1,838
TOTAL NON-FINANCIAL ASSETS	-	1,838	-	1,838

Valuation techniques used to determine level 2 and level 3 fair values

The company obtains independent valuations for its investment properties at least annually and for its freehold land.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalized income projections based upon a property's estimated net market income, and a capitalization rate derived from an analysis of market evidence.

The level 2 fair value of land has been derived using the sales comparison approach. The key inputs under this approach are the price per square meter from current year sales of comparable lots of land in the area (location and size).

The calculation of fair value of land is done using price per square meter of the land in the same area:

Total square meters	Price per Square meter	Location	31 December 2018	31 December 2017
			EUR'000	EUR'000
11,486	EUR 0.16	Hajvali, Pristina	1,838	1,838
			1,838	1,838

6 CASH AND CASH EQUIVALENTS

	31 December 2018 EUR'000	31 December 2017 EUR'000
Current accounts with local banks	1,466	421
TOTAL CASH AND CASH EQUIVALENTS	1,466	421

Cash and cash equivalent represent cash held in bank current accounts.

7 TERM DEPOSITS

	31 December 2018 EUR'000	31 December 2017 EUR'000
Term Deposits with local commercial banks	7,213	6,613
Central Bank of Kosovo	320	320
TOTAL TERM DEPOSITS	7,533	6,933

Maturity of deposits	2018 EUR'000	2017 EUR'000
Due within one year	2,463	1,200
Due after one year	5,070	5,733
TOTAL TERM DEPOSITS	7,533	6,933

Term deposits carry interest rate in the range from 1.3% to 2.70% per annum. (2017: 1.3% to 2.70%).

8 INSURANCE RECEIVABLES

	31 December 2018 EUR'000	31 December 2017 EUR'000
Receivables for compulsory products	117	67
Receivables for voluntary products	439	308
Receivable from Kosovo Insurance Bureau	9	40
	565	415
Less: Impairment provision	(30)	(18)
INSURANCE RECEIVABLES, NET	535	397

Insurance receivable are amount due from customers for insurance premium for insurance contracts sold during the ordinary course of business. Collection of amounts is expected in one year or less. For insurance receivable aging and movement in impairment provision refer to note 4 E.

9 DEFERRED ACQUISITION COSTS

The Company classifies the following expenses as deferred acquisition costs

	31 December 2018 EUR'000	31 December 2017 EUR'000
Agents salary and related costs	477	452
Provision to CBK	52	49
Premium tax 5%	193	182
TOTAL DEFERRED ACQUISITION COST	722	683

10 PROPERTY AND EQUIPMENT

	Equipment	Furniture	Vehicles	Leasehold Improvements	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2017					
Cost	140	129	144	325	738
Additions	12	20	27	21	80
At 31 December 2017	152	149	171	346	818
Additions	20	50	59	65	194
At 31 December 2018	172	199	230	411	1,012
Accumulated Depreciation					
At 1 January 2017	(44)	(42)	(38)	(66)	(190)
Charge for the year	(29)	(27)	(30)	(42)	(128)
At 31 December 2017	(73)	(69)	(68)	(108)	(318)
Charge for the year 2018	(33)	(33)	(41)	(52)	(159)
At 31 December 2018	(106)	(102)	(109)	(160)	(477)
Net book value at:					
31 December 2017	79	80	103	238	500
31 December 2018	66	97	121	251	535

As of 31 December 2018, and 2017, the Company has no equipment pledged as collateral. All assets are used for Company's operating activities.

11 INVESTMENT PROPERTY

	31 December 2018 EUR'000	31 December 2017 EUR'000
Land	1,838	1,838
TOTAL INVESTMENT PROPERTY	1,838	1,838

Investment properties include land which is held for capital appreciation and is carried at fair value. Refer to note 5B for valuation of investment properties. There was no significant change in fair value of the investment properties during the year ended 31 December 2018.

12 INTANGIBLE ASSETS

	Software EUR'000
Cost	
At 1 January 2017	115
Additions	101
At 31 December 2017	216
Additions	120
At 31 December 2018	336
Accumulated Amortization	
At 1 January 2017	(15)
Charge for the year	(32)
At 31 December 2017	(47)
Charge for the year	(58)
At 31 December 2018	(105)
Net book value	
31 December 2017	169
31 December 2018	231

13 OTHER ASSETS

	31 December 2018 EUR'000	31 December 2017 EUR'000
Advances and prepayments	80	33
Receivables from Kosovo Insurance Bureau	227	168
Accrued interest income	118	76
Reinsurance part of unearned premium	2	3
Advances paid based on MoU	125	125
TOTAL OTHER ASSETS	552	405

Advances paid based on memorandum of understanding represents the cash deposited (in form of Guarantee) by each insurance company in Raiffeisen Bank Kosovo. The amount of EUR 1,500 thousand was divided between 12 insurance companies, EUR 125 thousand each of them. The cash amount deposited is a result of the "Memorandum of Understanding" between the Association of Serbian Insurers and the Kosovo Insurance Bureau as authorized entities responsible for vehicle insurance issues in the jurisdiction of each Party with facilitation of the Council of Bureau and on the Mutual Recognition of Motor Third Party Liability Insurance (MTPL) and arrangements for the processing and payment of claims.

14 SHARE CAPITAL

As at 31 December 2018 and 2017 the Company is 100% owned by Fundway LLC. The share capital is composed from:

	31 December 2018 EUR'000	31 December 2017 EUR'000
Paid share capital in cash	5,000	5,000
Contribution in kind -Land (Note 11 Investment Properties)	1,838	1,838
TOTAL SHARE CAPITAL	6,838	6,838

15 GROSS CLAIM RESERVES

	2018 EUR'000	2017 EUR'000
Reported but not settled claims (RBNS)	1,918	1,291
Incurred but not yet reported claims (IBNR)	982	863
Claim handling costs	58	40
TOTAL GROSS CLAIM RESERVES AT 31 DECEMBER	2,958	2,194

	2018 EUR'000	2017 EUR'000
As at 1 January	2,194	1,718
Gross insurance liabilities for losses and loss adjustment expenses	-	-
Reinsurance recoverable	-	-
Net insurance liabilities for losses and loss adjustment expenses		
Losses and loss adjustment expenses incurred	3,399	2,305
Losses and loss adjustment expenses paid	(2,635)	(1,829)
Net insurance liabilities for losses and loss adjustment expenses as at 31 December	2,958	2,194
Reinsurance recoverable	-	-
GROSS CLAIM RESERVES	2,958	2,194

Included in gross claim reserves are reserves for border insurance and Compensation fund in amount of EUR 645 thousand as at 31 December 2018 (31 December 2017: EUR 395 thousand)

16 GROSS PREMIUM RESERVES

Gross Premium reserves are composed from unearned premiums and unexpired risks reserves. In the table below UPR and URR based on business lines is presented:

31 December 2018

	UPR	URR	Premium reserves	Reinsurer UPR	Net UPR
Motonic	2,691	-	2,691	-	2,691
Travel Health Insurance	346	-	346	-	346
Fire & Property Insurance	111	-	111	-	111
Border premiums – KIB	55	43	98	-	98
Other products	696	61	757	(2)	755
Total	3,899	104	4,003	(2)	4,001

31 December 2017

	UPR	URR	Premium reserves	Reinsurer UPR	Net UPR
Motonic	2,837	-	2,837	-	2,837
Travel Health Insurance	345	-	345	-	345
Fire & Property Insurance	89	-	89	-	89
Border premiums – KIB	17	36	53	-	53
Other products	355	113	468	(3)	465
Total	3,643	149	3,792	(3)	3,789

17 INSURANCE AND OTHER LIABILITIES

	31 December 2018 EUR'000	31 December 2017 EUR'000
Trade payables	88	96
Agents commission payables	31	48
VAT payable	98	102
Premium tax payable	113	100
Social and health contributions	16	13
Withholding tax on salary	13	10
Payables to employees	38	15
TOTAL INSURANCE AND OTHER LIABILITIES	397	384

18 GROSS WRITTEN PREMIUMS

	2018 EUR'000	2017 EUR'000
Motor third party liability insurance	5,065	4,600
Income from Kosovo Insurance Bureau	842	696
Travel Health Insurance	713	646
Casco Insurance	437	384
HEALTH Insurance-families	791	368
Motor third party liability insurance (TPL Plus)	320	284
Fire & Special Perils Insurance	208	177
Surety Insurance (Guarantee)	217	158
Personal Accident Insurance	60	32
Professional Liability Insurance	14	6
CIS and CAT	9	-
Cargo	2	5
CAR and EAR	2	-
Income (expenses) from co insurance	20	(3)
BBB Insurance	10	-
TOTAL GROSS WRITTEN PREMIUM	8,710	7,353

19 PREMIUM CEDED TO REINSURERS

	2018 EUR'000	2017 EUR'000
TPL	46	35
Fire & Special Perils Insurance	72	84
Professional Liability Insurance	4	1
TOTAL PREMIUM CEDED TO REINSURANCE	122	120

20 SHARE OF EXPENSES TO KOSOVO INSURANCE BUREAU

The Kosovo Insurance Bureau ("KIB") administers the system to sell compulsory third party liability motor vehicle insurance ("CTPL") at the border of the Territory of Kosovo (the "pool") to drivers of foreign registered vehicles not in possession of such insurance, on behalf of all insurance companies licensed in republic of Kosovo. KIB remits to each insurance company monthly its share of the gross premiums received and their share of claim and administrative expenses. In addition, each insurance company is required to contribute to KIB for the Compensation Fund Kosovo ("CFK"). The role of CFK is to pay insurance claims related to accidents caused by uninsured vehicles, unknown vehicles or other specified events.

	2018 EUR'000	2017 EUR'000
Share of expenses to KIB	(191)	(175)
Contribution to compensation fund	(196)	(171)
Total	(387)	(346)

21 ADMINISTRATIVE EXPENSES

	2018 EUR'000	2017 EUR'000
Salaries	1,086	770
Rent expenses	302	280
Marketing expenses	102	114
CBK charges	118	99
Other expenses	110	87
Utilities	93	83
IT Expenses	24	58
Office expenses	66	44
Printing Expenses	35	43
Social contribution expenses	54	38
Professional services	46	25
Repairs and Maintenance	40	22
Bad Debt Provision	12	12
License expenses	13	11
Representation expenses	8	8
Official travel expenses	15	2
TOTAL ADMINISTRATIVE EXPENSES	2,124	1,696

22 COMMITMENTS AND CONTINGENCY

	2018 EUR'000	2017 EUR'000
Within one year	93	273
Within two to nine years	754	686
Total	847	959

Litigation

From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements

As at 31 December 2018 there are 360 legal cases, with reserve in the amount of EUR 513 thousand (31 December 2017: 125 legal cases with reserve EUR 256 thousand).

The Company's Management regularly analyses potential risks resulting from losses regarding legal proceedings, along with proceedings and possible receivables aimed against the Company, which may arise in the future. Although the outcome of these matters cannot always be ascertained with precision, the management of the Company believes that no material liabilities above the provisions reserved is likely to occur.

Tax liabilities

The Company's financial statements for the years ended 31 December 2014 to 2018 are subject to inspection by local tax authorities. The Company has followed all tax rules and regulations in calculating tax liabilities, however tax interpretations as per tax authorities may differ from those used by the Company.

23 RELATED PARTY TRANSACTIONS

A party is related to an entity if, directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with the entity, the party has an interest in the entity that gives it significant influence over the entity, the party has joint control over the entity, the party is an associate or the party is a member of the key management personnel of the entity or its parent.

The Company has related party transactions during the normal course of business activities. The table below presents the volume and balances from the related party transactions as of and for the years ended 31 December 2018 and 2017.

	2018 EUR'000	2017 EUR'000
Remuneration for key-management	241	210
Total	241	210

24 EVENTS AFTER THE REPORTING DATE

There are no other significant events after the statement of financial position date that may require adjustment or disclosure in the financial statements.

SUPPLEMENTARY SCHEDULES FOR THE YEAR ENDED 31 DECEMBER 2018

1 TABLE 1 -SOLVENCY MARGIN

Table for Solvency Calculation		2017	2018
		EUR'000	EUR'000
1	Table of reserves for claims		
1.1	Requirements for outstanding claims at the beginning of the period	1,718	2,194
1.2	Paid claims	1,828	2,635
1.3	Requirements for outstanding claims at the end of the period	2,194	2,958
1.4	Incurred losses (1.2 + 1.3) - 1.1	2,305	3,399
1.5	Average of incurred losses	2,376	2,717
2	Table of part of reinsurer requirements	-	-
2.1	Part of reinsurance for pending claims at the beginning of the period	-	-
2.2	Accepted reinsurance	-	-
2.3	Part of reinsurance for pending claims at the end of the period	-	-
2.4	Part of reinsurance for incurred claims	-	-
2.5	Net incurred losses (held claims)	2,305	3,399
2.6	Holding level	100%	100%
2.7	Average of holding level	100%	100%
3	Based on premiums	2017	2018
3.1	Gross written premiums	7,353	8,710
3.2	Change of premiums	(1,035)	(212)
3.3	For QI: 11,12,13 increase of premium for 50%		
3.4	Others (tax & reinsurance)		
3.5	Total	6,318	8,498
3.6	First layer (fixed to 10 million)	10,000	10,000
3.7	Second layer (more than 10 million)	-	-
3.8	Percentage of the first layer (fixed)	18%	18%
3.9	Percentage of the second layer (fixed)	-	-
3.10	Result based on premiums	1,137	1,529
3.11	Holding level	100%	100%
3.12	Result of solvency based on premiums	1,137	1,529
4	Based on claims		
4.1	Incurred gross claims (see table of claims)	2,376	3,399
4.2	First layer (fixed)	7,000	7,000
4.3	Second layer		
4.4	Percentage of the first layer (fixed)	26%	26%
4.5	Percentage of the second layer (fixed)	23%	23%
4.6	Sum of the first layer	618	742
4.7	Net and gross incurred claims ratio	100%	100%
4.8	Minimum percentage	50%	50%
5	Result of solvency based on claims	618	742

5	Required Solvency	2017	2018
5.1	Based on premiums	1,137	1,529
5.2	Based on claims	618	742
5.3	Required solvency	1,137	1,529
5.4	Required solvency for the previous year	733	1,529
5.5	Solvency based on growth of 150%	1,706	2,294

2 TABEL 2 -CAPITAL CALCULATION

Table for Capital calculation		2017	2018
		EUR'000	EUR'000
I	CHARTER CAPITAL	5,000	5,000
1	Paid share capital of insurers in cash	5,000	5,000
2	Capital reserves (reserves recognized by law and free reserves), Accumulated profits transferred after the deduction of dividends	-	-
3	to be paid	-	-
II	DEDUCTIBLE ELEMENTS FROM CHARTER CAPITAL	(1,862)	(784)
1	Repurchased own shares	-	-
2	Investments in intangible (non-material) assets;	-	-
3	Transferred losses and losses of the current year;	(1,862)	(784)
4	Difference between reserves for discounted and undiscounted	-	-
III	SUPPLEMENTARY CAPITAL	853	919
	Share capital of the insurer, consisting of preferential shares issuance according to their nominal amount paid in cash in insurer equity	-	-
1		-	-
2	Subordinated debt Instruments,	-	-
3	Capital reserves linked to preferential share	-	-
4	Other elements	853	919
IV	REGULATORY CAPITAL, (I - II + III)	3,991	5,135
V	DEDUCTIBLE ELEMTS IN CAPITAL CALCULATION	-	-
1	Participations or possessions in ownership of other companies	-	-
2	Investments in subordinated debt instruments	-	-
VI	NON-LIQUID ASSETS	391	648
1	Premiums receivable and debtors from the reinsurance for more than 90 days	60	212
2	Borrowings and receivables with related parties	125	125
3	Debtors and other accounts receivable, which derive from the insurance activity	37	-
4	Borrowings from brokers and agents	-	-
5	100% expenses paid in advance and deferred tax assets	-	80
6	Other assets, not excluded from any responsibility or liability	-	-
7	Other assets which are not easily convertible into cash	-	-
8	Intangible assets	169	231
9	Other	-	-
VII	NET PROPERTY - AVAILABLE CAPITAL (IV - V - VI)	3,600	4,487
VIII	GUARANTEE FUND ACCORDING TO THE LAW	3,200	3,200
IX	REQUEST FOR CAPITAL ACCORDING TO THE GUARANTEE FUND	400	1,287
X	REQUEST FOR SOLVENCY COVERAGE	1,894	2,193
XI	FINAL REQUEST FOR CAPITAL GROWTH	-	-

3 **TABEL 3 ASSETS / INVESTMENTS IN COVERING TECHNICAL PROVISIONS**

No	Assets / Investments in covering technical provisions	Actual amount invested EUR'000	% Of assets allowed to cover technical provisions	The amount allowed by regulation EUR'000
1	Deposits in banks licensed in Kosovo over 3 months, (excluding the charter capital)	4,540	Unlimited	4,540
2	Government securities			
3	Land and Buildings	1,838	20% In total	1,392
4.2	Current accounts			
4.1	Cash in hand			
4	Cash and cash equivalents	1,466	3%	209
5	Accounts receivable from reinsurance, net of liabilities	2	Unlimited	2
6.1	With credit rating <BBB			
6	The reinsurer's share in technical provisions, net of liabilities			
7	Estimated investment interests	118	5%	118
8	Accounts receivable from the insurance activities, up to 90 days	345	Up to 20% of UPR	345
9	Other fixed assets, different from point 3.	535	5%	348
10	Total investments covering technical provisions	8,844		6,954

No.	Technical Provisions	2018 EUR'000
1	Provisions for unearned premium and unsuccessful risk	4,003
2	Provisions for Loss and Loss adjustments	2,958
3	Other technical provisions	-
4	Total amount required to cover technical provisions	6,961
5	Assets covering technical provisions	6,954
6	Total technical provisions	6,961
7	Difference (5-6)	(7)
8	Coverage (5/6)	100%
9	Required coverage according to regulation (6*85%)	5,917
10	Surplus of assets (5-9)	1,037