FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

IC SCARDIAN J.S.C

31 DECEMBER 2017

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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 2017 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 2017, 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.

Other Matter
The financial statements of the Company as at and for the year ended 31 December 2016, were audited by another auditor who expressed an unqualified opinion and emphasis of matter paragraph on those financial statements on 28 April 2017.Emphasis of matter was regarding noncompliance with rules and regulations.

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.
- 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

20 April 2018

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Notes	31 December 2017 EUR '000	31 December 2016 EUR '000
ASSETS			
Cash and cash equivalents	6	421	461
Term deposits	7	6,933	4,833
Insurance receivables	8	397	148
Deferred acquisition costs	9	683	685
Property and equipment	10	500	548
Investment property	11	1,838	-
Intangible assets	12	169	100
Other assets	13	405	493
TOTAL ASSETS		**11,346**	**7,268**
Equity and liabilities			
Equity			
Share capital	14	6,838	5,000
Accumulated losses		(1,862)	(2,488)
TOTAL EQUITY		**4,976**	**2,512**
LIABILITIES			
Gross Claim Reserves	15	2,194	1,718
Gross Premium Reserves	16	3,792	2,769
Insurance and other liabilities	17	384	269
TOTAL LIABILITIES		**6,370**	**4,756**
TOTAL EQUITY AND LIABILITIES		**11,346**	**7,268**

These financial statements have been approved by the Management of the Company on 19 April 2018 and signed on its behalf by:

Arben Avdyli
Chief Executive Officer

Krasniqi

Fatos Krasniqi
Finance Manager

STATEMENT OF PROFIT AND LOSS AND OTHER - COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 EUR '000	2016 EUR '000
Gross premiums written	18,20	7,353	5,436
Less: Premium tax		(368)	(272)
Less: Premium ceded to reinsurers	19	(120)	(120)
Net written premiums		**6,865**	**5,044**
Net change in provision for unearned premiums		(1,035)	(1,363)
Net earned premiums		**5,830**	**3,681**
Financial income		109	68
Other income		8	19
Total revenues		**5,947**	**3,768**
Losses and loss adjustment expenses	15	(2,305)	(2,448)
Share of expenses to KIB	20	(175)	(231)
Contribution to Guarantee Fund	20	(171)	(73)
Underwriting and policy acquisition cost		(815)	(729)
Depreciation and amortization expenses	10,12	(159)	(131)
Administrative Expenses	20	(1,696)	(1,491)
Total expenses		**(5,321)**	**(5,103)**
Profit /(loss) for the year		626	(1,335)
Other comprehensive income			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**626**	**(1,335)**

The accompanying notes from 1 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital EUR '000	Accumulated losses EUR '000	Total EUR '000
Balance at 1 January 2016	5,000	(1,153)	3,847
Loss for the year	-	(1,335)	(1,335)
Other comprehensive income	-	-	-
Total comprehensive loss	**-**	**(1,335)**	**(1,335)**
Balance at 31 December 2016	**5,000**	**(2,488)**	**2,512**
Balance at 1 January 2017	5,000	(2,488)	2,512
Profit for the year	-	626	626
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**626**	**626**
Transaction with owners			
Contribution in kind (Note 14)	1,838	-	1,838
Total transaction with owners	**1,838**	**-**	**1,838**
Balance at 31 December 2017	**6,838**	**(1,862)**	**4,976**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 EUR'000	2016 EUR'000
OPERATING ACTIVITIES			
Profit (Loss) for the year		626	(1,335)
Adjusted for non-cash items:			
Depreciation and amortization		160	131
Interest income		(109)	(68)
Premium Tax expense		368	272
Impairment of receivables		8	10
		1,053	(991)
Changes in operating assets:			
Increase in gross claim reserves		476	1,337
Increase in unearned premiums		1,035	1,390
Decrease /(Increase)/ in deferred acquitison costs		2	(350)
Increase in insurance premiums receivables		(257)	(106)
Decrease /(Increase) in other assets		88	(184)
Increase (Decrease) in other liabilities		80	(32)
Premium tax paid		(334)	(272)
Net cash generated from operating activities		**2,143**	**793**
INVESTING ACTIVITIES			
Purchase of fixed assets		(181)	(223)
Increase in term deposits	7	(2,100)	(968)
Interest received		99	-
Net cash generated used in investing activities		**(2,183)**	**(1,191)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		(40)	(398)
Cash and cash equivalents at the beginning		461	859
Cash and cash equivalents at 31 December	6	**421**	**461**

The accompanying notes from 1 to 24 form an integral part of these financial statements

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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;
- Construction All Risk (CAR);
- Travel health insurance;
- Personal accidents;
- Comprehensive Motor Vehicle Insurance, 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 2017.

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 judgment and key sources of estimation uncertainty.

The financial statements are prepared as of and for the years ended 31 December 2017 and 2016. 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.

Application of new IFRS requirements

For the preparation of these financial statements, the following amendments to Standards are mandatory for the first time for the financial year beginning 1 January 2017.

- Amendments to IAS 12 titled Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016) – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base (eg deferred tax asset related to unrealised losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets. The amendments had no effect on the Company's financial statements.
- Amendments to IFRS 12 (Annual Improvements to IFRS Standards 2014–2016 Cycle, issued in December 2016) - The amendments clarify that the disclosure requirements of the Standard apply to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations except for summarised financial information for those interests (ie paragraphs B10–B16 of IFRS 12). The amendments had no effect on the Company's financial statements.

New IFRS requirements in issue but not yet effective

The Company has not applied the following new or amended Standards and Interpretations that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2017.

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.

Amendments to existing Standards

- Amendments to IAS 28 (Annual Improvements to IFRS Standards 2014–2016 Cycle, issued in December 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018 (earlier application permitted), clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments are not expected to have an 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 are not expected to have a material effect on the Company's financial statements.
- Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018 (earlier application permitted), clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment (SBP) transactions, the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Company's financial statements.
- Amendments to IFRS 4 titled Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, give all insurers the option to recognise in other comprehensive income, rather than in profit or loss, the volatility that could arise when IFRS 9 is applied before implementing IFRS 17 ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying IFRS 9, thus continuing to apply IAS 39 instead ('the deferral approach'). The Company is expecting to use temporary exemption from applying IFRS 9.

- Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014) – The amendments address a current conflict between the two Standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after 1 January 2016, was deferred indefinitely in December 2015 but earlier application is still permitted. This is not expected to have an effect on the Company's financial statements.

New Interpretations

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016) - The Interpretation, applicable to annual periods beginning on or after 1 January 2018 (earlier application permitted), provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability. The Interpretation is not expected to have a material effect on the Company's financial statements.
- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017) – The Interpretation, applicable to annual periods beginning on or after 1 January 2019 (earlier application permitted), provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under IAS 12, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, and (iv) effect of changes in facts and circumstances. The Interpretation is not expected to have a material effect on the Company's financial statements.

New 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 recognised financial assets to be subsequently measured at amortised 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 recognised 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.
  - 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 2017 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.

- 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 (eg the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Management anticipate that IFRS 15 will be adopted in the Company's financial statements when it becomes mandatory, and they intend to use the modified retrospective method of transition to the new Standard.
- 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. However, as The Management are still in the process of assessing the full impact of the application of IFRS 15 on the Company's financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the Management complete the detailed review.
- IFRS 16 Leases (issued in January 2016) - The Standard, effective for annual periods beginning on or after 1 January 2019 (earlier application permitted only if IFRS 15 also applied), replaces IAS 17 and its Interpretations. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The Management anticipate that IFRS 16 will be adopted in the Company's financial statements when it becomes mandatory with following effects:
  - For the Company's non-cancellable operating lease commitments of EUR 959 thousand as at 31 December 2017 (Note 22), a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under IFRS 16. Thus, the Company will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases - unless they qualify for low value or short-term leases upon the application of IFRS 16 – which might have a significant impact on the amounts recognised in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the management complete their review.
  - The Management do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognized in the Company's financial statements.

- IFRS 17 Insurance Contracts (issued in May 2017) - The Standard that replaces IFRS 4, effective for annual periods beginning on or after 1 January 2021 (earlier application permitted only if IFRS 9 and IFRS 15 also applied), requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts, giving a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. Management are still in the process of assessing the full impact of the application of IFRS 17 on the Company's financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the Management complete the detailed review.

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 recognised 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 derecognised 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 recognised 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 valuer, 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 Company's 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 these 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 (ie 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 uneamed 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 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 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.

The IBNR for the MTPL (which is the most significant line of business) and travel health insurance is calculated using chain-ladder method.

The company, having only very limited historical data at its disposal, for other lines of businesses calculates the IBNR as a percentage of the Gross written premium. 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 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% (2016: 2%) of total RBNS reserve excluding Border Claims and Guarantee fund handling costs which are determined by the Insurance Association of Kosovo.

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.

Fees and commission income

Insurance contract policyholders are charged for policy administration services and other contract fees. These fees and charges are recognized as revenue over the period in which the related services are performed.

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

Tern 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% (2016: 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 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 propertie are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Company works closely with external qualified valuers who perform the valuation, based on agreed appropriate valuation techniques and inputs to the model (eg use of the market comparable approach that reflects recent transaction prices for similar instruments, discounted cash flow analysis etc). Prices determined then by the valuers are used by the Company without adjustment. Changes in the fair value of assets and their causes are analyses 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 a 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 risks mitigation programme. 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.

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 minimum required regulatory capital, respectively EUR 320 thousand.

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

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

31 December 2016	Gross Liabilities	Reinsurance of liabilities	Net Liabilities
Motor Third party liability	1,417	-	1,417
Property insurance	150	-	150
Health insurance	26	-	26
Other Products	125	-	125
TOTAL	**1,718**	-	**1,718**

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	**Total**
- At end of underwriting year	307	312	280	
- One year later	1,539	1,415	-	
- Two years later	2,105	-	-	
Estimate of cumulative claims	2,105	1,415	279	**3,799**
Cumulative payments	1,147	1,335	279	**2,761**
Amount of claim outstanding	**958**	**80**	-	**1,038**
Kosovo Insurance Bureau part	-	-	-	**253**
Amount recognized at balance sheet	-	-	-	**1,291**

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 2017	31 December 2016
Cash and cash equivalents	421	461
Term deposits	6,933	4,833
Insurance receivables	397	148
Other Assets	348	304
MAXIMUM EXPOSURES TO CREDIT RISK	**8,099**	**5,746**

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 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Up to 30 days	199	69
From 1 to 3 months	81	36
From 3 to 6 months	56	20
From 6 to 12 months	52	28
Over 1 year	27	5
Less: impairment provision	(18)	(10)
INSURANCE RECEIVABLES, NET	**397**	**148**

	31 December 2017	31 December 2016
Neither Past due nor impaired	199	69
Past due but no impaired	216	89
Impaired	-	-
Less: impairment provision	(18)	(10)
INSURANCE RECEIVABLES, NET	**397**	**148**

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

	2017	2016
At 1 January	10	-
Provision for impairment recognized during the year	12	14
Write off (Recoveries)	(4)	(4)
At 31 December	**18**	**10**

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 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**

31 December 2016	Up to six months	6 months to one year	Over one Year	Non-interest bearing	Total
Cash and cash equivalents	-	-	-	461	461
Term deposits	-	2,933	1,580	320	4,833
Insurance receivables	-	-	-	148	148
Other Assets	-	-	-	304	304
Total	-	**2,933**	**1,580**	**1,233**	**5,746**
Outstanding claims provisions	-	-	-	1,718	1,718
Other Payables	-	-	-	98	98
Total	-	-	-	**1,816**	**1,816**

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 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**

31 December 2016	Up to six months	6 months to one year	Over one Year	Total
Cash and cash equivalents	461	-	-	461
Term deposits	-	2,933	1,900	4,833
Insurance receivables	148	-	-	148
Other Assets	304	-	-	304
Total	**913**	**2,933**	**1,900**	**5,746**
Outstanding claims provision	1,718	-		1,718
Other Payables	98	-	-	98
Total	**1,816**	-	-	**1,816**

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 CBK. As at 31 December 2017 the Company was in Compliance with capital requirements.

	31 December 2017 EUR'000	31 December 2016 EUR'000
Available Capital according to CBK Regulation	3,600	2,083
Minimum required capital	3,200	3,200
Surplus (Deficit)	**400**	**(1,117)**

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 the 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 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	421	421	461	461
Term deposits	6,933	6,933	4,833	4,833
Insurance receivables	397	397	148	148
Other Assets	348	348	304	304
Total	**8,099**	**8,099**	**5,746**	**5,746**
Outstanding claims provision	2,194	2,194	1,718	1,718
Other Payables	145	145	98	98
Total	**2,339**	**2,339**	**1,816**	**1,816**

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 recognised and measured at fair value in the financial statements. The Company classified land in the level 2.

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 and buildings related to manufacturing sites (classified as property, plant and equipment) at least every three years.

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
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The level 2 fair value of land held for resale 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).

6 CASH AND CASH EQUIVALENTS

	31 December 2017 EUR'000	31 December 2016 EUR'000
Current accounts with local banks	421	461
TOTAL CASH AND CASH EQUIVALENTS	**421**	**461**

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

7 TERM DEPOSITS

	31 December 2017 EUR'000	31 December 2016 EUR'000
Banka për Biznes	1,550	1,000
IS BANK	1,900	1,100
BKT	1,183	933
NLB Prishtina	600	600
TEB	-	300
BEK	1,080	580
Central Bank of Kosovo	320	320
Zirat Bankasi	300	-
TOTAL TERM DEPOSITS	**6,933**	**4,833**

Maturity of deposits	2017 EUR'000	2016 EUR'000
Due within one year	1,200	2,600
Due after one year	5,733	2,233
TOTAL TERM DEPOSITS	**6,933**	**4,833**

Term deposits carry interest rate in the range from 1.70% to 2.70% per annum. (2016: 0.70% to 2.40%).

8 INSURANCE RECEIVABLES

	31 December 2017 EUR'000	31 December 2016 EUR'000
Receivables for compulsory products	67	19
Receivables for voluntary products	308	135
Receivable from Kosovo Insurance Bureau	40	4
	415	158
Less: Impairment provision	(18)	(10)
INSURANCE RECEIVABLES, NET	**397**	**148**

Insurance receivable are amount due from customers for insurance premium for insurance contracts sold during the ordinary course of business. Collection of amount 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 2017 EUR'000	31 December 2016 EUR'000
Agents salary and related costs	435	508
Premium tax 5%	248	177
TOTAL DEFERRED ACQUISITION COST	**683**	**685**

10 PROPERTY AND EQUIPMENT

	Equipment	Furniture	Vehicles	Leasehold Improvements	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2016					
Cost	113	110	91	285	599
Additions	27	19	53	40	139
At 31 December 2016	**140**	**129**	**144**	**325**	**738**
Additions	12	20	27	21	80
At 31 December 2017	**152**	**149**	**171**	**346**	**818**
Accumulated Depreciation					
At 1 January 2016	(20)	(19)	(12)	(23)	(74)
Charge for the year	(24)	(23)	(26)	(43)	(116)
At 31 December 2016	**(44)**	**(42)**	**(38)**	**(66)**	**(190)**
Charge for the year 2017	(29)	(27)	(30)	(42)	(128)
At 31 December 2017	**(73)**	**(69)**	**(68)**	**(108)**	**(318)**
Net book value at:					
31 December 2016	96	87	106	259	548
31 December 2017	**79**	**80**	**103**	**238**	**500**

As of 31 December 2017, and 2016, the Company has no equipment pledged as collateral. All assets are used for Company's operating activities.

11 INVESTMENT PROPERTIES

	31 December 2017 EUR'000	31 December 2016 EUR'000
Land	1,838	-
TOTAL INVESTMENT PROPERTY	**1,838**	**-**

Investment properties include land which is held for capital appreciate and is carried at fair value. Refer to note 5B for valuation of investment properties.

12 INTANGIBLE ASSETS

	Software EUR'000
Cost	
At 1 January 2016	31
Additions	84
At 31 December 2016	115
Additions	101
At 31 December 2017	216
Accumulated Amortization	
At 1 January 2016	(1)
Charge for the year	(14)
At 31 December 2016	(15)
Charge for the year	(32)
At 31 December 2017	(47)
Net book value	
31 December 2016	**100**
31 December 2017	**169**

13 OTHER ASSETS

	31 December 2017 EUR'000	31 December 2016 EUR'000
Prepaid rent	8	71
Prepayments to suppliers	18	60
Advances to employees	7	17
KIB deposit	20	20
Accrued interest income	76	66
Reinsurance part of unearned premium	3	15
KIB Receivable	147	114
BK Vat receivable	1	1
Other advances	-	4
Advances paid based on MoU	125	125
TOTAL OTHER ASSETS	**405**	**493**

This amount presents 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 2017 and 2016 the Company is 100% owned by Fundway LLC. The share capital is composed from:

	31 December 2017 EUR'000	31 December 2016 EUR'000
Paid share capital of insurers in cash	5,000	5,000
Contribution in kind -Land (Note 11 Investment Property)	1,838	-
TOTAL SHARE CAPITAL	**6,838**	**5,000**

15 GROSS CLAIM RESERVES

	2017 EUR'000	2016 EUR'000
Reported but not settled claims (RBNS)	1,291	897
Claims incurred but not yet reported (IBNR)	863	789
Claim handling costs	40	32
TOTAL GROSS CLAIM RESERVES AT 31 DECEMBER	**2,194**	**1,718**

	2017 EUR'000	2016 EUR'000
As at 1 January	1,718	413
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	2,305	2,448
Losses and loss adjustment expenses paid	(1,829)	(1,143)
Net insurance liabilities for losses and loss adjustment expenses as at 31 December	2,194	1,718
Reinsurance recoverable	-	-
GROSS CLAIM RESERVES	**2,194**	**1,718**

Included in gross claim reserves are reserves for border and guarantee fund in amount of EUR 395 thousand as at 31 December 2017 (31 December 2016: EUR 421 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 2017	UPR	URR	Premium reserves	Reinsurer UPR	Net UPR
Motoric	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)	464
Total	**3,643**	**149**	**3,792**	**(3)**	**3,788**

31 December 2016	UPR	URR	Premium reserves	Reinsurer UPR	Net UPR
Motoric	2,096	59	2,155	-	2,155
Travel Health Insurance	157	-	157	-	157
Fire & Property Insurance	67	7	74	(15)	59
Border premiums – KIB	2	40	42	-	42
Other products	243	98	341	-	341
Total	**2,565**	**204**	**2,769**	**(15)**	**2,753**

17 INSURANCE AND OTHER PAYABLES

	31 December 2017 EUR'000	31 December 2016 EUR'000
Trade payables	96	76
Agents commission payables	48	22
VAT payable	102	65
Premium tax payable	100	66
Social and health contributions	13	10
Withholding tax on salary	10	7
Withholding tax on rent	-	1
Payables to employees	15	22
TOTAL INSURANCE AND OTHER PAYABLES	**384**	**269**

18 GROSS WRITTEN PREMIUM

	2017 EUR'000	2016 EUR'000
Motor third party liability insurance	4,600	3,585
Income from Kosovo Insurance Bureau	696	576
Travel Health Insurance	646	373
Casco Insurance	384	299
HEALTH Insurance-families	368	125
Motor third party liability insurance (TPL Plus)	284	219
Fire & Special Perils Insurance	177	122
Surety Insurance (Guarantee)	158	104
Personal Accident Insurance	32	24
Professional Liability Insurance	6	2
Cargo	5	3
CAR and EAR	-	2
Income (expenses) from co insurance	(3)	2
TOTAL GROSS WRITTEN PREMIUM	**7,353**	**5,436**

19 PREMIUM CEDED TO REINSURERS

	2017 EUR'000	2016 EUR'000
TPL	35	54
Fire & Special Perils Insurance	84	66
Professional Liability Insurance	1	-
TOTAL PREMIUM CEDED TO REINSURANCE	**120**	**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 licenced 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 Guarantee Fund Kosovo ("GFK"). The role of GFK is to pay insurance claims related to accidents caused by uninsured vehicles, unknown vehicles or other specified events.

	2017	2016
	EUR'000	EUR'000
Share of expenses to KIB	(175)	(231)
Contribution to guarantee fund	(171)	(73)
Total	**(346)**	**(304)**

21 ADMINISTRATIVE EXPENSES

	2017	2016
	EUR'000	EUR'000
Salaries	770	645
Rent expenses	280	245
Marketing expenses	114	180
CBK charges	99	73
Other expenses	87	63
Utilities	83	71
IT Expenses	58	31
Office expenses	44	46
Printing Expenses	43	29
Social contribution expenses	38	32
Professional services	25	17
Repairs and Maintenance	22	14
Bad Debt Provision	12	17
Licence expenses	11	22
Representation expenses	8	2
Official travel expenses	2	4
TOTAL ADMINISTRATIVE EXPENSES	**1,696**	**1,491**

22 COMMITMENTS AND CONTINGENCY

	2017	2016
	EUR'000	EUR'000
Within one year	273	219
Within two to nine years	686	814
Total	**959**	**1,033**

Litigation

In the ordinary course of business, the Company is involved in various claims and legal actions. According to the management and their legal counsel there are no claims that required disclosures or recording of provisions in accordance with the IFRS. There are no significant contingencies in existence at the statement of financial position date.

Tax liabilities

The Company's financial statements for the years ended 31 December 2014 to 2017 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 2017 and 2016.

	2017 EUR'000	2016 EUR'000
Remuneration for top-management	210	203
Total	**210**	**203**

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.

SUPPLEMNETARY SCHEDULS FOR THE YEAR ENDED 31 DECEMBER 2017

1 TABEL 1 -SOLVENCY MARGIN

	Table for Solvency Calculation	2016	2017
		EUR'000	EUR'000
1	**Table of reserves for claims**		
1.1	Requirements for outstanding claims at the beginning of the period	413	1,718
1.2	Paid claims	1,143	1,828
1.3	Requirements for outstanding claims at the end of the period	1,718	2,194
1.4	**Incurred losses (1.2 + 1.3) - 1.1**	**2,448**	**2,305**
1.5	**Average of incurred losses**	-	**2,376**
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)	**2,448**	**2,305**
2.6	Holding level	100%	100%
2.7	Average of holding level	100%	100%
3	**Based on premiums**	**2016**	**2017**
3.1	Gross written premiums	5,436	7,353
3.2	Change of premiums	(1,363)	(1,035)
3.3	For QI: 11,12,13 increase of premium for 50%		
3.4	Others (tax & reinsurance)		
3.5	**Total**	**4,073**	**6,318**
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	733	1,137
3.11	Holding level	100%	100%
3.12	**Result of solvency based on premiums**	**733**	**1,137**
4	**Based on claims**		
4.1	Incurred gross claims (see table of claims)	2,448	2,376
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	636	618
4.7	Net and gross incurred claims ratio	100%	100%
4.8	Minimum percentage	50%	50%
5	**Result of solvency based on claims**	**636**	**618**

5	**Required solvency**	**2016**	**2017**

5.1	Based on premiums	733	1,137
5.2	Based on claims	636	618
5.3	Required solvency	733	1,137
5.4	Required solvency for the previous year	-	733
5.5	**Solvency based on growth of 150%**	**1,100**	**1,706**

2 TABEL 2 -CAPITAL CALCULATION

	Table for Capital calculation	2016	2017
		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),	-	-
3	Accumulated profits transferred after the deduction of dividends to be paid	-	-
II	**DEDUCTIBLE ELEMENTS FROM CHARTER CAPITAL**	**(2,488)**	**(1,862)**
1	Repurchased own shares	-	-
2	Investments in intangible (non-material) assets;	-	-
3	Transferred losses and losses of the current year;	(2,488)	(1,862)
4	Difference between reserves for discounted and undiscounted	-	-
III	**SUPPLEMENTARY CAPITAL**	**-**	**853**
1	Share capital of the insurer, consisting of preferential shares issuance according to their nominal amount paid in cash in insurer equity	-	-
2	Subordinated debt Instruments,	-	-
3	Capital reserves linked to preferential share	-	-
4	Other elements	-	853
IV	**REGULATORY CAPITAL, (I - II + III)**	**2,512**	**3,991**
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**	**429**	**391**
1	Premiums receivable and debtors from the reinsurance for more than 90 days	53	60
2	Borrowings and receivables with related parties	125	125
3	Debtors and other accounts receivable, which derive from the insurance activity	151	37
4	Borrowings from brokers and agents	-	-
5	100% expenses paid in advance and deferred tax assets	-	-
6	Other assets, not excluded from any responsibility or liability	-	-
7	Other assets which are not easily convertible into cash	-	-
8	Intangible assets	100	169
9	Other	-	-
VII	**NET PROPERTY - AVAILABLE CAPITAL (IV - V - VI)**	**2,083**	**3,600**
VIII	**GUARANTEE FUND ACCORDING TO THE LAW**	**3,200**	**3,200**
IX	**REQUES FOR CAPITAL ACCORDING TO THE GUARANTEE FUND**	**(1,117)**	**400**
X	**REQUEST FOR SOLVENCY COVERAGE**	**983**	**1,894**
XI	**FINAL REQUEST FOR CAPITAL GROWTH**	**1,117**	**-**

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)	3,733	Unlimited	3,733
2	Government securities			
3	Land and Buildings	1,838	20% in total	1,197
4.2	Current accounts	421		
4.1	Cash in hand			
4	Cash and cash equivalents	421	3%	180
5	Accounts receivable from reinsurance, net of liabilities	3	Unlimited	3
6.1	With credit rating <BBB	-	-	-
6	The reinsurer's share in technical provisions, net of liabilities	-	-	-
7	Estimated investment interests	76	5%	76
8	Accounts receivable from the insurance activities, up to 90 days	280	Up to 20% of UPR	280
9	Other fixed assets, different from point 3.	500	5%	299
10	Total investments covering technical provisions	6,851	-	5,768

No.	Technical Provisions	2017 EUR'000
1	Provisions for unearned premium and unsuccessful risk	3,792
2	Provisions for Loss and Loss adjustments	2,194
3	Other technical provisions	
4	**Total amount required to cover technical provisions**	**5,986**
5	Assets covering technical provisions	5,768
6	Total technical provisions	5,986
7	**Difference (5-6)**	**(217)**
8	**Coverage in % (5/6)**	**96%**
9	**Required coverage according to regulation (6*70%)**	**4,190**
10	**Surplus of assets (5-9)**	**1,578**