

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

INSURANCE COMPANY ELSIG SHA

31 DECEMBER 2018

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RSM KOSOVO SH.P.K

Str. Perandori Justinian 62
Qyteza Pejton
10 000 Prishtina
Republic of Kosovo

T +383 38 609 900
F +383 38 609 901
DL +383 45 666 888

www.rsmks.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Insurance Company Elsig Sha

Qualified Opinion

We have audited the financial statements of Insurance Company Elsig Sha ("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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, 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 Qualified Opinion

As disclosed in Note 11 to the financial statements, the balance of Company's receivables from regress as at 31 December 2018 amounted to EUR 708 thousand. The recognition of these assets is based on the lawsuits and claims initiated by the Company toward other insurance companies and individuals for claims paid by the Company and which are considered by the Company to be recoverable from other insurance companies and individuals. However, based on the information and evidence received by the Company we were unable to determine if the collection of these receivables is virtually certain and in control of the Company, hence we were unable to satisfy ourselves, with the validity and recoverability of these assets as at 31 December 2018.

Any adjustments that might have been found necessary in respect of the above would have a significant effect on the financial position of the company as at 31 December 2018 the profit for the year and the related disclosures in the financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* that are relevant to our audit of the financial statements in the Republic of Kosovo.

We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Other Information

Management is responsible for the other information. The other information comprises supplementary schedules that includes 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. As described in the basis for qualified opinion section above, we were unable to obtain sufficient and appropriate audit evidence about the carrying amount of Company's Other assets as at 31 December 2018. Accordingly, we are unable to conclude whether the other information is materially misstated with respect to these matters.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2017, were audited by another auditor who expressed a unmodified opinion and emphasis on those statements on 15 March 2018.

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 Sh.p.k.

RSM Kosovo Sh.p.k

Prishtina, Kosovo

17 May 2019

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Notes	2018 EUR '000	2017 EUR '000
ASSETS			
Cash and cash equivalents	6	40	191
Term deposits	7	7,766	7,493
Investments in financial instruments	8	2,788	3,065
The reinsurers share of insurance liabilities		690	696
Deferred acquisition costs	9	805	776
Insurance receivables	10	1,448	1,583
Other assets	11	2,027	1,255
Property and equipment	12	218	289
Intangible assets	13	6	6
TOTAL ASSETS		15,788	15,354
EQUITY			
Share capital	18	4,333	4,333
Retained earnings		1,192	1,542
TOTAL EQUITY		5,525	5,875
LIABILITIES			
Liabilities for Losses and loss adjustment expenses	14	5,240	4,447
Provision for unearned premium	15	4,137	4,177
Insurance payables	16	288	340
Other liabilities	17	598	515
TOTAL LIABILITIES		10,263	9,479
TOTAL EQUITY AND LIABILITIES		15,788	15,354

These financial statements have been approved by the Management of the Company on 24 April 2019 and signed on its behalf by:


 Rexhep Idrizaj
 Chief Executive Officer


 Valon Berisha
 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	19	7,902	8,200
Less: Premium tax		(395)	(410)
Less: Re-insurers' share of gross written premium		(467)	(624)
NET WRITTEN PREMIUMS		7,040	7,166
Net change in provision for unearned premiums		40	53
The share of reinsurers in the net change of reserves for unearned premiums		(2)	(29)
NET EARNED PREMIUMS		7,078	7,190
Commission from reinsurer		(36)	(43)
Interest Income		303	297
Other Income	20	1,067	-
TOTAL REVENUES		8,412	7,444
Losses and loss adjustment expenses	14	(4,250)	(2,479)
Share of expenses to KIB	21	(193)	(196)
Underwriting and policy acquisition costs		29	(269)
Depreciation and amortization expenses		(83)	(99)
Administrative Expenses	22	(3,565)	(3,551)
TOTAL EXPENSES		(8,062)	(6,594)
PROFIT FOR THE YEAR		350	850
Other comprehensive income			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		350	850

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Shareholders capital EUR '000	Retained Earnings EUR '000	Total EUR '000
AT 01 JANUARY 2018	4,333	1,542	5,875
<u>Transactions with owners</u>	-	-	-
<u>Payments of Dividends</u>		(700)	(700)
Total transactions with owners	-	(700)	(700)
Profit for the year	-	350	350
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME	-	350	350
AT 31 DECEMBER 2018	4,333	1,192	5,525
AT 01 JANUARY 2017	4,333	692	5,025
<u>Transactions with owners</u>	-	-	-
Total transactions with owners	-	-	-
Profit for the year	-	850	850
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME	-	850	850
AT 31 DECEMBER 2017	4,333	1,542	5,875

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 EUR'000	2017 EUR'000
OPERATING ACTIVITIES			
Profit for the year		350	850
<i>Adjusted for non-cash items:</i>			
Depreciation and amortization	12&13	83	99
Interest income		(303)	(297)
Impairment provisions		150	69
		280	721
<i>Changes in operating assets and liabilities:</i>			
Deferred acquisitions costs		(29)	269
Increase of receivables from insurance		45	(538)
The reinsurers share of insurance liabilities		6	79
Other Assets		(832)	(117)
Liabilities for Losses and loss adjustment expenses		793	(258)
Provision for unearned premium		(40)	(53)
Insurance Payables		(52)	11
Other Liabilities		3	262
Net cash generated from operating activities		174	376
INVESTING ACTIVITIES			
Purchase of fixed assets		(12)	(45)
Increase in term deposits		(292)	(878)
Decrease of investments in financial instruments		276	276
Interest received		323	281
Net cash from (used) in investing activities		295	(366)
FINANCING ACTIVITIES			
Payments of dividends		(620)	-
Net cash from (used) in financing activities		(620)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		(151)	10
Cash and cash equivalents at the beginning		191	181
Cash and cash equivalents at 31 December	6	40	191

1. GENERAL

IC (the "Company") was incorporated under the laws of the Republic of Kosovo and registered with the Ministry of Trade and Industry under registration no. 810791823 as a joint stock company. The Company is 100% owned from Mr Agim Elshani.

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 Tringe Smajli no 19, Pristina, Republic of Kosovo.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 POLICIES (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.). 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.
 - 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 000detailed 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

Financial Assets	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)
	Loans and Receivables	Held to Maturity	Financial assets at amortized cost
Balance at 31 December 2018			
Cash and Cash Equivalent	40	-	40
Term Deposits	-	7,766	7,766
Investments in financial instruments	-	2,788	2,788
Insurance Receivables	1,448	-	1,448
Total	1,488	10,554	12,042

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.

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	10%
Furniture, fixtures and other equipment	10%
Vehicles	10%

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. 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.

F. 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 and investments in financial instruments 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, insurance and other liabilities are classified in this category. Items classified within insurance and other liabilities 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.

G. 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.

H. 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 MPTL are determined using the chain ladder, while for other lines of business they are determined as a percentage of RBNS reserves.

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 2.5% (2017: 2.5 %) of total RBNS and IBNR reserves, excluding Border Claims and Guarantee fund handling costs which are determined by the Kosovo Insurance Bureau.

I. 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.

J. BENEFIT CLAIMS AND EXPENSES RECOGNITION

Benefits and claims

Gross benefits and claims consist 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.

K. 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.

L. 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.

M. INVESTMENT IN FINANCIAL INSTRUMENTS

Investments in financial instruments are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

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.

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.

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.

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

31 December 2018	Gross Liabilities	Reinsurance of liabilities	Net Liabilities
MTPL	3,357	-	3,357
Border Insurance	771	-	771
Compensation fund	1,005	-	1,005
Motor Casco Insurance	101	-	101
Other products	6	-	6
TOTAL	5,240	-	5,240

31 December 2017	Gross Liabilities	Reinsurance of liabilities	Net Liabilities
MTPL	2,769	-	2,769
Border Insurance	694	-	694
Compensation fund	843	-	843
Motor Casco Insurance	72	-	72
Other products	69	(4)	65
TOTAL	4,447	(4)	4,443

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	40	191
Term deposits	7,766	7,493
Investments in financial instruments	2,788	3,065
Insurance receivables	1,448	1,583
Other Assets	2,027	1,255
MAXIMUM EXPOSURES TO CREDIT RISK	14,069	13,587

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 EUR'000	31 December 2017 EUR'000
Up to 30 days	218	341
From 1 to 2 months	166	267
From 2 to 6 months	570	467
From 6 to 12 months	492	508
Over 1 year	610	518
Less: impairment provision	(608)	(518)
INSURANCE RECEIVABLES, NET	1,448	1,583

	31 December 2018	31 December 2017
Neither Past due nor impaired	218	341
Past due but no impaired	1,230	1,242
Impaired	608	518
Less: impairment provision	(608)	(518)
INSURANCE RECEIVABLES, NET	1,448	1,583

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

	2018 EUR'000	2017 EUR'000
At 1 January	518	449
Provision for impairment recognized during the year	90	69
At 31 December	608	518

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. Liability for losses and loss adjustment expenses are not directly sensitive to market interest rates because are not discounted and non-interest bearing.

The exposure of the company's assets and liabilities to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

31 December 2018	Up to six months	6 months to one year	Over one Year	Current Non-interest bearing	Total
Cash and cash equivalents	-	-	-	40	40
Term deposits	-	480	7,258	-	7,738
Investments in financial instruments	-	-	2,743	-	2,743
Insurance receivables	-	-	-	1,448	1,448
Other assets	-	-	-	2,027	2,027
Total	-	480	10,001	3,515	13,996
Liabilities for Losses and loss adjustment expenses	-	-	-	5,240	5,240
Insurance Payables	-	-	-	288	288
Other Liabilities	-	-	-	598	598
Total	-	-	-	6,126	6,126

31 December 2017	Up to six months	6 months to one year	Over one Year	Current Non-interest bearing	Total
Cash and cash equivalents	-	-	-	191	191
Term deposits	-	750	6,696	-	7,446
Investments in financial instruments	-	-	3,019	-	3,019
Insurance receivables	-	-	-	1,583	1,583
Other assets	-	-	-	1,255	1,255
Total	-	750	9,715	3,029	13,494
Liabilities for Losses and loss adjustment expenses	-	-	-	4,447	4,447
Insurance Payables	-	-	-	340	340
Other Liabilities	-	-	-	515	515
Total	-	-	-	5,302	5,302

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.

The exposure of the company's assets and liabilities to liquidity risks and the contractual maturity dates at the end of the reporting period are as follows:

INSURANCE COMPANY ELSIG SH.A.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

31 December 2018	Up to six months	6 months to one year	Over one Year	Total
Cash and cash equivalents	40	-	-	40
Term deposits	-	480	7,258	7,738
Investments in financial instruments	-	-	2,743	2,743
Insurance receivables	1,448	-	-	1,448
Other assets	2,027	-	-	2,027
Total	3,515	480	10,001	13,996
Liabilities for Losses and loss adjustment expenses	5,240	-	-	5,240
Insurance Payables	288	-	-	288
Other Liabilities	598	-	-	598
Total	6,126	-	-	6,126

31 December 2017	Up to six months	6 months to one year	Over one Year	Total
Cash and cash equivalents	191	-	-	191
Term deposits	-	750	6,696	7,446
Investments in financial instruments	-	-	3,019	3,019
Insurance receivables	1,583	-	-	1,583
Other assets	1,255	-	-	1,255
Total	3,029	750	9,715	13,494
Liabilities for Losses and loss adjustment expenses	4,447	-	-	4,447
Insurance Payables	340	-	-	340
Other Liabilities	515	-	-	515
Total	5,302	-	-	5,302

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	3,253	3,833
Minimum required capital	3,200	3,200
Surplus/ (Deficit)	53	633

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	40	40	191	191
Investment in deposits	7,766	7,766	7,493	7,493
Investment in financial instruments	2,788	2,788	3,065	3,065
Receivables from insurance	1,448	1,448	1,583	1,583
Other Assets	2,027	2,027	1,255	1,255
Total	14,069	14,069	13,587	13,587
Liabilities for Losses and loss adjustment expenses	5,240	5,240	4,447	4,447
Insurance Payables	288	288	340	340
Other Liabilities	598	598	515	515
Total	6,126	6,126	5,302	5,302

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.

6 CASH AND CASH EQUIVALENTS

	31 December 2018 EUR'000	31 December 2017 EUR'000
Cash on hand	10	10
Cash in banks	30	181
TOTAL CASH AND CASH EQUIVALENTS	40	191

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

7 TERM DEPOSITS

	31 December 2018 EUR'000	31 December 2017 EUR'000
Term Deposits with local commercial banks	7,417	7,149
Central Bank of Kosovo	321	297
Accrued interest	28	47
TOTAL TERM DEPOSITS	7,766	7,493

Maturity of deposits	2018 EUR'000	2017 EUR'000
Due within one year	480	750
Due after one year	7,258	6,696
Accrued interest	28	47
TOTAL TERM DEPOSITS	7,766	7,493

Term deposits carry interest rate in the range from 0.2 % to 3.5 % per annum. (2017: 0.2 % to 3.5 %).

8 INVESTMENT IN FINANCIAL INSTRUMENTS

	31 December 2018 EUR'000	31 December 2017 EUR'000
Issued by the Government of Kosovo	2,743	3,019
Accrued Interest	45	46
TOTAL INVESTMENT IN FIANCIAL INSTRUMENTS	2,788	3,065

Investments in financial instruments are composed from government bonds issued from Republic of Kosovo. The government bonds have average yield 2.9% and have maturity date till 31 August 2020.

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, operators and broker commissions	548	517
Premium tax 5%	207	209
Provision to CBK	50	50
TOTAL DEFERRED ACQUISITION COST	805	776

10 INSURANCE RECEIVABLE

	2018 EUR'000	2017 EUR'000
Insurance Receivable	1,951	2,101
Premium receivables from Kosovo Insurance Bureau	105	
Impairment Provision	(608)	(518)
TOTAL INSURANCE RECEIVABLE	1,448	1,583

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.

11 OTHER ASSETS

	31 December 2018 EUR'000	31 December 2017 EUR'000
Receivable from tax Administration	354	-
Regress receivables from individuals and companies	708	-
Advances for employees and management	199	335
Prepayments to suppliers	642	795
Advances paid based on MoU	125	125
TOTAL OTHER ASSETS	2,027	1,255

During the year ended 31 December 2018 the Company recognized receivable from tax administration and other income in amount of EUR 354 thousand, which relate to additional tax paid from the Company during 2017(Refer to note 20). The recognition of assets and income was done after the Company received the favorable court decision, relating to previous year additional tax payments from the Basic Court of Pristina .The Basic Court of Pristina have partially approved the lawsuit request of the Company, however the final decision relating to this matter will take Court of Appeals .Up to the date of approval of those financial statements no decision was taken from Court of Appeals. The company is considering that the collection of receivables is virtually certain.

During the year ended 31 December 2018 the Company recognized income from regress in amount of EUR 713 thousand (refer to note 20). The recognition of income and receivables is done in accordance with local legislation on motor third party liability and law on obligation relationships. The receivables from other insurance companies and individuals are related to claims paid by Company. However, since the parties causing the accidents were insured with third party liability motor vehicle insurance in other insurance companies, Company expects to be compensated for these amounts.

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.

12 PROPERTY AND EQUIPMENT

	Lease Improvement	Computers and other equipment's	Furniture and other equipment's	Vehicles	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
COST					
At 1 January 2017	104	197	181	409	891
Additions	-	25	9	11	45
At 31 December 2017	104	222	190	420	936
Additions	-	7	1	4	12
At 31 December 2018	104	229	191	424	948
Accumulated Depreciation					
At 1 January 2017	(21)	(156)	(163)	(208)	(548)
Charge for the year	(10)	(20)	(10)	(59)	(99)
At 31 December 2017	(31)	(176)	(173)	(267)	(647)
Charge for the year 2018	(10)	(17)	(8)	(48)	(83)
At 31 December 2018	(41)	(193)	(181)	(315)	(730)
Net book value at:					
31 December 2017	73	46	17	153	289
31 December 2018	63	36	10	109	218

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

13 INTANGIBLE ASSETS

	Software EUR'000
Cost	
At 1 January 2017	56
Additions	-
At 31 December 2017	56
Additions	-
At 31 December 2018	56
Accumulated Amortization	
At 1 January 2017	(50)
Charge for the year	-
At 31 December 2017	(50)
Charge for the year	-
At 31 December 2018	(50)
Net book value	
31 December 2017	6
31 December 2018	6

14 LOSSES AND LOSS ADJUSTMENT EXPENSES (TECHNICAL RESERVES)

	2018 EUR'000	2017 EUR'000
Reported but not settled claims (RBNS)	3,854	3,090
Incurred but not yet reported claims (IBNR)	1,268	1,241
Claim handling costs	118	116
TOTAL GROSS CLAIM RESERVES AT 31 DECEMBER	5,240	4,447
As at 1 January		
Gross insurance liabilities for losses and loss adjustment expenses	4,447	4,706
Reinsurance recoverable		
Net insurance liabilities for losses and loss adjustment expenses	4,447	4,706
Losses and loss adjustment expenses incurred	4,250	2,479
Losses and loss adjustment expenses paid	(3,457)	(2,738)
Net insurance liabilities for losses and loss adjustment expenses as at 31 December	5,240	4,447
Reinsurance recoverable		
GROSS CLAIM RESERVES	5,240	4,447

15. UNEARNED PREMIUMS

	2018 EUR'000	2017 EUR'000
MTPL	2,408	2,526
Health and Travel Insurance	664	676
Guarantees Insurance	634	564
Liability Insurance	169	160
Motor Casco Insurance	140	140
Insurance against fire and other damage to property	64	54
Border Insurance	46	50
Accident Insurance	10	7
Other products	2	-
TOTAL UNEARNED PREMIUMS	4,137	4,177

16 INSURANCE PAYABLES

	31 December 2018 EUR'000	31 December 2017 EUR'000
Tax Payable	94	92
Payables to reinsurers	194	239
Payable to CBK	-	9
TOTAL INSURANCE PAYABLES	288	340

17 OTHER LIABILITIES

	31 December 2018 EUR'000	31 December 2017 EUR'000
Payable to suppliers	90	158
Other payables taxes	10	21
VAT payable	24	78
Rent	89	54
Social and health contributions	11	19
Dividend liability	80	-
Other liabilities	294	185
TOTAL OTHER LIABILITIES	598	515

18 SHARE CAPITAL

The Company is registered with Kosovo Business Registration Agency under Business Reg. No. 810791823 dated 21 May 2008 as Joint Stock Company.

The share capital is composed from 4,333 shares with nominal value EUR 1,000 and are owned from Mr Agim Elshani.

During the year ended 31 December 2018 the company declared dividend in amount of EUR 620 thousand.

19 GROSS WRITTEN PREMIUMS

	2018 EUR'000	2017 EUR'000
MPTL	4,829	4,885
Health and Travel Insurance	1,436	1,582
Border insurance	787	774
MTPL Plus	246	260
Motor Casco Insurance	316	303
Liability Insurance	55	42
Guarantees Insurance	691	553
Insurance against fire and other damage to property	103	104
Accident Insurance	39	18
Others	4	2
Less: Returned premiums	(604)	(323)
TOTAL GROSS WRITTEN PREMIUMS	7,902	8,200

20 OTHER INCOME

	2018 EUR'000	2017 EUR'000
Income from Tax Administration	354	-
Regress income	713	-
TOTAL OTHER INCOME	1,067	-

21 SHARE OF REVENUES AND 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. Expenses for losses and loss adjustments expenses related to Compensation fund and border insurance are included in losses and loss adjustment expenses.

22 ADMINISTRATIVE EXPENSES

	2018 EUR'000	2017 EUR'000
Sales Commissions	1,048	1,016
Staff expenses	859	690
Marketing expenses	396	435
Rent expenses	325	310
Fuel expenses	197	98
Provision of premium receivables and other assets	150	69
Maintenance expenses	132	41
CBK expenses	95	97
Office expenses	63	33
Professional expenses	46	24
Internet and phone expenses	44	49
IT Related expenses	23	55
Representation expenses	3	6
Utilities	3	3
Travel expenses	-	7
Other expenses	181	618
TOTAL ADMINISTRATIVE EXPENSES	3,565	3,551

Included in other expenses for the year ended 31 December 2017 is amount of EUR 447 thousand, which represent additional tax, penalties and interest paid from the Company, resulting from inspection of tax authorities carried during the year ended 31 December 2017.

23 LITIGATIONS AND CONTINGENCIES

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 467 legal cases, with reserve in the amount of EUR 1,471 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 2011 to 2016 were inspected from the tax authorities. As a result of tax inspection the Company paid additional tax, interest and penalties in amount of EUR 447 thousands which are recognized as expenses during the year ended 31 December 2017 (Refer to note 22). Subsequent to tax inspection report, the Company has initiated lawsuits against the tax administration for the additional tax paid, interest and penalties and on December 2018 received favorable decision from the Basic Court of Pristina, which have partially approved the request of the Company. After the decision from the Basic Court of Pristina the Company recognized receivables from tax administration in amount of EUR 354 thousand, composed from additional tax paid in 2017 without penalties and interest. However, the final decision relating to this matter will take Court of Appeals.

24 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	2017
	EUR'000	EUR'000
Remuneration for key-management	100	63
Receivables and other assets	1,264	1,412
Total	1,364	1,475

25 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

ANNEX I

SUPPLEMENTARY SCHEDULES FOR THE YEAR ENDED 31 DECEMBER 2018

1 TABEL 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	4,706	4,447
1.2	Paid claims	2,223	3,457
1.3	Requirements for outstanding claims at the end of the period	4,447	5,240
1.4	Incurred losses (1.2 + 1.3) - 1.1	1,964	4,250
1.5	Average of incurred losses	2,446	2,921
2	Table of part of reinsurer requirements		
2.1	Part of reinsurance for pending claims at the beginning of the period	53	4
2.2	Accepted reinsurance	-	
2.3	Part of reinsurance for pending claims at the end of the period	4	(15)
2.4	Part of reinsurance for incurred claims	(50)	(19)
2.5	Net incurred losses (held claims)	1,964	4,250
2.6	Holding level	100%	100%
2.7	Average of holding level	97.6%	99.50%
3	Based on premiums		
3.1	Gross written premiums	8,200	7,902
3.2	Change of premiums	23	38
3.3	For Q1: 11,12,13 increase of premium for 50%		
3.4	Others (tax & reinsurance)	(623)	(395)
3.5	Total	7,600	7,545
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)	16%	16%
3.10	Result based on premiums	1,368	1,358
3.11	Holding level	100%	100%
3.12	Result of solvency based on premiums	1,368	1,358
4	Based on claims		
4.1	Incurred gross claims (see table of claims)	2,446	4,250
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	1105
4.7	Net and gross incurred claims ratio	100%	100%
4.8	Minimum percentage	50%	50%
5	Result of solvency based on claims	636	1,105

SUPPLEMENTARY SCHEDULES FOR THE YEAR ENDED 31 DECEMBER 2018

5	Required Solvency	2017	2018
5.1	Based on premiums	1,368	1,358
5.2	Based on claims	636	1,105
5.3	Required solvency	1,368	1,358
5.4	Required solvency for the previous year	1,368	1,368
5.5	Solvency based on growth of 150%	2,053	2,052

2 TABEL 2 -CAPITAL CALCULATION

Table for Capital calculation		2017	2018
		EUR'000	EUR'000
I	CHARTER CAPITAL	5,875	5,509
1	Paid share capital of insurers in cash	4,333	4,333
2	Capital reserves (reserves recognized by law and free reserves), Accumulated profits transferred after the deduction of dividends to be paid	-	-
3		1,542	1,176
II	DEDUCTIBLE ELEMENTS FROM CHARTER CAPITAL	-	-
1	Repurchased own shares	-	-
2	Investments in intangible (non-material) assets;	-	-
3	Transferred losses and losses of the current year;	-	-
4	Difference between reserves for discounted and undiscounted	-	-
III	SUPPLEMENTARY CAPITAL	-	-
	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	-	-
IV	REGULATORY CAPITAL, (I - II + III)	5,875	5,509
V	DEDUCTIBLE ELEMENTS IN CAPITAL CALCULATION	-	-
1	Participations or possessions in ownership of other companies	-	-
2	Investments in subordinated debt instruments	-	-
VI	NON-LIQUID ASSETS	2,042	2,256
1	Premiums receivable and debtors from the reinsurance for more than 90 days	772	838
2	Borrowings and receivables with related parties	1,264	1,412
3	Debtors and other accounts receivable, which derive from the insurance activity	-	-
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	6	6
9	Other	-	-
VII	NET PROPERTY - AVAILABLE CAPITAL (IV - V - VI)	3,833	3,253
VIII	GUARANTEE FUND ACCORDING TO THE LAW	3,200	3,200
IX	REQUEST FOR CAPITAL ACCORDING TO THE GUARANTEE FUND	633	53
X	REQUEST FOR SOLVENCY COVERAGE	1,780	2,052
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)	7,363	Unlimited	7,363
2	Government securities	88	-	88
3	Land and Buildings	63	20% In total	63
4.2	Current accounts	29		29
4.1	Cash in hand	10		10
4	Cash and cash equivalents	39	3%	39
5	Accounts receivable from reinsurance, net of liabilities	-	Unlimited	-
6.1	With credit rating >=BBB	-	-	-
6	The reinsurer's share in technical provisions, net of liabilities	690	-	690
7	Estimated investment interests	73	5%	73
8	Accounts receivable from the insurance activities, up to 90 days	610	Up to 20% of UPR	610
9	Other fixed assets, different from point 3.	155	5%	155
10	Total investments covering technical provisions	9,081		9,081

No.	Technical Provisions	2018 EUR'000
1	Provisions for unearned premium and unsuccessful risk	4,137
2	Provisions for Loss and Loss adjustments	5,240
3	Other technical provisions	-
4	Total amount required to cover technical provisions	9,377
5	Assets covering technical provisions	9,081
6	Total technical provisions	9,377
7	Difference (5-6)	(296)
8	Coverage (5/6)	97%
9	Required coverage according to regulation (6*85%)	7,970
10	Surplus of assets (5-9)	1,111

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