FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

INSURANCE COMPANY DUKAGJINI SH.A.

31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Insurance Company Dukagjni Sh.a

Qualified Opinion

We have audited the financial statements of Insurance Company Dukagjini Sh.a ("the Company"), which comprise the statement of financial position as at 31 December 2020 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 2020, 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

i. As disclosed in Note 13 to the financial statements, included in other assets is the balance of Company's Receivables for claims in regress as at 31 December 2020 and 31 December 2019 amounts to EUR 246 thousand and EUR 347 thousand, respectively. The recognition of these assets is based on lawsuits initiated by the Company toward other individuals and companies for claims paid by the Company and which are considered to be recoverable by the Company. 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 2020 and 2019.

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) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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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. 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 Receivables for claims in regress as at 31 December 2020 and 2019. Accordingly, we are unable to conclude whether the other information is materially misstated with respect to this matter. Furthermore, we draw attention to the supplementary schedules table 2 "Capital Calculation" which is not calculated in accordance with the article 4, 5 and 6 of the regulation on "calculation of the minimum solvency margins, capital adequacy and guarantee fund for non-life insurers".

Key Audit Matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Gross claim reserves	
As disclosed in Note 16 to the accompanying financial statements the Company's Gross Claim Reserves as at 31 December 2020 amounted to EUR 5,367 thousand (31 December 2019; EUR 4,853 thousand). Losses and Loss Adjustment Expenses incurred for the year 2020 amounted to EUR 2,942 thousand (31 December 2019: EUR 2,886 thousand). Reference to the financial statements: Note 4.4 Insurance Risk and 16 Gross Claim Reserves.	
Key Audit Matter	**How the matter was addressed in our audit**
The company gross claim reserves are composed from: Reported but not settled claim (RBNS), Incurred but not reported claims (IBNR) and claim handling cost. The determination of the claim reserves requires the management of the Company to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims reported and incurred but not yet reported at the Statement of Financial Position date. The company make use of an actuarial specialists for the estimation of the claim reserves. The reserves 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 reserves for incurred and but not reported ("IBNR") are determined based on actuarial 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. Certain of the above-mentioned factors require judgement and assumptions to be made by the management and therefore we identified the valuation of the claim reserves as a key audit matter.	We involved actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered material and more complex and/or requiring significant judgement in setting of assumptions. Our audit response included the following: • Tested the design, implementation and operating effectiveness of key controls related to the process of establishing and adjusting outstanding claims provisions. • Evaluated the methodology used by the Company for valuation of claim provisions against regulatory and financial reporting requirements. • We reviewed the methodology and assumptions used by the Company to establish its IBNR losses and performed recalculation of Company's IBNR losses for a sample of the most significant lines of business. • In order to assess the adequacy of the RBNS and IBNR reserves reported as the end of prior reporting periods i.e 31 December 2019, we have performed back testing by comparing with claims paid and reserves as at 31 December 2020 ("run off analysis) and considered the results of the analysis in the assumption used for estimating RBNS and IBNR reserves as at 31 December 2020. • We performed additional testing procedures on a sample for reported but not settled losses (RBNS) to assess their adequacy. • We also tested, on a sample basis, whether the input data in the model for recalculation of estimates is accurate and complete. • We assessed the adequacy of the disclosures included in notes 4.4 Insurance Risk and 16 Gross Claim Reserves of the financial statements in accordance with International Financial Reporting Standards and regulatory requirement.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Report on Other Legal and Regulatory Requirements

The Shareholders meeting of Dukagjini Sh.a has appointed us on 26 June 2020 as auditors of the Company for the year ended 31 December 2020. Our total uninterrupted engagement is three years.

We confirm that:

- Our audit opinion on the financial statements expressed herein is consistent with the additional report to the board of directors of the Company.

- We have not provided prohibited non-audit services referred to in Article 5(1) of the administrative instruction no 02/2019 and that we have remained independent of the Company in conducting the audit.

RSM Kosovo Sh.p.k.
RSM Kosovo Sh.p.k

Prishtina, Republic of Kosovo
26 April 2021

Sadik Berisha

Engagement Partner

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Notes	2020 EUR '000	2019 EUR '000
ASSETS			
Cash and cash equivalents	6	177	81
Term deposits	7	5,472	5,062
Investments in treasury bonds	8	3,283	3,305
Insurance receivables	9	517	528
Deferred acquisition costs	10	290	796
Reinsurance share of insurance liability	14	266	120
Property and equipment	11	2,198	2,008
Right of use assets	12	93	140
Other Assets	13	534	678
TOTAL ASSETS		**12,830**	**12,718**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	6,125	6,125
Accumulated losses		(2,654)	(2,678)
TOTAL EQUITY		**3,471**	**3,447**
LIABILITIES			
Gross Claim Reserves	16	5,367	4,853
Gross Premium Reserves	17	2,877	2,950
Insurance and Other Liabilities	18	978	1,059
Income Tax Payable		40	266
Lease Liabilities	19	97	143
TOTAL LIABILITIES		**9,359**	**9,271**
TOTAL EQUITY AND LIABILITIES		**12,830**	**12,718**

These financial statements have been approved by the Management of the Company on 19 April 2021 and signed on its behalf by:

Mr. Korab Lluka
General Director

Mr. Bekim Nikaj
Financial Director

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020** EUR '000	**2019** EUR '000
Gross premiums written	20	5,582	6,956
Less: Premium tax	25	-	(265)
Less: Re-insurers' share of gross written premium		(317)	(169)
NET WRITTEN PREMIUMS		**5,265**	**6,522**
Change in the Gross Provision for Unearned Premiums	17	175	(107)
NET EARNED PREMIUMS		**5,440**	**6,415**
Financial income	21	190	167
Other income	22	21	23
TOTAL REVENUES		**5,651**	**6,605**
Losses and loss adjustment expenses	16	(2,942)	(2,886)
Contribution to KIB for administrative expenses		(165)	(209)
Change in Deferred acquisition Cost	10	(506)	(112)
Depreciation and amortization expenses	11,12	(189)	(141)
Other operating and administrative expenses	23	(1,756)	(3,060)
TOTAL EXPENSES		**(5,558)**	**(6,408)**
PROFIT BEFORE TAX		**93**	**197**
Income Tax	24	(69)	
PROFIT FOR THE YEAR		**24**	**197**
Other comprehensive income for the year:			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**24**	**197**

The accompanying notes from 1 to 27 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Accumulated losses	Total
	EUR '000	EUR '000	EUR '000
AT 01 JANUARY 2020	**6,125**	**(2,678)**	**3,447**
Transactions with owners			
Capital contribution (Note 15)	-	-	-
Total transactions with owners	-	-	-
Profit for the year	-	24	24
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME	-	**24**	**24**
AT 31 DECEMBER 2020	**6,125**	**(2,654)**	**3,471**
AT 01 JANUARY 2019	**5,990**	**(2,875)**	**3,115**
Transactions with owners			
Capital Increase (Note 15)	135	-	135
Total transactions with owners	**135**		**135**
Profit for the year	-	197	197
Other comprehensive income	-	-	-
TOTAL COMPREHENSIVE INCOME	-	**197**	**197**
AT 31 DECEMBER 2019	**6,125**	**(2,678)**	**3,447**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 EUR'000	2019 EUR'000
OPERATING ACTIVITIES			
Profit for the year		24	197
Adjusted for non-cash items:			
Depreciation and amortization	12,13	188	141
Interest income	22	(217)	(197)
Interest expense	22	28	30
Income tax /Premium Tax expense		69	265
Write off receivables for claims in regress		102	
Impairment of receivables		105	48
Loss / (gains) from disposal of property, plant and equipment		-	17
		299	**501**
Changes in operating assets/Liabilities			
Gross claim reserves		514	311
Gross Premium Reserves		(73)	107
Reinsurance assets		(146)	(116)
Deferred acquisition costs		506	112
Insurance premiums receivables		(94)	(205)
Other assets		39	(57)
Insurance and Other Liabilities, excluding income tax payable		(81)	836
Income tax paid		(269)	(265)
Interest paid		(28)	(30)
Net cash generated from operating activities		**667**	**1,194**
INVESTING ACTIVITIES			
Purchase of fixed assets	12	(332)	(219)
Term deposits	8	(400)	(1,245)
Investment in treasury bonds		-	(23)
Interest received		207	209
Net cash used in investing activities		**(525)**	**(1,278)**
FINANCING ACTIVITIES			
Capital Increase		-	135
Lease liability		(46)	(43)
Net cash (used in) generated in financing activities		**(46)**	**92**
NET CHANGE IN CASH AND CASH EQUIVALENTS		96	8
Cash and cash equivalents at the beginning		81	73
CASH AND CASH EQUIVALENTS AT END	**7**	**177**	**81**

The accompanying notes from 1 to 27 form an integral part of these financial statements

NOTES

NOTES
FOR THE YEAR ENDED 31 DECEMBER 2020

1 GENERAL

IC Dukagjini Sh.a (the "Company") was established on 26 April 2005, and operates under a license issued by the Central Bank of the Republic of Kosovo (the "CBK") to conduct the business of general insurance in the territory of Kosovo. The company is registered with business registration number 70260436 on 26 April 2005.

The main business activity of the Company is insurance of Motor Vehicle Third Party Liability. The Company performs its business in compliance with laws and regulations of Republic of Kosovo.

The Company also issued policies under the following classes of insurance business, being:

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

The company was previously named Croatia Sigurimi owned from "Croatia Osiguranje".

On April 29, 2016, the company submitted to the Central Bank of Republic of Kosovo the request for sales of Croatia osiguranje shares to Ekrem Lluka and Agim Lluka. On May 19, 2016, the Central Bank of Republic of Kosovo based on article 35 of law No. 05/L-045 on insurances, approved the change of owners of Croatia Sigurimi.

The address of the Company's head office is Str. Demokracia, Nr.20, 10000, Prishtina, Kosovo. As at 31 December 2020 the Company has total of 104 staff, agents, and senior management (31 December 2019: 123).

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.

2.1 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 2020.

The financial statements have been prepared on an historical cost basis, except for available-for-sale financial assets which are measured at fair value and held-to-maturity financial assets, which are measured at amortized cost. 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 judgement and key sources of estimation uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial statements are prepared as of and for the years ended 31 December 2020 and 2019. 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

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. The adoption of these standards and interpretation had no significant impact in Company's financial statements.
The following new standards and amendments became effective as at 1 January 2020:

- Amendments to IFRS 3 Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IFRS 16, COVID-19 related rent concessions
- Conceptual Framework for Financial Reporting

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. The Company is in the initial stage of the assessment of the impact of the of IFRS 17 Insurance Contracts in the financial statements, nevertheless its adoption is expected to have significant impact in the Company's financial statements.

The Standards and amendments that are not yet effective and have not been adopted early by the Company include:

- IFRS 17 Insurance Contracts (adoption from 1 January 2023),
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1),

Except for IFRS 17 and unless disclosed above, the new standards, amendments ansd interpretations are not expected to significantly impact the financial statements of the Company.

2. 2 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 Euro, which is the Company's functional and presentation currency.

2. 3 PROPERTY AND EQUIPMENT

Recognition and measurement

The property and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (expenses)/income' in the profit or loss.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation

Depreciation of property, plant and equipment is calculated using the straight line basis to allocate their cost to their residual values over their estimated useful lives, as follows:

	Depreciation rate per annum
Leasehold Improvements	5%
Computers and related equipment	20%
Furniture, fixtures and other equipment	20%
Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

2.4 RIGHT OF USE ASSET

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

2.5 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 groups 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.

2. 6 LEASE LIABILITY

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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 on a straight-line basis over the period of the lease

2. 7 FINANCIAL INSTRUMENTS

Initial recognition and measurement

The Company recognises a financial asset or a financial liability in the 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Insurance receivables, other assets and cash and cash equivalent are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(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. The Company has classified in this category investment in treasury bonds and term deposit

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.

2. 8 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.

2. 9 INSURANCE CONTRACTS (LIABILITIES)

Recognition and measurement

General insurance contracts

Insurance liabilities are calculated separately for all insurance products and are composed of premium contingency (unearned), risk contingency (unexpired) and loss contingency (not paid as at the closing date of the financial year). Insurance liabilities (provisions) represent estimates of future payments for reported and unreported claims. The Company does not discount its insurance liabilities. Any changes in estimates are reflected in results of operations in the period in which estimates are changed. Insurance liabilities estimation is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments.

Gross premiums written are recorded on the accrual basis according to insurance contracts and policies issued during the year and are credited to earning on a pro-rata basis over the term of the related policy coverage. Gross written premiums reflect business written during the year, and exclude any taxes or duties based on premiums. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

Unearned premiums

The provision for unearned premium comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Insurance contracts liabilities

Non-life insurance contract liabilities are recognised 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 derecognised 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 recognised 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 (loss adjustments)

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 Board of Directors considers that the insurance liabilities for claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the insurance liabilities 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 applicable statutory rules but is also supported by actuarial valuations.

The technical provisions have been computed by the Company's actuary, having due regard to principles laid down in the regulation for the calculation of the technical provision for non- life assurers, issued by the Insurance Regulator Central Bank of Kosovo.

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.

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 facultative and treaty agreements. Only contracts that give rise to a significant transfer of instance 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 outlands 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 profit and loss and other comprehensive income and statement of financial position on a gross basis.

Participated 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 acquisition costs

Acquisition costs are defined as the costs arising on the acquisition of new insurance contracts, including direct costs such as acquisition commissions for voluntary products, operator salaries for TPL & TPL plus products and premium taxes.

Direct acquisition costs are deferred over the term of policies in force by a method consistent with the computation of the unearned premiums provision. Deferred acquisition costs are presented as a separate asset in the balance sheet.

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% (2019: 2.5%) of total RBNS reserve excluding Border Claims and Compensation fund handling costs which are determined by the Kosovo Insurance Burea

2. 10 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

2. 11 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.

2. 12 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.

2. 13 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.

2. 14 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 current and prior period losses.

2.15 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. The liability for premium tax ceased to be effective from 5 August 2019.

Corporate income tax

Effective from 5 August 2019 in accordance with Law no. 06/L-105 "On Corporate Income Tax"., insurance companies are required to pay a corporate income tax at 10 % at their taxable profits. The tax rate on taxable corporate income is fixed at 10%.

Current tax is calculated on the basis of the expected taxable profit for the period starting from the effective date of the legislation up to 31 December 2020. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

The tax expense for the period comprises current and deferred tax if any. Tax is recognized in profit or loss, except if it arises from transactions or events that are recognized in other comprehensive income or directly in equity. In this case, the tax is recognized in other comprehensive income or directly in equity, respectively. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination. Taxes other than income taxes are recorded within operating expenses.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax base used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The Company has not recognized any deferred tax assets or liability as at 31 December 2020

Interest income received by the Company is also liable to withholding tax at the rate of 10% (2019: 10%).

2. 16 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).

2. 17 PROVISIONS

A provision is recognised 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 recognised for future operating losses.

2. 18 EXPENSES RECOGNITION

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

Finance cost

Interest paid is recognised 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.

2. 19 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.

2. 20 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.

2. 21 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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the insurance products offered, clients, staffing and region in which the Company operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavorably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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 analysed by accident years, but can also be further analysed 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

4. 1 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 recognises 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.

4. 2 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 minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

4. 3 Reinsurance strategy

The majority of insurance business ceded is placed on excess of loss and quota share with retention limits varying 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. The Company's placement of reinsurance is diversified such that it is not dependent on a single reinsurer.

4. 4 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 quota–share reinsurance which is taken out to reduce 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 retention arising out from a single insurable event is 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 2020	Gross Liabilities EUR'000	Reinsurance share EUR'000	Net Liabilities EUR'000
Motor Third party liability	3,634	(144)	3,490
KIB	742	(4)	738
Compensation fund	754	-	754
Casco	44	(44)	-
Health insurance	40	(40)	-
All liability insurance	-	-	-
Other Property Insurance	153	(34)	119
TOTAL	**5,367**	**(266)**	**5,101**

31 December 2019	Gross Liabilities	Reinsurance share	Net Liabilities
Motor Third party liability	3,241	(120)	3,121
KIB	722	-	722
Compensation fund	635	-	635
Casco	42	-	42
Health insurance	38	-	38
All liability insurance	-	-	-
Other Property Insurance	175	-	175
TOTAL	**4,853**	**(120)**	**4,733**

4. 5 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.

	2020 EUR'000	2019 EUR'000
Cash and cash equivalents	177	81
Term deposits	5,472	5,062
Investment in treasury bond	3,283	3,305
Insurance receivables	517	528
MAXIMUM EXPOSURES TO CREDIT RISK	**9,449**	**8,976**

Terms Deposits and Cash and cash equivalent. 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 assets covering technical provisions according to Company policy and CBK regulations.

Treasury bonds are debt securities issued from the Government of the Republic of Kosovo and traded in the secondary market from the commercial banks in the Republic of Kosovo. The investment in treasury bonds mature on 26 February 2021.

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 2020 and 2019 is as follows:

	2020 EUR'000	2019 EUR'000
Up to 30 days	99	97
From 1 to 3 months	55	98
From 3 to 6 months	111	39
From 6 to 12 months	183	294
Over 1 year	1,128	954
Less: impairment provision	(1,059)	(954)
	517	**528**

	2020 EUR'000	2019 EUR'000
Neither Past due nor impaired	99	97
Past due but no impaired	349	431
Impaired	1,128	954
Less: impairment provision	(1,059)	(954)
INSURANCE RECEIVABLES, NET	**517**	**528**

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

	2020 EUR'000	2019 EUR'000
AT 01 JANUARY	**954**	**906**
Provision for impairment recognized during the year Note 23	105	48
Release for the year	-	-
At 31 December	**1,059**	**954**

4. 6 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 2020	Up to six months	6 months to one year	Over one Year	Non-interest bearing	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cash and cash equivalents	177	-	-	-	177
Term deposits	522	750	4,200	-	5,472
Investment in treasury bond	3,283	-	-	-	3,283
Insurance receivables	-	-	-	517	517
Other Assets	-	-	-	534	534
Total	**3,982**	**750**	**4,200**	**1,051**	**9,983**
Liabilities for Losses and loss adjustment expenses	(832)	(2,463)	(2,072)	-	(5,367)
Insurance and other payables	-	-	-	(978)	(978)
Lease Liability	-	(48)	(49)	-	(97)
Total	**(832)**	**(2,511)**	**(2,121)**	**(978)**	**(6,482)**

31 December 2019	Up to six months	6 months to one year	Over one Year	Non-interest bearing	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cash and cash equivalents	81	-	-	-	81
Term deposits	62	2,930	2,070	-	5,062
Investment in treasury bond	-	-	3,305	-	3,305
Insurance receivables	-	-	-	528	528
Other Assets	-	-	-	678	678
Total	**143**	**2,930**	**5,375**	**1,206**	**9,654**
Liabilities for Losses and loss adjustment expenses	(478)	(1,872)	(2,503)	-	(4,853)
Insurance and other payables	-			(1,059)	(1,059)
Lease Liability	-	(46)	(97)	-	(143)
Total	**(478)**	**(1,918)**	**(2,600)**	**(1,059)**	**(6,321)**

Foreign currency risk

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

4. 7 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 2020	Up to 1 month EUR'000	1-3 months EUR'000	3-12 months EUR'000	Over 1 year EUR'000	Total EUR'000
ASSETS					
Cash and cash equivalents	177	-	-	-	177
Term deposits	250	272	750	4,200	5,472
Investments in treasury bonds	-	-	-	3,283	3,283
Insurance receivables	99	55	294	69	517
Other Assets	-	-	-	534	534
TOTAL ASSETS	**526**	**327**	**1,044**	**8,086**	**9,983**
LIABILITIES					
Gross Claim Reserves	(564)	(268)	(2,463)	(2,072)	(5,367)
Insurance and Other Liabilities	(978)	-	-	-	(978)
Lease Liabilities	-	-	(48)	(49)	(97)
TOTAL LIABILITIES	**(1,582)**	**(268)**	**(2,511)**	**(2,121)**	**(6,482)**
MATURITY GAP	**(1,016)**	**59**	**(1,467)**	**5,965**	**3,541**

31 December 2019	Up to 1 month EUR'000	1-3 months EUR'000	3-12 months EUR'000	Over 1 year EUR'000	Total EUR'000
ASSETS					
Cash and cash equivalents	81	-	-	-	**81**
Term deposits	-	62	2,930	2,070	**5,062**
Investments in treasury bonds	-	-	-	3,305	**3,305**
Insurance receivables	528	-	-	-	**528**
Other Assets	-	-	-	678	**678**
TOTAL ASSETS	**609**	**62**	**2,930**	**6,053**	**9,654**
LIABILITIES					-
Gross Claim Reserves	(154)	(324)	(1,872)	(2,503)	(4,853)
Insurance and Other Liabilities	(1,059)	-	-	-	(1,059)
Lease Liabilities	-	-	(46)	(97)	(143)
TOTAL LIABILITIES	**(1,213)**	**(324)**	**(1,918)**	**(2,600)**	**(6,055)**
MATURITY GAP	**(604)**	**(262)**	**1,012**	**3,453**	**3,599**

4. 8 Capital risk management

The Company's regulator, CBK, sets and monitors capital requirements for the Company. In implementing current capital requirements, the CBK requires the Company to comply with, solvency margin requirements and covering of technical provision with assets.

Changes in governmental regulations in the business segments in which the Company operates may affect profitability. The insurance business is subject to comprehensive and developing supervision in Kosovo. The primary purpose of such regulations is to protect policyholders. Changes in existing insurance laws and regulations may affect the way in which the Company conducts its business and the products offered. Additionally, the insurance laws or regulations adopted and amended from time to time may be more restrictive or may result in higher costs than current requirements.

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.

5. 1 Financial 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 groups 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 and liabilities 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 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and cash equivalents	177	177	81	81
Term deposits	5,472	5,472	5,062	5,062
Investments in treasury bonds	3,283	3,283	3,305	3,305
Insurance receivables	517	517	528	528
Other Assets	534	534	678	678
Total	**9,983**	**9,983**	**9,654**	**9,654**
Liabilities for Losses and loss adjustment expenses	(5,367)	(5,367)	(4,853)	(4,853)
Lease liability	(97)	(97)	(143)	(143)
Insurance and other liabilities	(978)	(978)	(1,059)	(1,059)
Total	**(6,442)**	**(6,442)**	**(6,055)**	**(6,055)**

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

6 CASH AND CASH EQUIVALENTS

	2020 EUR'000	2019 EUR'000
Current accounts with local bank	177	81
	177	**81**

7 TERM DEPOSITS

	2020 EUR'000	2019 EUR'000
Deposits with banks	5,080	4,680
Accrued Interest	72	62
Restricted cash with Central Bank of Kosovo (CBK)	320	320
	5,472	**5,062**
Maturity of deposits		
Due within one year	1,200	2,930
Due after one year	4,200	2,070
	5,400	**5,000**

Term deposits are maintained with domestic financial institutions. These deposits as at 31 December 2020 are fixed deposits and carry interest at the rate of 2% to 3.20% per annum (31 December 2019: 1% to 3.20% per annum).

8 INVESTMENT IN TREASURY BONDS

	2020 EUR'000	2019 EUR'000
Investment in treasury bonds	3,283	3,305
	3,283	**3,305**

Treasury bonds are debt securities issued from the Government of the Republic of Kosovo and traded in the secondary market from the commercial banks in the Republic of Kosovo. The nominal value of bonds is EUR 3,200 thousand and mature on 26 February 2021. The coupon rate is 3.5%.

9 INSURANCE RECEIVABLES

	2020 EUR'000	2019 EUR'000
Insurance receivables		
Receivables for compulsory products	367	376
Receivables for voluntary products	613	503
Receivable from Kosovo Insurance Bureau	596	603
	1,576	**1,482**
Less: Impairment provision	(1,059)	(954)
Insurance receivables, net	**517**	**528**

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 4.5.

10 DEFERRED ACQUISITION COSTS

The Company classifies the following expenses as deferred acquisition costs:

	2020 EUR'000	2019 EUR'000
Agents salary and related costs	225	643
Income tax 10% (31 December 2019: Premium tax 5%)	24	112
Provision to CBK	41	41
TOTAL DEFERRED ACQUISITION COST	**290**	**796**

11 PROPERTY AND EQUIPMENT

COST	Equipment and furniture EUR'000	Vehicles EUR'000	Leasehold Improvements EUR'000	Investment in progress EUR'000	Buildings EUR'000	Total EUR'000
At 01 JANUARY 2019	**179**	**471**	**4**	**1,453**	-	**2,107**
Additions for the year	110	-	-	109	-	219
Disposals	(102)	-	(4)	-	-	(106)
At 31 December 2019	**187**	**471**	-	**1,562**	-	**2,220**
At 01 JANUARY 2020	**187**	**471**	-	**1,562**	-	**2,220**
Additions for the year	148	-	-	-	184	332
Disposals	-	-	-	-	-	-
Transfers	-	-	-	(1,562)	1,562	-
At 31 December 2020	**335**	**471**	-	-	**1,746**	**2,552**
ACCUMULATED DEPRECIATION						
At 01 JANUARY 2019	**(74)**	**(124)**	**(3)**	-	-	**(201)**
Depreciation for the year	(51)	(43)	-	-	-	(94)
Disposals	71	9	3	-	-	83
At 31 DECEMBER 2019	**(54)**	**(158)**	-	-	-	**(212)**
At 01 JANUARY 2020	**(54)**	**(158)**	-	-	-	**(212)**
Depreciation for the year	(76)	(66)	-	-	-	(142)
Disposals	-	-	-	-	-	-
At 31 DECEMBER 2020	**(130)**	**(224)**	-	-	-	**(354)**
NET CARRYING AMOUNT						
At 31 DECEMBER 2019	**133**	**312**	-	**1,562**	-	**2,008**
At 31 DECEMBER 2020	**205**	**248**	-	-	**1,746**	**2,198**

Transfers from work in progress in the amount of EUR 1,562 thousand during 2020 represents investments for construction of Company's main office, which has been transferred to buildings after it was completed. The Investment was approved from the Central Bank of Kosovo.

12 RIGHT OF USE ASSET

	Right of use assets EUR'000
COST	
At 01 JANUARY 2019	-
Additions for the year	-
Disposals	-
Adjustment on transition to IFRS 16	187
At 31 December 2019	**187**
At 01 JANUARY 2020	187
Additions for the year	-
Disposals	-
At 31 December 2020	**187**
ACCUMULATED DEPRECIATION	
At 01 JANUARY 2019	-
Depreciation for the year	(47)
Disposals	-
At 31 DECEMBER 2019	**(47)**
At 01 JANUARY 2020	**(47)**
Depreciation for the year	(47)
Disposals	-
At 31 DECEMBER 2020	**(94)**
NET CARRYING AMOUNT	
At 31 DECEMBER 2019	140
At 31 DECEMBER 2020	93

13 OTHER ASSETS

	2020 EUR'000	2019 EUR'000
Receivables for claims in regress	246	347
KIB Deposit	125	125
Interest receivables	-	-
Prepayment to Compensation Fund	158	201
Prepayment to suppliers	5	5
Advances to employees and other assets	-	-
Other assets	**534**	**678**

Receivables for claims in regress are related to claims paid by KS Dukagjini. However, since the parties causing the accidents were insured with third party liability motor vehicle insurance in other insurance companies, KS Dukagjini expects to be compensated for these amounts. During the year ended 31 December 2020 the Company has recovered EUR 10 thousand and written off amount of EUR 101 thousand (Note 23).

KIB Deposit- 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 REINSURER SHARE OF INSURANCE LIABILITY

	2020	Change for the period	2019
	EUR'000	EUR'000	EUR'000
Reinsurance share on insurance liability on UPR	266	146	120
	266	**146**	**120**
REINSURANCE ASSETS	**266**	**146**	**120**

15 SHARE CAPITAL

The Company is registered with Kosovo Business Registration Agency under Business Reg. No. 70260436 dated 26 April 2005 as Joint Stock Company.

Ownership

The Company's shareholders' structure as of the statement of financial position date is as follows:

		2020		2019
	Amount in EUR'000	% of equity interest	Amount in EUR'000	% of equity interest
Mr. Ekrem Lluka	3,062.5	50%	3,062.5	50%
Mr. Agim Lluka	3,062.5	50%	3,062.5	50%
	6,125	**100%**	**6,125**	**100%**

Share capital is divided into 6,125 shares with nominal value of EUR 1,00 per share.

Shareholders' equity

Based on the law no 05/L -045 on insurances which has entered into force on January 2016 the Company's charter capital should not be less than EUR 3,200 thousand at any time. As at 31 December 2020 total Company's equity presented in the statement of financial position amounts to EUR 3,471 thousand. (2019: EUR 3,447 thousand).

16 GROSS CLAIM RESERVES

	2020	2019
	EUR'000	EUR'000
Reported but not settled (RBNS)	3,701	3,565
Claims incurred but not yet reported (IBNR)	1,524	1,158
Claims handling cost reserve	142	130
TOTAL GROSS CLAIM RESERVES AT 31 DECEMBER	**5,367**	**4,853**

Following table summarizes the movement in the claims provision account:

	2020	2019
	EUR'000	EUR'000
As at 1 January	4,853	4,542
Losses and loss adjustment expenses incurred	2,942	2,886
Losses and loss adjustment expenses paid	(2,428)	(2,575)
Reinsurance Recovery	-	-
GROSS CLAIM RESERVES AT 31 DECEMBER	**5,367**	**4,853**

Included in gross claim reserves are reserves for Border Insurance and Compensation fund in amount of EUR 723 thousand as at 31 December 2020 December 2019: EUR 1,358 thousand).

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, unidentified vehicles or other specified events.

17 GROSS PREMIUM RESERVES

	2020	Change for the period	2019	Change for the period	2018
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Third party liability motor vehicle insurance (TPL)	2,414	50	2,364	(116)	2,480
Tender security	95	30	65	7	58
Comprehensive motor vehicle insurance-Casco	132	20	112	9	103
Third party motor vehicle insurance (TPL+)	72	(24)	96	2	94
Border premiums — KIB	36	(15)	51	14	37
Fire	50	6	44	-	44
Personal Accident	1	(4)	5	1	4
Professional liability	1	-	1	-	1
Health and Travel	76	(136)	212	190	22
	2,877	**(73)**	**2,950**	**107**	**2,843**

18 INSURANCE AND OTHER LIABILITIES

	2020	2019
	EUR'000	EUR'000
Tax payables	243	161
Reinsurance payable	233	114
Trade payables	222	490
Other Insurance liabilities	173	202
Payable for salaries and agents	107	92
	978	**1,059**

19 LEASE LIABILITIES

	2020	2019
	EUR'000	EUR'000
Current	48	46
Non-current	49	97
Total	**97**	**143**

The Company has leases for five Office Buildings. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of use of asses	No of Right of Use of assets leased	Range of remaining term	Average remaining lease term
Buildings-Leaseholds	5	2 years	2 Years

Future minimum lease payments at 31 December 2020 were as follows:

	Minimum lease payments due		
31 December 2020	**Within 1 Year**	**2-3 years**	**Total**
	EUR'000	EUR'000	EUR'000
Lease payments	51	51	102
Finance charges	(3)	(2)	(5)
Net present values	**48**	**49**	**97**

19.1 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2020	**Adoption of IFRS 16**	**Cash flows**	**31 December 2020**
	EUR'000	EUR'000	EUR'000	EUR'000
Lease Liabilities	143	-	(46)	97
Total Liabilities from financing activities	**143**	**-**	**(46)**	**97**

	1 January 2019	**Adoption of IFRS 16**	**Cash flows**	**31 December 2019**
	EUR'000	EUR'000	EUR'000	EUR'000
Lease Liabilities	-	186	(43)	143
Total Liabilities from financing activities	-	**186**	**(43)**	**143**

20 GROSS PREMIUMS WRITTEN

	2020 EUR'000	2019 EUR'000
Third party liability motor vehicle insurance (TPL)	4,441	4,974
Share of KIB income	353	920
Comprehensive motor vehicle insurance-Casco	215	202
Travel	206	402
Loan and Guarantee security	145	131
Third party motor vehicle insurance (TPL+)	130	239
Fire	90	79
Personal Accident	1	7
Professional liability	1	2
	5,582	**6,956**

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 by the Central Bank of Kosovo ("CBK") to sell CTPL insurance within the territory of Kosovo. The operations of the pool are therefore self-contained and the revenues, claims and overheads are shared based on agreed share.

21 FINANCIAL INCOME / (EXPENSES)

	2020 EUR'000	2019 EUR'000
Interest income	218	197
Interest expenses	(22)	(22)
Interest expense for leasing arrangements	(6)	(8)
	190	**167**

22 OTHER INCOME

	2020 EUR'000	2019 EUR'000
Income from insurance companies and individuals-regress	-	23
Other income	21	-
	21	**23**

23 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2020 EUR'000	2019 EUR'000
Staff costs	1,127	2,265
Provision for Impairment of insurance receivables and advances	105	48
Write off receivables for claims in regress	101	-
Other expenses	102	208
Supervisory Expenses (CBK)	82	110
Rent expenses	64	162
IT Expenses	52	32
Maintenance Expenses	27	27
Office Expenses	23	32
Fuel and Travel Expense	18	33
Utilities Expenses	18	17
Advocacy and consultancy services	17	11
Communication expenses	11	29
Marketing expenses	9	16
Losses from written-off advances	-	70
	1,756	**3,060**

24 INCOME TAX

	2020 EUR'000	2019 EUR'000
Premium Tax	-	265
Income Tax	69	-
TOTAL PREMIUM AND INCOME TAX	**69**	**265**

Premium tax. The premium tax was paid in accordance with Law no. 05/L-029 "On Corporate Income Tax" which was effective from 1 September 2015 up to 5 August 2019. In accordance with the law the insurance companies were required to pay a premium tax of 5% on their quarterly gross premiums. Premiums returned and retrospective premium adjustments are deducted from gross premiums to arrive at the tax base. Based on this law the Insurance companies were not liable to tax on profit in Kosovo for the years up to 31 December 2018 and the period from 1 January 2019 up to 5 August 2019.

Income tax. Insurance Companies are liable to tax on profit with the new Law no. 06/L-105 "On Corporate Income Tax" which is effective from 5 August 2019 and replaces premium tax law no. 05/L-029 "On Corporate Income Tax" which was effective from 1 September 2015 up to 5 August 2019. In accordance with the Law insurance companies are required to pay the corporate income tax at 10 % at their taxable profits. The tax rate on taxable corporate income is fixed at 10%. The company has reported profit for for the year . In the table below the reconciliation of prodit before tax is presented:

	2020 EUR'000	2019 EUR'000
Profit before tax	**94**	**181**
Tax effect of non deductible expenses for tax purposes	596	(488)
Taxable Loss	**690**	**(307)**
Income Tax at 10% tax rate	**69**	**(31)**

25 COMMITMENTS AND CONTINGENCIES

Litigation

In the ordinary course of business, the Company is involved in various claims and legal actions. As at 31 December 2020 there are 265 legal cases, with reserve amounted to EUR 1,560 thousand (2019: 263 legal cases with reserve EUR 1,587 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.

26 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 2020 and 2019.

	2020 EUR'000	2019 EUR'000
Statement of comprehensive income		
Marketing Expenses	2	-
Management and Board Compensation	62	102
Statement of Financial Position		
Work in Progress	-	1,562

27 EVENTS AFTER THE REPORTING DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Company up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed or to be imposed by the Government of Republic of Kosovo. Management will continue to monitor the potential impact and take all possible steps to mitigate any effects.

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

ANNEX I

INSURANCE COMPANY DUKAGJINI SH. A

SUPPLEMENTARY SCHEDULES FOR THE YEAR ENDED 31 DECEMBER 2020

1 SOLVENCY MARGIN

	Table for Solvency Calculation	2020	2019
		EUR'000	EUR'000
1	**Table of reserves for claims**		
1.1	Requirements for outstanding claims at the beginning of the period	4,897	4,542
1.2	Paid claims	2,460	2,691
1.3	Requirements for outstanding claims at the end of the period	5,367	4,853
1.4	**Incurred losses (1.2 + 1.3) - 1.1**	**2,930**	**3,002**
1.5	**Average of incurred losses**	**2,573**	**2,797**
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)	**2,573**	**2,797**
2.6	Holding level	100%	100%
2.7	Average of holding level	100%	100%
3	**Based on premiums**	**2020**	**2019**
3.1	Gross written premiums	5,582	6,956
3.2	Change of premiums	72	(107)
3.3	For QI: 11,12,13 increase of premium for 50%		
3.4	Others (tax & reinsurance)	(214)	(435)
3.5	**Total**	**5,440**	**6,414**
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	975	1,155
3.11	Holding level	100%	100%
3.12	**Result of solvency based on premiums**	**980**	**1,155**
4	**Based on claims**		
4.1	Incurred gross claims (see table of claims)	2,930	3,002
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	1,284	1,188
4.7	Net and gross incurred claims ratio	100%	100%
4.8	Minimum percentage	50%	50%
5	**Result of solvency based on claims**	**1,285**	**1,188**
5	**Required Solvency**	**2020**	**2019**
5.1	Based on premiums	975	1,155
5.2	Based on claims	1,285	1,188
5.3	Required solvency	1,285	1,188
5.4	Required solvency for the previous year	-	1,290
5.5	**Solvency based on growth of 150%**	**1,928**	**1,934**

2 CAPITAL CALCULATION

	Table for Capital calculation	2020	2019
		EUR'000	EUR'000
I	**CHARTER CAPITAL**	**6,125**	**6,125**
1	Paid share capital of insurers in cash	6,125	6,125
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**	**(2,654)**	**(2,678)**
1	Repurchased own shares		
2	Investments in intangible (non-material) assets;	-	-
3	Transferred losses and losses of the current year;	(2,654)	(2,678)
4	Difference between reserves for discounted and undiscounted	-	-
III	**SUPPLEMENTARY CAPITAL**	**-**	**-**
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	-	-
IV	**REGULATORY CAPITAL, (I - II + III)**	**3,471**	**3,447**
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**	**255**	**180**
1	Premiums receivable and debtors from the reinsurance for more than 90 days	8	-
2	Other Debtors	-	-
3	Advances and receivables from related parties	247	180
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	-	-
9	Other	-	-
VII	**NET PROPERTY - AVAILABLE CAPITAL (IV - V - VI)**	**3,216**	**3,267**
VIII	**GUARANTEE FUND ACCORDING TO THE LAW**	**3,200**	**3,200**
IX	**REQUEST FOR CAPITAL ACCORDING TO THE GUARANTEE FUND**	**16**	**380**
X	**REQUEST FOR SOLVENCY COVERAGE**		
XI	**FINAL REQUEST FOR CAPITAL GROWTH**	**-**	**-**

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)	5,205	No restriction	5,205
2	**Government securities**	403	No restriction	403
3	**Land and Buildings**	1,746	20% in total	1,746
4.2	Current accounts	177		177
4.3	Cash in hand	-		
4	**Cash and cash equivalents**	177	0	177
5	**Accounts receivable from reinsurance, net of liabilities**	262	-	262
6.2	With credit rating <BBB		Without Limit	
6	**The reinsurer's share in technical provisions, net of liabilities**	262	Without Limit	262
7	**Estimated investment interests**	72	5%	72
8	**Accounts receivable from the insurance activities, up to 90 days**	261	Up to 20% of the unearned premium	261
9	**Other fixed assets, different from point 3.**	452	5%	452
10	**TOTAL ASSETS / INVESTMENTS COVERING TECHNICAL PROVISIONS**	8,578		8,578

No.	TECHNICAL PROVISIONS	2020 EUR'000
1	Provisions for unearned premium and unsuccessful risk	2,877
2	Provisions for Loss and Loss adjustments	5,367
3	Other technical provisions	-
4	**Total amount required to cover technical provisions**	**8,244**
5	Assets covering technical provisions	8,578
6	Total technical provisions	8,244
7	**Difference (5-6)**	**334**
8	**Coverage (5/6)**	**104%**