Sigma Interalbanian Vienna Insurance Group Sh.a - Kosovo Branch

International Financial Reporting Standards Financial Statements
As at and for the year ended 31 December 2017

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In preparing the financial statements, management is responsible for assessing the Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch'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 scepticism 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 Branch'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 Branch'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 Branch 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.

PricewaterhouseCoopers Kosovo sh. p.k.

PricewaterhouseCoopers Kosovo sh.p.k.

13 April 2018
Prishtina, Kosovo

pwc

Independent Auditor's Report

To the Board of Directors of Sigma Interalbanian Vienna Insurance Group Sh.a. - Kosovo Branch

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Sigma Interalbanian Vienna Insurance Group Sh.a. - Kosovo Branch (the "Branch") as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in net residual attributable to the head office for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Branch in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises Supplementary schedules that include the Solvency Margin and Coverage of Assets to Technical Provisions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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Registered with the Business Registration Agency in Kosovo with Business No. 70809711

Sigma Interalbanian Vienna Insurance Group sh.a-Kosova Branch
Statement of financial position
(amounts in EUR, unless otherwise stated)

	Note	31 December 2017	31 December 2016
ASSETS			
Property and equipment	10	235,248	235,202
Intangible assets	11	96,557	60,160
Reinsurance assets	12	3,737,159	3,633,812
Securities held at amortised costs	13	2,602,344	2,909,482
Term deposits with banks	14	11,220,671	10,286,432
Deferred acquisition costs	15	525,194	661,673
Insurance and other receivables	16	722,957	362,499
Other assets	17	267,369	385,305
Cash and cash equivalents	18	630,866	428,741
TOTAL ASSETS		**20,038,365**	**18,963,305**
LIABILITIES			
Insurance contract liabilities	20	7,962,497	7,411,585
Unearned premium reserve	21	3,303,956	3,575,604
Reinsurance deposit	22	2,418,250	1,983,699
Insurance and other liabilities	23	758,101	701,565
TOTAL LIABILITIES		**14,442,804**	**13,672,453**
Net residual attributable to the head office:			
Charter capital	19	3,200,000	3,200,000
Accumulated increase in net residual attributable to the head office	19	2,395,561	2,090,853
Total net residual attributable to the head office		**5,595,561**	**5,290,853**

These financial statements have been approved by the Board of Directors on 4 April 2018 and signed on their behalf by:

Mr. Roland Kacani
General Director

SIGMA
SIGMA VIENNA INSURANCE GROUP SH.A
DEGA KOSOVË DREJTORIA

Ms. Gylsa Reka Spahija
Finance Director

Sigma Interalbanian Vienna Insurance Group sh.a-Kosova Branch
Statement of profit or loss and other comprehensive
(amounts in EUR, unless otherwise stated)

	Note	Year ended 31 December 2017	Year ended 31 December 2016
Gross written premiums	24	9,225,230	9,679,959
Written premium ceded to reinsurers	25	(4,122,480)	(4,445,707)
Change in gross unearned premium reserve		271,648	(205,835)
Change in reinsurers' share of unearned premium reserve		(361,263)	274,590
Premium Reserve Portfolio		35,130	(90,668)
Net premium earned		**5,048,265**	**5,212,339**
Other (Expense)/Income, net	26	(140,746)	9,826
Net income		**4,907,518**	**5,222,165**
Change in gross insurance claims reserves		(550,912)	(687,226)
Change in reinsurance share of claims reserves		464,610	274,555
Claims paid gross		(3,325,009)	(3,268,275)
Reinsurer's share of claims paid		730,569	779,082
Net insurance claims		(2,680,741)	(2,901,864)
Acquisition costs	27	(762,520)	(863,002)
Administrative expenses	28	(1,879,350)	(2,018,228)
Reinsurance commission	29	977,543	1,167,640
Operating profit		**562,450**	**606,712**
Investment income	30	270,374	261,470
Financial costs	30	(52,362)	(62,821)
Foreign exchange losses, net	30	382	(104)
Net financial income		218,394	198,545
Profit before tax		**780,844**	**805,257**
Income tax expense	31	(476,136)	(503,631)
Increase in net residual attributable to the head office		**304,708**	**301,626**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**304,708**	**301,626**

	Charter capital	Accumulated increase in net residual attributable to the head offices	Total
Balance at 1 January 2016	**3,000,000**	**1,989,227**	**4,989,227**
Profit for the year	-	301,626	301,626
Other comprehensive income	-	-	
Total comprehensive income	**-**	**301,626**	**301,626**
Transactions with the head-office	200,000	(200,000)	-
Balance at 31 December 2016	**3,200,000**	**2,090,853**	**5,290,853**
Profit for the year	-	304,708	304,708
Other comprehensive income	-	-	
Total comprehensive income	**-**	**304,708**	**304,708**
Balance at 31 December 2017	**3,200,000**	**2,395,561**	**5,595,561**

Sigma Interalbanian Vienna Insurance Group sh.a-Kosova Branch
Statement of cash flows
(amounts in EUR, unless otherwise stated)

	Note	31 December 2017	31 December 2016
Profit before income tax		**780,844**	**805,256**
Cash flows from operating activities			
Adjustments for:			
Depreciation	10,11	64,116	52,614
Impairment	26	134,060	
Interest income	30	(270,374)	(261,470)
Interest expenses	30	52,362	62,821
Cash flows from operating profits before changes in operating assets and liabilities		**761,009**	**748,976**
(Increase)/decrease in insurance and other receivables		(353,772)	59,592
Decrease/(Increase) in deferred acquisition costs		136,479	(53,975)
Decrease/(increase) in other assets		(22,810)	(177,312)
Increase in insurance and other payables		53,854	91,681
Increase in liabilities for losses and loss adjustment expense		550,912	687,226
(Decrease)/Increase in unearned premium reserve		(271,648)	205,835
Increase in reinsurance assets		(103,347)	(549,145)
Increase in reinsurance deposit		434,551	303,813
Cash generated from operations before interests and tax		**1,185,228**	**567,715**
Interest received		228,255	310,727
Interest paid		(52,362)	(62,821)
Income tax paid		(473,454)	(503,631)
Net cash from operating activities		**887,667**	**311,990**
Cash flows from investing activities			
Purchases of property and equipment	10	(51,472)	(15,418)
Purchases of intangible assets	11	(49,088)	(4,195)
Sale of equipment and intangible assets		-	18,270
(Increase)/Decrease in term deposits and bonds		(890,020)	653,307
(Increase)/Decrease in securities held at amortised costs		305,038	(2,219,820)
Cash flow used in investing activities		**(685,542)**	**(1,567,856)**
Increase/Decrease in cash and cash equivalents		**202,125**	**(506,892)**
Cash and cash equivalents at beginning of the period	18	428,741	935,632
Cash and cash equivalents at end of the period	**18**	**630,866**	**428,741**

1. General information

These financial statements have been prepared as Sigma Interalbanian Vienna Insurance Group Sh.a. - Kosovo Branch (the "Branch") financial statements prepared in accordance with IFRS Reporting standards.

Sigma Interalbanian Vienna Insurance Group Sh.a Kosovo-Branch (the "Branch") was established on 11 October 2004 and operates under a license issued by Central Bank of Kosovo (CBK) to conduct the business of general insurance in the territory of Kosovo. The Branch performs its business in compliance with laws and regulations of Republic of Kosovo.

Sigma Interalbanian Vienna Insurance Group sh.a, is a foreign legal entity registered in the Republic of Albania. As at 31 December 2017 the number of employees in the Branch was 116 (2016: 128).

The operation and creation of branches is regulated by the "REGULATION ON LICENSING OF THE INSURANCE COMPANIES AND BRANCHES OF FOREIGN INSURANCE COMPANIES " Pursuant Article 35, paragraph 1.1 of the Law No.03/L-209 on the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 77/16 August 2010), and Articles 3.3 and 12 of Regulation No.2001/25 on Licensing, Supervision and Regulation of Insurance Companies and Insurance Intermediaries, approved on October 30, 2014.

The Article 10 regulated the charter capital of a branch which operates in Kosovo Market, cited: "Charter capital of each insurance company licensed to exercise the insurance activities in Kosovo for life and non-life insurance may not be lower than Euro 3'200'000. (Three million two hundred thousand euro). Then followed by article 11which regulated the Sources of Capital from the shareholders.

Principal activity: The Branch's principal business activities comprise the following types of insurance:
- Motor Vehicle Third Party Liability
- Property Insurance
- Construction All Risk (CAR)
- Travel Health Insurance
- Personal Accidents
- Comprehensive Motor Vehicle Insurance

Registered address and place of business: The headquarters of the Branch are located in Rr."Ukshin Hoti" nr.13, Qyteza Pejton, Prishtine, Kosove.

Kosovo Operation: Sigma Interalbanian Vienna Insurance Group sh.a.Kosovo-Branch (the "Branch") operates in the non–life insurance business in the Republic of Kosovo. As at 31 December 2017, the Branch is Third in non–life insurance market in Kosovo with 10.86% of market share based on the official statistical information of the Central Bank of Kosovo ("CBK").

The Supervisory and Management Board during 2017 and up to the date of approval of these financial statements consisted of the following:

Supervisory Board	*Position*	*Management Board*	*Position*
Mr. Peter Hoefinger	Chairman	Mr. Roland Kacani	CEO
Mr. Christoph Rath	Deputy Chairman		
Mr Jonard Prodani	Member		
Mr. Michael Hack	Member		
Ms. Sonja Raus	Member		

2. Basis of preparation

Statement of compliance These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note **Error! Reference source not found.** and **Error! Reference source not found.** for adoption of new or revised standards and interpretations and new accounting pronouncements adopted by the Branch).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 8.

2. Basis of preparation (continued)

Functional and presentation currency These separate financial statements are presented in Euro ("EUR") rounded to the nearest thousand. EUR is the Branch's functional currency, currency of the primary economic environment in which it operates, the Republic of Kosovo.

3. Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Branch from 1 January 2017:

Disclosure Initiative – Amendments to IAS 7, Statement of Cash Flows (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 require disclosure of a reconciliation of movements in liabilities arising from financing activities, that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Branch does not have cash from financing activities and therefore there is no impact to its financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, Income Taxes (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity should recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. There was no impact in the Branch's financial statements due to these changes.

Amendments to IFRS 12, included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017). IFRS 12, Disclosure of Interests in Other Entities states that the entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such entities. The Branch did not implement the changes as its interests in other entities are not material (notes 12 and 16). New Accounting Pronouncements

4. New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Branch has not early adopted.

IFRS 9 "Financial Instruments" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

4. New accounting pronouncements (continued)

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach). The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. In addition, the amended Standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard—IAS 39. The Branch has decided to apply the optional exemption.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a Branch is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a Branch when it first applies the new Standard.

The Branch does not expect a significant impact from the adoption of IFRS 15 as its contracts with customers under IFRS 15 are limited.

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single

4. New accounting pronouncements (continued)

lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Branch is currently assessing the impact of the amendments on its special purpose financial statements.**4. 4. New accounting pronouncements (continued)**

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Branch is currently assessing the impact of the amendments on its special purpose financial statements.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Branch is currently assessing the impact of the amendments on its special purpose financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The

4. New accounting pronouncements (continued)

Branch is currently assessing the impact of the amendments on its special purpose financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Branch is currently assessing the impact of the amendments on its special purpose financial statements.

Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety.

4. New accounting pronouncements (continued)

Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The Branch is currently assessing the impact of the amendments on its special purpose financial statements.

Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Prior to the amendments, there was no specific guidance on transfers into, or out of, investment properties under construction in IAS 40. The amendment clarifies that there was no intention to prohibit transfers of a property under construction or development, previously classified as inventory, to investment property when there is an evident change in use. IAS 40 was amended to reinforce the principle of transfers into, or out of, investment property in IAS 40 to specify that a transfer into, or out of investment property should only be made when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. Such a change in use should be supported by evidence. The Branch is currently assessing the impact of the amendments on its special purpose financial statements.

Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). IFRS 1 was amended and some of the short-term exemptions from IFRSs in respect of disclosures about financial instruments, employee benefits and investment entities were removed, after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis. The Branch is currently assessing the impact of the amendments on its special purpose financial statements.

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to

4. New accounting pronouncements (continued)

present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Branch is currently assessing the impact of the amendments on its special purpose financial statements.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. The Branch is currently assessing the impact of the amendments on its special purpose financial statements.

Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Branch is currently assessing the impact of the amendments on its special purpose financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Branch's special purpose financial statements.

5. Significant accounting policies

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

(a) Foreign currency

Foreign currency transactions are transactions undertaken by the Branch other than in its functional currency. Foreign currency transactions are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

(b) Classification of insurance contracts

The Branch's insurance products for accounting purposes are classified at inception as insurance contracts. A contract, which is classified as an insurance contract remains as such until all rights and obligations are extinguished, or expire. Contracts under which the Branch accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified variable such as interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

5. Significant accounting policies (continued)

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

Premiums arising from general insurance business Gross written premiums comprise the amounts due during the financial year in respect of direct insurance regardless of the fact that such amounts may relate wholly or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

Unearned premium provision The provision for unearned premiums across all business segments comprises the proportion of gross premiums written which is estimated to be earned in the following financial year, using the daily pro - rata basis 1/365, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract. Unearned premiums are those proportions of the premium which relate to periods after the reporting date. Unearned premium is calculated on written premiums which are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums. Deferred acquisition costs are deferred separately as an asset.

Deferred acquisition costs Acquisition costs are the costs that an insurer incurs to sell, underwrite and initiate a new insurance contract. Acquisition costs are capitalized and charged to expense in proportion to premium revenue recognized. To associate acquisition costs with related premium revenue, acquisition costs are allocated by groupings of insurance contracts consistent with the Branch's manner of acquiring, servicing, and measuring the profitability of its insurance contracts. Unamortized acquisition costs are classified as an asset.

Claims arising from general insurance business Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occuring during the financial year together with adjustments to prior year claims provisions. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as the changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Insurance liabilities for claims outstanding are not discounted. Adjustments to claims insurance liabilities established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The insurance liabilities for incurred but not reported claims is estimated based on paid triangles method for Motor Third Party Liability ("MTPL") and other products except for Health product, for which it is calculated 1.5% of earned premium since this line of business has a very short tail development. 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.

Claims and reserves arising from the compensation fund The Kosovo Insurance Bureau ("KIB") administers the system to sell compulsory third party liability motor vehicle insurance ("CTPL") at the border of the Republic of Kosovo (the "pool") to drivers of foreign registered vehicles not in possession of such insurance, on behalf of all insurance companies licensed by the Central Bank of Kosovo to sell CTPL insurance within the Territory of Kosovo. KIB remits to each insurance company monthly its share of the gross premiums received (including VAT and premiums tax, which are then included in the insurance companies' own tax returns). Each insurance company is required to contribute a specified percentage to gross premiums received (net of related premium tax) to KIB for the claims and other administrative costs of the pool and the membership activities of KIB. In addition, each insurance company is required to contribute to KIB for the Guarantee Fund Kosovo ("Guarantee Fund"), which was established under "Rule 3, an amending rule on Compulsory Third party Liability Motor Vehicle Insurance", Section 4 dated 27 June 2002. Its role is to settle insurance claims related to accidents caused by uninsured vehicles, unknown vehicles or other specified events. It is funded equally by all the insurance companies in the territory of Kosovo licensed by the CBK to sell CTPL insurance. The insurance companies have taken collective responsibility

5. Significant accounting policies (continued)

for providing the Guarantee Fund with sufficient funding to be able to meet all future claims in the event that claims and costs incurred by the Guarantee Fund are in excess of its retained surplus. Claims reserves from KIB are part of the Company's insurance contract liabilities. Contribution for the compensation fund is expensed in profit or loss as incurred.

Contingency for claims under legal process A significant portion of claims are under legal process. The Branch has recorded appropriate insurance liabilities based on management's assessment and disclosed contingencies in note 30.

Reinsurance assets The Branch cedes insurance premiums and risk in the normal course of business with net loss potential through the diversification of its risk. Assets and liabilities arising from ceded reinsurance contracts are presented separately as assets and liabilities from related insurance contracts because the reinsurance arrangements do not relieve the Branch from its direct obligation to its policy holders. The Branch's reinsurance policy is established in order to limit its potential losses arising from longer exposures to Motor Third Party Liability ("MTPL"), Property and Liabilities lines of business. Such reinsurance includes both facultative (for property) and treaty basis, surplus basis and quota share (property & cargo).
Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk, are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance coverage is provided based on the pattern of the reinsured risk. The unexpended portion of the ceded reinsurance premiums is included in the reinsurance assets. The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the insurance liabilities held in respect of the related insurance contracts.
Reinsurance receivables include reinsurance commission in respect of premiums ceded to the reinsurer and recoveries due from reinsurance companies in respect of claims paid. These are classified as receivables and are disclosed separately, if any. Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Branch may not recover all amounts due, and that the event has a reliable measurable impact on the amounts that the Branch will receive.

Insurance receivables and payables Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

Liability Adequacy Test At each reporting date the Branch performs test to ensure the adequacy of claim insurance liabilities. The primary tests performed are Claim Ratio Analysis and Run-off analysis of claim reserves. The claim ratio analysis is performed annually on the major lines of business individually. The calculation is performed on claims alone as well as claims including acquisition costs and any other external claim handling costs. In performing this analysis the Branch takes into account current estimates of cash outflows. The Branch does not discount these estimated cash flows because most claims are expected to be settled within one year.

In addition, the Branch performs annually a run-off analys-is 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.

Unearned premium provision The provision for unearned premiums across all business segments comprises the proportion of gross premiums written which is estimated to be earned in the following financial year, using the daily pro - rata basis 1/365, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract. Unearned premiums are those proportions of the premium which relate to periods after the reporting date. Unearned premium is calculated on written premiums which are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums. Deferred acquisition costs are deferred separately as an asset. The calculation of unearned premium reserves is regulated by Article 5 "Unearned

5. Significant accounting policies (continued)

Premium Reserve Estimation" in the "REGULATION ON CALCULATION AND RETENTION OF TECHNICAL AND MATHEMATICAL PROVISIONS FOR NON-LIFE AND LIFE INSURERS" approved as of 28 April 2016

(c) Financial instruments

(i) The Branch's financial instruments are measured at amortized cost depending on their measurement category.

i) Recognition

The Branch's financial instruments (assets and liabilities) are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

ii) Classification

Financial assets of the Branch are classified as investments in securities and loans and receivables (term deposits with banks and insurance receivables). Financial liabilities are classified as other financial liabilities (including insurance/trade liabilities and other liabilities) and are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Branch intends to sell in the near term. Loans and receivables include **term deposits with banks** and **insurance and other receivables** and are carried at amortized cost using the effective interest method, net of provision for incurred impairment losses.

iii) Derecognition

The Branch derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Branch has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Branch derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv) Amortized cost measurement

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

v) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions, such as in the Branch's trading activity.

vi) Impairment of financial assets carried at amortized cost

Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Branch determines that no objective evidence exists that impairment was incurred for an individually assessed

5. Significant accounting policies (continued)

financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Branch considers in determining whether a financial asset is impaired are its overdue status, liabilities that can be offset for the same customer and realizability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Branch obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

(d) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method. Term deposits with original maturities of more than three months are classified as term deposits with banks as a sub-category of loans and receivable financial assets.

(e) Term deposits

Term deposits are stated 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. Interest is calculated on an accrual basis and interest receivable is reflected in other assets.

(f) Other receivables

Other receivables are stated at their cost less impairment losses (see accounting policy 5.d.vii).

(g) Insurance receivables

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

(h) Equipment

(i) Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent cost

The Branch recognises in the carrying amount of equipment the costs of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Branch and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred. Advance payments related to Property and Equipment are capitalised and presented in a separate category.

5. Significant accounting policies (continued)

(iii) Depreciation

Depreciation on all categories of equipment is calculated on a reducing balance basis over the estimated useful lives of the assets. The annual depreciation rates are:

	%
Office furniture and equipment	20
Vehicles	20
Computers	20

(i) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired are stated at cost less accumulated amortisation and impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

(iii) Amortization

Amortisation is charged to profit or loss on a reducing balance basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The annual amortisation rates, based on the estimated useful lives for the current and comparative periods, are as follows:

	%
Software	10

(j) Borrowings

Borrowings comprise loans obtained from various organizations. Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(k) Impairment

(i) Financial assets as per 5, (d), (vii)

(ii) Non-financial assets

The carrying amounts of the Branch's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(l) Provision

A provision is recognised when the Branch has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre tax rate. Provisions reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

5. Significant accounting policies (continued)

(m) Employee benefits

(i) Compulsory social security contributions

The Branch makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The Branch's contributions to the pension plan are charged to profit or loss as incurred.

(ii) Paid annual leave

The Branch recognizes as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

(n) Policy acquisition costs

Acquisition costs are defined as the costs arising on the acquisition of new insurance contracts, including direct costs, such as acquisition commissions and the cost of drawing up the insurance document, and apportioned administrative expenses connected with processing of proposals and issuing of policies. Policy acquisition costs are expensed as incurred.

(o) Leases

Leases in which a the Branch is a lessee and 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.

(p) Income tax

Effective 1 January 2010 in accordance with Republic of Kosovo Law on Corporate Income Tax no.03/L- 162, insurance companies are required to pay a income tax of 5% (2016: 5%) calculated on the basis of the gross written premium, it is paid on quarterly basis. Premiums returned and retrospective premium adjustments are deducted from gross premiums to arrive at the tax base.

Income tax constitutes a part of acquisition costs and is expensed when incurred. For other activities rather than insurance the company will be taxed 10% income tax.

The Branch makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Estimates arising from insurance contracts. Assumptions and uncertainties related to future development affecting insurance contract liabilities are disclosed in note 7.

(q) Changes in comparatives

The Branch changed the presentation of "equity" into the "net residual attributable to the head office". The equity section previously included the charter capital and retained earnings. The change did not result in restatement of these amounts. The branch is not a separate legal entity from Sigma Interalbanian Vienna Insurance Group sh.a., Tirana, Albania and as a result, relationships between the branch and the head-office stem from legislation rather than a contractual agreement. Therefore, the charter capital and accumulated results of the branch previously referred to as retained earnings are more appropriately classified as the net residual attributable to the head office rather than equity. Based on the company's act in Kosovo, the branch has no equity and it is considered as an integral part of the Company (is it understood which entity is "the Company"?). In prior years, charter capital and retained earnings that are based on the requirements of the insurance law in Kosovo, were grouped (presented?) within the equity section which is not presented in these financial statements because of the legal status of the Branch.

6. Insurance risk management

The Branch accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Branch is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Branch manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Branch from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Branch is exposed.

The Branch writes property, liability and motor risks primarily over twelve-month duration. The most significant risks arise from natural disasters, climate change and other catastrophes (i.e. high severity, low frequency events).

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.
The concentration of claims provisions by type of contract is summarized below by reference to insurance liabilities

			2017			2016
	Claims provision gross (note 20)	**Reinsurance (note 12)**	**Net**	**Claims provision gross (note 20)**	**Reinsurance (note 12)**	**Net**
Business line						
Motor vehicles	7,100,471	2,581,290	4,519,181	6,679,162	2,297,657	4,381,505
Property	534,463	432,687	101,776	349,067	262,071	86,996
Health and accidents	320,763	64,718	256,045	320,807	12,544	308,263
Other	6,800	5,100	1,700	62,549	46,913	15,636
Total	**7,962,497**	**3,083,795**	**4,878,702**	**7,411,585**	**2,619,185**	**4,792,400**

The concentration of premiums by type of contract is summarized below by reference to insurance liabilities:

			2017			2016
	Gross written premium (note 24)	**Premium ceded (note 25)**	**Net**	**Gross written premium (note 24)**	**Premium ceded (note 25)**	**Net**
Business line						
Motor vehicles	5,434,815	2,112,352	3,322,463	5,344,776	2,101,563	3,243,213
Property	1,816,985	1,651,597	165,388	2,336,959	2,054,554	282,405
Health and accidents	1,575,023	48,764	1,526,259	1,617,915	42,924	1,574,991
Other	398,407	309,767	88,640	380,309	246,666	133,643
Total	**9,225,230**	**4,122,480**	**5,102,750**	**9,679,959**	**4,445,707**	**5,234,252**

6. Insurance risk management (continued)

The concentration of premiums by type of contract is summarized below by reference to insurance liabilities:

	2017			2016		
	Gross written premium (note 24)	**Premium ceded (note 25)**	**Net**	**Gross written premium (note 24)**	**Premium ceded (note 25)**	**Net**
Business line						
Motor vehicles	5,434,815	2,112,352	3,322,463	5,344,776	2,101,563	3,243,213
Property	1,816,985	1,651,597	165,388	2,336,959	2,054,554	282,405
Health and accidents	1,575,023	48,764	1,526,259	1,617,915	42,924	1,574,991
Other	398,407	309,767	88,640	380,309	246,666	133,643
Total	**9,225,230**	**4,122,480**	**5,102,750**	**9,679,959**	**4,445,707**	**5,234,252**

The maximum exposure to insurance risk is presented below.

	2017	2016
	Maximum exposure to insurance risk*	**Maximum exposure to insurance risk***
Business line		
Motor vehicles	14,091,600,000	13,690,800,000
Casco	1,270,352,238	1,613,347,343
Property	106,750,438	119,560,491
Other Property	1,876,361,639	1,631,618,816
Total	**17,345,064,315**	**17,055,326,649**

* Maximum exposure to insurance risk is in gross basis and does not include the reinsurance part. With regard to Motor Vehicles, the exposure is based on CBK Law (Law Nr.03/L-209 dated 27th July 2012) for personal injury maximal 1.2milion EUR and for motor injury maximal 200 thousand EUR.

*All other policies have individual sum insured per policy.

6. Insurance risk management (continued)

Actual claims compared to estimates

Provision for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid is made at the reporting date.
The liability for reported claims (reported but not settled or "RBNS") is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case reserves are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than reported claims. Branch's actuaries predominantly assess IBNR provisions using statistical techniques extrapolating historical data in order to estimate ultimate claims costs.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods.

Such reasons include:

- economic, legal, political and social trends (resulting in different than expected levels of inflation);
- changes in the mix of insurance contracts incepted;
- random fluctuations, including the impact of large losses.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries.

The following table shows actual claims incurred compared to previous estimates for the year ended:

	2017	2016	2015	2014	2013
RBNS					
Opening claim estimates	4,234,210	3,804,282	3,405,432	3,112,320	9,484,406
Actual results related to claims incurred	542,789	726,853	1,062,725	614,983	5,565,212
Closing claim estimates	3,703,450	3,133,727	2,765,280	2,157,578	2,099,714
Run off in EUR '000	**(12,029)**	**(56,298)**	**(422,573)**	**339,759**	**1,819,480**
Run off in %	**-0.28%**	**-1.48%**	**-12.4%**	**10.92%**	**19.18%**
IBNR					
Opening claim estimates	1,130,905	978,792	932,138	910,467	1,399,644
Actual results related to claims incurred	245,926	314,691	301,820	159,807	224,046
Closing claim estimates	796,198	919,756	494,248	463,758	613,979
Run off in EUR '000	**88,781**	**(255,655)**	**136,070**	**286,902**	**561,619**
Run off in %	**7.85%**	**(26.12%)**	**14.6%**	**31.51%**	**40.13%**
Total run off	**76,752**	**(311,953)**	**(268,503)**	**626,661**	**2,381,099**

Technical provision amounting to EUR 1,530,339 (2016: EUR 2,006,889) for Border and Guarantee offer Lines of business are not included in the analysis above as the reserve for these products is calculated by the actuaries of Kosovo Insurance Bureau.

Management reviews claims estimates and assumptions based on actual claim development and makes appropriate adjustments to claim methodologies There is reported a negative run-off as there are some old claims in process which has been re-evaluated based on the court first instance decisions.

6. Insurance risk management (continued)

Liability adequacy test

Insurance liabilities are calculated by using historical assumptions.

The liability adequacy test for non-life insurance is limited to the unexpired portion of existing contracts. It is performed by comparing the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date with the amount of unearned premiums in relation to such policies after deduction of direct costs related to the insurance policy. Expected cash flows relating to claims and expenses are estimated by reference to the experience during the expired portion of the contract, adjusted for significant individual losses which are not expected to recur.

LAT	**DMTPL-DMTPL+**	**Border**	**Casco**	**Property & Other**	**Health**	**Total**
Gross Written Premium	4,371,673	676,912	386,228	2,215,392	1,575,023	9,225,228
UPR 31.12.16	2,118,525	43,104	120,110	1,162,113	131,752	3,575,604
UPR 31.12.17	2,193,549	24,304	170,830	761,889	136,992	3,287,564
DAC 31.12.17	404,570	2,149	25,179	79,856	28,736	540,490
Payment 2017 (AY 2017)	769,634	57,005	156,502	5,778	595,036	1,583,955
RBNS 31.12.17 (AY 2017)	752,015	172,928	53,347	104,416	65,225	1,147,931
IBNR+IBNER 31.12.17 (AY 2017)	685,803	100,079	19,250	41,666	42,404	889,202
Administrative Expenses	665,898	107,822	51,997	405,370	243,286	1,474,373
Claims Ratio	51%	47%	68%	6%	45%	38%
Costs Ratio	15%	15%	15%	15%	15%	15%
Combined Ratio	67%	63%	84%	21%	60%	54%
URR	-	-	-	-	-	-

6. Insurance risk management (continued)

Claim development

The following table shows the gradual development of the estimate of ultimate loss according to claims incurred year. The estimate changed in individual periods depending on the actual claims paid. The gross amount of the provisions is the total of RBNS and IBNR provisions. The comparison of statistical estimation of sufficient provisions with gross amount of provisions suggests sufficient levels of the provisions for insurance claims. Claim estimates for lines of business with non-material claims incurred or estimated are not included:

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Total
Estimate of cumulative claims											
- At end of underwriting year	4,117,447	4,273,535	4,863,321	4,163,499	3,343,439	9,638,735	3,318,236	3,911,369	2,358,461	1,391,647	1,391,647
- One year later		3,283,335	4,610,298	3,358,782	2,718,823	7,082,885	3,549,037	3,511,517	2,567,430	1,481,613	3,840,074
- Two years later			4,626,628	3,788,978	2,866,583	7,082,745	3,682,788	3,592,349	2,594,432	1,665,071	8,143,870
- Three years later				3,730,372	2,909,908	7,068,372	3,668,344	3,397,817	2,954,522	1,651,637	11,075,822
- Four years later					2,856,604	7,239,139	3,797,615	3,413,101	2,886,044	1,823,513	21,558,156
- Five years later						7,450,454	4,013,770	3,544,551	2,900,036	1,747,673	22,140,646
- Six years later							3,706,308	3,622,467	2,991,708	1,662,118	25,608,666
- Seven years later								3,700,842	3,120,972	1,689,391	30,180,323
- Eight years later									3,078,033	1,723,076	35,302,143
- Nine years later										1,792,440	38,342,463
Estimate of cumulative claims	4,117,447	3,283,335	4,626,628	3,730,372	2,856,604	7,450,454	3,706,308	3,700,842	3,078,033	1,792,440	38,342,463
Cumulative payments	**1,671,127**	**2,296,058**	**3,596,725**	**2,875,071**	**2,438,992**	**6,836,415**	**3,037,717**	**3,441,814**	**2,553,094**	**1,632,953**	**30,379,966**
Value recognized in the balance sheet	**2,446,320**	**987,277**	**1,029,903**	**855,301**	**417,612**	**614,039**	**668,591**	**259,028**	**524,939**	**159,487**	**7,962,497**

6. Insurance risk management (continued)

Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Branch uses statistical and actuarial techniques including indicators such as the expected loss ratio.

The Branch considers that the liability for non-life insurance claims recognized in the separate statement of financial position is adequate. However actual experience will differ from the expected outcome.

An overview of claim loss and combined ratio for the year 2017 and 2016 is as below:

	2017	2016
Claim ratio	53%	56%
Expense ratio	33%	33%
Combined ratio	86%	89%

The results of the sensitivity analysis showing the impact on profit before tax are set out below. For such sensitivity, the impact of a change in a single factor is shown, with other assumptions unchanged.

	Impact	2017	2016
Claim ratio			
5% increase in claim ratio	loss	(134,037)	(263,190)
5% decrease in claim ratio	gain	134,037	263,441
Expense ratio			
5% increase in expense ratio	loss	(83,216)	(263,187)
5% decrease in expense ratio	gain	83,216	263,444
Combined ratio			
5% increase in combined ratio	loss	(217,253)	(263,062)
5% decrease in combined ratio	gain	217,253	263,570

7. Financial Risk Management

Financial instruments transactions may result in the fact that the Branch bears additional financial risks. They include market risk, credit risk, liquidity risk and reinsurance risk. Each of these financial risks is described below.

Market risk

Market risk includes three types of risk:

- currency risk – the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- fair value interest rate risk – the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- price risk – the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk embodies not only the potential for loss but also the potential for gain.

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.

7. Financial Risk Management (continued)

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk

The Branch operates in one business segment and undertakes transactions substantially all in EUR to satisfy regulatory and self-imposed capital requirements. Currency risk in the investment portfolio is managed using assets/liabilities matching principles. As at 31 December 2017 and 2016 there are no financial assets and liabilities in currencies other than EUR and therefore the Branch is not exposed to currency risk.

Interest rate risk

Interest rate risk is comprised of the risk effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. As at 31 December 2017 and 2016 the Branch has no significant interest-bearing liabilities and therefore has no significant concentration of interest rate risk. Interest rates received and/or paid by the Branch on a financial instruments are fixed. As a result, the Branch is exposed to fair value risk rather than interest rate risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Branch. In the normal course of its business as premiums are received, these funds are invested to pay for future policy holder obligations. The Branch is exposed to credit risk on its debt securities held to maturity, term deposits, insurance receivable and reinsurance counterparties. The Branch has established internal procedures and guidelines where the reinsurance partners should have ratings of BBB- or higher rates from S&P, Moody or AM Best and meet with requirements of the VIG Reinsurance Security Rules. The Branch manages its exposure to credit risk on a regular basis by closely monitoring its exposure to debt securities and terms deposit counterparties.

The Branch's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the statement of financial position as follows. Quality of financial and insurance assets and liabilities is disclosed in the respective notes.

	Note	31 December 2017	31 December 2016
Reinsurance assets	11	3,737,159	3,633,812
Securities held at amortised costs	12	2,602,344	2,909,482
Term deposits with banks	13	11,220,671	10,286,432
Insurance and other receivables	15	722,957	362,499
Other assets	16	267,369	385,305
Cash and cash equivalents	17	630,866	428,741
Maximum exposure to credit risk		**19,181,366**	**18,006,270**

Liquidity risk

Liquidity risk is the risk that the Branch cannot meet its obligations associated with financial liabilities as they fall due. Liquidity risk is moderately inherent to the Branch's business as certain assets purchased and liabilities sold could have liquidity characteristics that are specific. If the Branch would require significant amounts on short notice in excess of normal cash requirements it may face difficulties to obtain attractive prices. Nevertheless, the Branch has access to borrowings as at 31 December 2017 and 2016. The Branch manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

7. Financial Risk Management (continued)

The Branch's financial assets and liabilities as of 31 December 2017, have the following maturities:

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Total
Assets				
Cash and cash equivalents	630,866	-	-	**630,866**
Term deposits with banks	445,181	9,387,282	1,388,208	**11,220,671**
Insurance and other receivables	695,346	26,420	1,191	**722,957**
Bonds held to maturity	41,650	-	2,560,694	**2,602,344**
Reinsurance assets	478,680	1,178,485	2,079,994	**3,737,159**
Other assets	98,873	153,400	15,096	**267,369**
Total Financial Assets	**2,390,596**	**10,745,587**	**6,045,183**	**19,306,365**
Liabilities*				
Liabilities for losses and loss adjustments expenses	732,410	4,521,930	2,708,157	**7,962,497**
Provision for unearned premium	1,238,418	1,410,041	655,497	**3,303,956**
Reinsurance deposit	247,106	625,100	1,546,044	**2,418,250**
Insurance and other payables	501,511	234,165	22,425	**758,101**
Total Financial Liabilities	**2,719,445**	**6,791,236**	**4,932,123**	**14,442,804**
Net Liquidity Position	**(328,849)**	**3,954,351**	**1,113,060**	**4,738,562**

The Branch's financial assets and liabilities as of 31 December 2016, have the following maturities:

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Total
Assets				
Cash and cash equivalents	428,741	-	-	**428,741**
Term deposits with banks	1,020,161	4,091,271	5,175,000	**10,286,432**
Insurance and other receivables	330,965	30,732	802	**362,499**
Bonds held to maturity	344,778	-	2,564,704	**2,909,482**
Reinsurance assets	184,396	787,469	2,661,947	**3,633,812**
Other assets	312,393	108,896	7,452	**428,741**
Total Financial Assets	**2,619,334**	**5,018,367**	**10,409,905**	**18,049,707**
Liabilities				
Liabilities for losses and loss adjustments expenses	1,500,197	1,871,289	4,040,099	**7,411,585**
Provision for unearned premium	209,016	2,566,242	800,346	**3,575,604**
Reinsurance deposit	167,270	375,556	1,440,873	**1,983,699**
Insurance and other payables	630,153	55,706	15,706	**701,565**
Total Financial Liabilities	**2,506,636**	**4,868,793**	**6,297,024**	**13,672,453**
Net Liquidity Position	**112,698**	**149,575**	**4,112,881**	**4,377,254**

***) excluding net residual interest attributable to the head office**

7. Financial Risk Management (continued)

Capital risk management

The capital structure of the Branch consists of equity attributable to equity holders of the Branch, comprising issued capital, reserves and retained earnings. The Branch manages its capital to ensure that adequate capital levels is maintained for the Branch to be able to continue as a going concern and comply with the regulators' capital requirements, while maximising the return to stakeholders through an optimisation of debt and equity balances. As at 31 December 2017 and 31 December 2016, the Branch's met all capital requirements, including solvency margin and ratio of assets covering insurance contract liabilities.

In accordance the Law No. 03/L-209 on the Central Bank of the Republic of Kosovo, and Articles 3, 27, 28, 30, 32, 34, 35, 41, 45, 46, 50 and 77 of the Regulations No. 2001/25 on Licencing, Supervision and regulation of Insurance Companies and Insurance Intermediaries approved as of 23th February 2017 the regulation "REGULATION ON CALCULATION OF THE MINIMUM LIMIT OF PAYMENT CAPABILITY, ADEQUACY OF CAPITAL AND GUARANTEE FUND FOR NON-LIFE INSURANCE ". Article 9 "Capital adequacy, required solvency margin" regulates the requirements for companies operating in the non-life insurance market:

	Note	2017	2016
Total net residual attributable to the head office including regulatory capital	18	5,595,560	5,290,852
Premium Result Solvency Calculation		1,228,978	809,111
Claims Result Solvency Calculation		1,421,762	599,641
150% of required solvency margin		2,132,642	1,213,667
Guarantee Fund		3,200,000	3,200,000
Required solvency margin (higher between 1 & 2)		3,200,000	3,200,000
Company's actual solvency level		5,073,930	4,636,532
In % to regulatory capital		**158,56%**	**144,89%**

On 23rd of February 2017 the Central Bank of Kosovo introduced a new regulation where the required solvency calculated based on premium and claims is calculated with a different method from previous year.

Other risks

Changes in governmental regulations in the business segments in which the Branch operates may affect profitability. The insurance business is subject to comprehensive and developing supervision. The primary purpose of such regulations is to protect policyholders. Changes in existing insurance laws and regulations may affect the way in which the Branch 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.

8. Critical accounting estimates and judgments in applying accounting policies

The Branch makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Policyholder claims and benefits

The estimation of the ultimate liability arising from claims made under insurance contracts is the Branch's most critical accounting estimate. The Branch's decisions for reported and unreported losses and establishing resulting provisions and related reinsurance recoverable are annually reviewed and updated, and adjustments resulting from this review are reflected in profit or loss. The process is based on the assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Insurance risk management is discussed in detail in Note 6, whilst insurance contract provisions are analysed in Note 20.

8. Critical accounting estimates and judgments in applying accounting policies (continued)

Insurance receivables and impairment losses

Insurance and other receivables are initially recognized at fair value. Subsequently receivables are measured at amortised cost less impairment losses. Evaluation of allowance for impairment losses is also a critical estimate performed by management. Insurance receivables are assessed for impairment on each reporting date. Insurance receivables more than one year past due are provided for in full unless there is high probability that they will be collected. Such probability exists when the Branch has long term relationship with significant clients or when the Branch procures goods and/or services from the insured and receivables are settled on a net basis. Insurance receivables less than one year past due are assessed individually in case there are significant and are provided if they are indications that those receivables will not be collected.

Insurance receivables less than one year past due are also assessed on a collective basis grouped based on the credit risk characteristics of the receivables, usually days past due at the reporting date. Percentages of provisioning applied for each aging category of insurance receivables less than one year past due represent management's best estimate of expected future losses and are based on prior years history of recoverability and market experience.

9. Fair value disclosure

Fair value measurements for measurement and/or presentation purposes are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Note that there are no assets which are measured at fair value using non-recurring measurements.

(a) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows. Insurance receivables are not included as they are not required to be disclosed at fair values.

	Bond held to maturity	Loans and receivables	Other amortized cost	Total carrying amount	Fair value
31 December 2017					
Cash and cash equivalents	-	630,866	-	630,866	**630,866**
Term deposits with banks	-	11,220,671	-	11,220,671	**11,220,671**
Bonds held to maturity	2,602,344	-	-	2,602,344	**2,602,344**
Insurance and other receivables	-	722,957	-	722,957	**722,957**
Other assets	-	267,369	-	267,369	**267,369**
31 December 2016					
Cash and cash equivalents	-	428,741	-	428,741	**428,741**
Term deposits with banks	-	10,286,432	-	10,286,432	**10,286,432**
Bonds held to maturity	2,909,482	-	-	2,909,482	**2,909,482**
Insurance and other receivables	-	362,499	-	362,499	**362,499**
Other assets	-	385,305	-	385,305	**385,305**

9. Fair value disclosure (continued)

Financial assets carried at amortised cost. The fair value of floating rate instruments and short-term instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Fair values of Securities held at amortised costs were determined based on quoted bid prices published by the Central Bank of Kosovo for the same instrument taking into consideration maturity similar to the maturities of instruments held by the Branch. Branch's financial liabilities are short-term and their fair values usually equal their fair values.

10. Property and equipment

Movements during 2017 and 2016 are as follows:

	Office furniture and equipment	Lease hold improvement	Vehicles	Computers	Total
Cost					
At 1 January 2016	444,987	-	292,886	149,875	887,748
Additions	10,439	-	-	4,979	15,418
Disposals	(1,620)	-	-	**(16,650)**	(18,270)
At 31 December 2016	**453,806**	**-**	**292,886**	**138,204**	**884,896**
Additions	8,793	10,753	23,136	8,790	51,472
At 31 December 2017	**462,599**	**10,753**	**316,022**	**146,994**	**936,368**
Accumulated Depreciation					
At 1 January 2016	(347,540)	-	(183,891)	(74,419)	(605,850)
Depreciation for the year	(22,868)	-	(21,799)	(17,447)	(62,114)
Disposal	1,620	-	-	16,650	18,270
At 31 December 2016	**(368,788)**	**-**	**(205,690)**	**(75,216)**	**(649,694)**
Depreciation for the year	(19,584)	-	(17,825)	(14,017)	(51,426)
At 31 December 2017	**(388,372)**	**-**	**(223,515)**	**(89,233)**	**(701,120)**
Carrying amount					
At 31 December 2016	**85,018**	**-**	**87,196**	**62,988**	**235,202**
At 31 December 2017	**74,227**	**10,753**	**92,507**	**57,761**	**235,248**

11. Intangible assets

	Software
Cost	
At 1 January 2016	**86,599**
Additions	4,236
At 31 December 2016	**90,835**
Additions	49,088
Reclassification	
At 31 December 2017	**139,923**
Accumulated amortisation	
At 1 January 2016	**(21,864)**
Amortization for the year	(8,811)
At 31 December 2016	**(30,675)**
Amortization for the year	(12,691)
Reclassification	
At 31 December 2017	**(43,366)**
Carrying amount	
At 31 December 2016	**60,160**
At 31 December 2016	**96,557**

12. Reinsurance assets

The reinsurer's share of insurance liabilities is as follows:

	31 December 2017	Change	31 December 2016	Change	31 December 2015
Reinsurer's share on UPR					
Motor vehicles	-	-	-	-	-
Property	468,685	(344,892)	813,577	265,807	547,770
Health and accidents	680	680	-	-	-
Other	183,999	(17,051)	201,050	8,783	192,267
	653,364	**(361,263)**	**1,014,627**	**274,590**	**740,037**
Reinsurance share on claims reserves					
Motor vehicles	2,581,290	283,633	2,297,657	280,018	2,017,639
Property	432,687	170,616	262,071	(8,126)	270,197
Health and accidents	64,718	52,175	12,544	2,663	9,881
Other	5,100	(41,813)	46,913	-	46,913
	3,083,795	**464,610**	**2,619,185**	**274,555**	**2,344,630**
Total	**3,737,159**	**103,347**	**3,633,812**	**549,145**	**3,084,667**

The Branch's reinsurance assets are not secured and are neither past due nor impaired. The assets are monitored according to the credit rating. For the years ended 31 December 2017 and 2016 the credit risk assessment of the reinsurance premiums ceded and reinsurance assets by rating of reinsurer are as follows:

12. Reinsurance assets (continued)

	2017				2016			
	Premiums ceded		Reinsurance assets		Premiums ceded		Reinsurance assets	
	in EUR	% of total	in EUR	% of total	in EUR	% of total	in EUR	% of total
Rating								
AA+	88,935	2.16%	42,972	1.15%	310,232	6.98%	31,851	0.88%
A+	3,385,080	82.11%	3,289,034	88.01%	3,483,963	78.37%	3,105,261	85.45%
A	147,421	3.58%	57,073	1.53%	176,269	3.96%	70,606	1.94%
AA	110,952	2.69%	89,021	2.38%	72,442	1.63%	62,212	1.71%
AA-	269,589	6.54%	77,053	2.06%	402,801	9.06%	228,527	6.29%
A-	97,815	2.37%	36,644	0.98%	-	0.00%	-	0.00%
BBB+	22,688	0.55%	10,007	0.27%	-	0.00%	-	0.00%
No rating	-	0.00%	135,355	3.62%	-	0.00%	135,355	3.72%
Total	**4,122,480**	**100.00%**	**3,737,159**	**100.00%**	**4,445,707**	**100.00%**	**3,633,812**	**100.00%**

13. Securities held at amortized cost

	31 December 2017	31 December 2016
Total at nominal value	2,550,000	2,850,000
Unamortized premium	10,694	15,732
Accrued interest	41,650	43,750
Total	**2,602,344**	**2,909,482**

Investment securities include government bonds of the Republic of Kosovo which are 2,602,344 EUR (2016: 2,909,482). The government bonds have been purchased using the primary market and secondary market through Raiffeisen Bank Kosovo and Banka Kombetare Tregtare and maturity is five years.

14. Term deposits with banks

The breakdown of term deposits with maturities exceeding three months, but less than one year by bank is as follows:

Term Deposits	**Agency**	**Rating**	**31 December 2017**	**31 December 2016**
BANKA KOMBETARE TREGTARE	AUDIT_FIN	B+	2,875,000	2,875,000
BANKA PER BIZNES KOSOVO	AUDIT_FIN	B-	1,400,000	1,600,000
TEB BANK KOSOVO	AUDIT_FIN	CCC	2,590,000	1,700,000
NLB KOSOVO	AUDIT_FIN	B-	2,700,000	2,700,000
Central Bank of Kosovo	INTERN	NR	320,181	320,161
TURKIYE IS BANKASI	MOODY	BB+	1,200,000	1,000,000
PROCREDIT BANK KOSOVO	AUDIT_FIN	B+	-	-
Accrued interest			135,490	91,271
Total			**11,220,671**	**10,286,432**

14. Term deposits with banks (continued)

The Branch's cash and cash equivalents and term deposits are placed with the following financial institutions:

			31-Dec-17		31-Dec-16	
	Agency	Rating	Cash and deposits	Out of which Cash (note 9)	Cash and deposits	Out of which Cash (note 9)
PROCREDIT BANK KOSOVO	Fitch	B+	27,560	27,560	23,739	23,739
RAIFFEISEN KOSOVO	Moody's	A3	199,479	63,989	126,844	126,844
BANKA KOMBETARE TREGTARE	JCR	AAA	3,322,135	447,135	3,039,747	164,747
BANKA PER BIZNES KOSOVO	n/a	-	1,408,958	8,958	1,616,987	16,987
TEB BANK KOSOVO	Fitch	A+	2,599,425	9,425	1,712,860	12,860
Central Bank of Kosovo	n/a	-	320,181	-	320,161	-
BANKA EKONOMIKE	n/a	-	989	989	4,536	4,536
NLB KOSOVO	Moody's	Ba1	2,765,602	65,602	2,779,020	79,020
TURKIYE IS BANKASI	Fitch	BB+	1,207,208	7,208	1,000,008	8
Total cash and deposits with banks (includes note 18)			**11,851,537**	**630,866**	**10,623,902**	**428,741**

Term deposit accounts are maintained with domestic financial institutions. The interest rate on term deposits during 2017 was in the range of 0.9% to 2.6% per annum (2016: 1.2 % to 2.6% per annum). Pursuant to the Rule 8 approved by the Central Bank of Kosovo a minimum collateral amount of EUR 3,200 thousand is determined to be kept with CBK account at least with 10% and the remainder with other commercial banks, but no more than 30% with a single bank.

15. Deferred acquisition costs

Deferred acquisition costs at year end comprise:

	31 December 2017	31 December 2016
Commission	199,280	323,038
Sales operators salaries	106,062	90,963
Premium tax	173,112	195,018
Supervisory tax	46,740	52,654
Total	**525,194**	**661,673**

Movement in deferred acquisition costs are as follows:

	2017	2016
As at 1 January	661,673	607,699
Increase in deferred acquisition costs	41,469	66,234
Deferred acquisition costs expensed	(177,948)	(12,260)
At 31 December	**525,194**	**661,673**

16. Insurance and other receivables

Receivables from agents and customers comprised the following:

	31 December 2017	31 December 2016
Receivables from policy holders	731,411	489,362
Receivables from agents	130,930	5,834
Provision for insurance receivables	(139,384)	(132,679)
Total	**722,957**	**362,499**

Movement in allowance for impairment losses are as follows:

	2017	2016
Balance as at 1 January	**132,697**	**132,145**
Allowance charge to loss	6,686	552
Balance as at 31 December	**139,383**	**132,697**

The Branch manages its exposure to credit risk on a regular basis by closely monitoring its insurance receivables. Insurance and other receivables as of 31 December 2017 and 2016 by ageing are as follows:

	31 December 2017	%	31 December 2016	%
less than 1 month	561,724	78%	253,438	70%
1 to 3 months	133,622	18%	77,527	21%
3 months to 1 year	26,420	4%	30,732	8%
more than 1 year	1,191	0%	802	0%
Total	**722,957**	**100%**	**362,499**	**100%**

The credit quality of insurance and other receivables is presented below.

	31 December 2017	31 December 2016
Neither past due nor impaired	52,655	88,880
Past due but not impaired	642,690	242,085
Impaired	166,996	164,231
Total gross receivables	862,341	495,196
Less: Allowance for impairment loss	(139,384)	(132,697)
Total	**722,957**	**362,499**

17. Other assets

Other assets comprise:

	31 December 2017	31 December 2016
Guarantee with Kosovo Insurance Bureau	125,000	125,000
Receivables from insurance companies	80,472	83,585
Policy encashment	539	35,974
Other receivables	61,358	140,746
Total	**267,369**	**385,305**

Guarantee with Kosovo Insurance Bureau is related to Memorandum of Understanding signed on 23 June 2015, between the Republic of Serbia and the Republic of Kosovo regarding mutual recognition and acknowledgement of MTPL and processing and payment of claims as a result of the accidents caused by vehicles in their jurisdiction.

18. Cash and cash equivalents

	31 December 2017	31 December 2016
Cash at banks in EUR	630,866	428,741
Total	**630,866**	**428,741**

19. Charter capital

The net residual attributable to the head office is comprised of the required charter capital and the accumulated increases in net residual attributable to the head office. Even though the entity is a branch, the charter capital is required to be deposited by the head-office based on the Insurance Law and the Regulation "On calculation of the minimum solvency margins, capital adequacy and guarantee fund for non-life insurers" dated 23 February 2017. The branch is required to have a minimum amount of charter capital of EUR 3,200 thousand fully paid at any time. These funds are deposited with CBK and the other commercial banks (refer to note 12, 14). The net residual attributable to the head office is altogether considered in calculating regulatory ratios by the Branch.

20. Insurance contracts liability

	31 December 2017	31 December 2016
As at 1 January		
Gross insurance liabilities for losses and loss adjustments	7,411,585	6,724,359
Reinsurance recoverable (note 12)	(2,619,185)	(2,344,630)
Net insurance liabilities for losses and loss adjustments	**4,792,400**	**4,379,729**
Claims incurred	3,875,921	3,955,501
Reinsurers' share	(1,195,179)	(1,053,637)
Claims paid	(3,325,009)	(3,268,275)
Reinsurers' share	730,569	779,082
Net insurance liabilities for losses and loss adjustments	**4,878,702**	**4,792,400**
Reinsurance recoverable (note 12)	3,083,795	2,619,185
Gross insurance liabilities for losses and loss adjustments	**7,962,497**	**7,411,585**
Gross change in insurance claims reserves	(550,912)	(687,226)
Less: Reinsurers share	464,610	274,555
Change in claims insurance liabilities, net	**(86,302)**	**(412,671)**

A significant measure of experience and judgement is involved in assessing outstanding insurance liabilities, the ultimate costs of which cannot be assessed with certainty as at the reporting date. The insurance liabilities for losses and loss adjustment expenses are determined on the basis of information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

During the year ended 31 December 2017 the Company contributed to the Compensation Fund for Compulsory Insurance ("Compensation Fund") an amount of EUR 347 thousand (2016: EUR 319 thousand). Additionally, the insurance ding to be able to meet all future claims in the event that claims and costs incurred by the Compensation Fund are in excess of its retained surplus.

Kosovo Insurance Board manages the Compensation Fund. Its role is to pay insurance claims related to accidents caused by uninsured vehicles, unknown vehicles or other specified events. It is funded equally by all the insurance companies in the territory of Kosovo licensed by the CBK to sell TPL insurance.

21. Unearned premium reserve

Unearned premium reserve by product is comprised as follows:

Product	31 December 2017	Change in the Period	31 December 2016	Change in the Period	31 December 2015
Motor vehicles	2,405,076	123,337	2,281,739	(83,665)	2,365,404
Property	543,303	(371,906)	915,209	305,710	609,499
Health	136,992	136,372	620	(7,746)	8,366
Other	218,585	(159,451)	378,036	(8,464)	386,500
Total	**3,303,956**	**(271,648)**	**3,575,604**	**205,835**	**3,369,769**

	31 December 2017	31 December 2016
As at 1 January	3,575,604	3,369,769
Premiums written during the year (Note 21)	9,225,229	9,679,959
Less: premiums earned during the year	(9,496,877)	(9,474,124)
Balance at 31 December	**3,303,956**	**3,575,604**

	31 December 2017	31 December 2016
Gross change in provision for unearned premium	271,648	(205,835)
Change in reinsurers share	(326,134)	183,922
Change in provision for unearned premium, net	**(54,486)**	**(21,913)**

22. Reinsurance deposit

The Branch signed an agreement with VIG Holding so that all reinsurance liabilities due to VIG Holding are deposited by the Branch in a local commercial bank with an appropriate credit rating. The Branch pays VIG Holding an interest representative of time value of money. The deposit can be utilised by the Branch to settle outstanding or future claims incurred that qualify for reinsurer's recovery. The reinsurance deposit at 31 December 2017 includes share of reserves for outstanding claims of EUR 2,418,250 (2016: EUR 1,983,699).

23. Insurance and other payables

Insurance and other payables comprise:

Insurance payable	31 December 2017	31 December 2016
Payable to reinsurer	321,074	358,184
Tax payables	135,575	132,893
Trade and other payables	125,284	86,229
VAT payables	97,136	81,882
Personnel payables	45,242	15,479
Liabilities toward agents	17,843	14,731
Social insurance payables	15,947	12,167
Total	**758,101**	**701,565**

Trade and other payables are as follows:

	31 December 2017	31 December 2016
Suppliers payable	67,597	31,993
Payable to CBK	28,534	28,521
Liabilities from policyholders-direct	20,242	17,875
Accrued expenses	8,911	7,840
Total	**125,284**	**86,229**

24. Gross written premium

Gross written premiums by product for the year are comprised as follows:

	2016	2016
Motor vehicles	4,757,903	4,669,941
Health and accidents	1,575,023	1,617,915
Property	1,810,821	2,331,269
Border insurance	676,912	674,835
Other	404,571	385,999
Total gross premiums written	**9,225,230**	**9,679,959**

Motor vehicle premiums are further detailed as follows:

	2017	2016
MTPL	4,371,675	4,371,492
CASCO	386,228	298,449
Total	**4,757,903**	**4,669,941**

Border insurance gross written premiums amounting to EUR 677 thousand (2016: EUR 675 thousand) relate to shared income from Kosovo Insurance Bureau ("KIB"). KIB was established under Law No. 04/L-018 on Compulsory Motor Vehicle Insurance", Section 29, dated 23 June 2011 and administers the system to sell compulsory third party liability motor vehicle insurance ("TPL") at the border of the Territory of Kosovo (the "pool") to drivers of foreign registered vehicles not in possession of such insurance. The operations of the pool are self-contained and the revenues, claims and overheads are shared between all insurance companies licensed in Kosovo to sell TPL insurance within the Territory of Kosovo. KIB remits to each insurance company monthly its share of the gross premiums received (including VAT and premiums tax, which are then included in the insurance companies' own tax returns). Each insurance company is required to pay for the claims and other administrative costs of the pool and the membership activities of KIB. As of 31 December 2017, the Branch accounted for all the liabilities related to the pool.

25. Written premium ceded to reinsurers

Premiums as per products ceded to reinsurers, for the year are comprised as follows:

Premiums ceded to reinsurers	2017	2016
MTPL	2,093,152	2,093,025
Property	1,645,555	2,048,578
Health	48,764	39,563
Other	335,009	264,541
Total	**4,122,480**	**4,445,707**

26. Other (Expense)/Income net

	2017	2016
Written of regressed claims	(140,746)	-
Other income	-	9,826
Total	**(140,746)**	**9,826**

27. Acquisition costs

	2017	2016
Health	149,857	89,167
Property	28,753	15,108
Casco	22,783	7,986
Other	424,650	804,716
Total acquisition costs	**626,041**	**916,977**
Change in deferred acquisition costs	136,479	(53,975)
Total	**762,520**	**863,002**

28. Administrative expenses

Marketing and administrative expenses for the year are comprised as follows:

	2017	2016
Salaries and Wages	620,566	599,739
Rent and operating costs	224,826	276,734
Contributions to the insurance association	175,060	259,385
Contributions to CBK	124,543	130,679
Office operating costs	91,335	102,168
IT costs	85,551	52,350
Advertising	78,992	63,628
Depreciation and amortization	64,116	70,884
Social security	55,913	70,671
Office supplies	59,646	61,761
Services from third parties	24,493	31,113
Transportation	31,955	30,572
Telecommunication	23,254	23,946
Impairment of trade receivables	6,687	89,756
Local taxes paid	9,158	1,595
Travel expenses	12,596	20,179
Other	190,659	133,068
Total	**1,879,350**	**2,018,228**

Other expenses for the year 2017 and 2016 are comprised as follows:

	2017	2016
Representation Costs	6,491	12,165
Administration office Expense	120,675	77,650
Fine, penalty, san.	5,470	-
Membership fees tax	13,388	13,138
Auditing Costs	11,917	11,191
Education costs	29,999	8,044
Bank fees	-	7,961
Other costs	2,719	2,919
Total	**190,659**	**133,068**

29. Reinsurance commission

Reinsurance commission for the year 31 December 2017 and 2016 are as follows:

	2017	2016
Motor vehicles	775,221	1,022,961
Property	152,695	114,582
Health and accidents	653	(4,896)
Other	48,974	34,994
Total	**977,543**	**1,167,641**

The reinsurance commission is calculated based on the reinsurance contract. The MTPL reinsurance commission is calculated based on the treaty contract the company have with the parent company VIG HOLDING. On quarterly basis is calculated the claims ratio for each contract (Accident Year) and such coefficient is used to define the limit of commission as it has a sliding scale framework.

30. Interest income, net

Financial (expenses)/income, net	2017	2016
Financial income		
Interest income from accounts with banks	148,363	131,049
Interest income from treasury bills	122,011	130,043
	270,374	**261,093**
Financial expenses		
Interest expense	(52,362)	(62,821)
Total	**218,012**	**198,272**

31. Income Tax Expense

Income tax expense recorded in profit or loss for the year comprises the following.

	2017	2016
Premium Tax	461,262	483,998
Interest Income Tax	14,874	19,633
Income tax expense for the year	**476,136**	**503,631**

32. Commitment and contingencies

(i) Legal

In the ordinary course of business, the Branch is involved in various claims and legal actions. In the opinion of management, the ultimate settlement of these matters will not have a material adverse effect on the Branch's financial position or changes in net assets. Legal cases are common when claimants do not agree with the claim valuation performed by the Branch. Management evaluates claims using external and internal expertise including legal advice. Branch believes that these estimates are appropriate however acknowledges that the final outcome may be higher or lower than the amount provided. As at 31 December 2017 there were 289 outstanding cases where in aggregate clients' demands are EUR 2.35 million greater than the amount provided by the Branch (2016: 215 claims with an aggregate demand of EUR 1.65 million).

(ii) Legal

Changes in governmental regulations in the business segments in which the Branch operates

The insurance business is subject to 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 Branch 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.

(iii) Lease commitments

The Branch has entered into operating lease commitments for its rented premises. Minimum future payments under key agreements are as follows:

	31 December 2017	31 December 2016
Within one year	16,933	19,714
After one but not more than five years	-	-
Total	**16,933**	**19,714**

33. Related party disclosures

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During the year the Branch had the following transaction with related parties

Income	**Relationship**	**2017**	**2016**
Reinsurance Commission income			
VIG HOLDING	Parent company	774,257	1,018,774
VIG RE ZAJIŠŤOVNA	Entity under common control	113,746	63,383
WIENER STÄDTISCHE	Ultimate controlling entity	307	285
		888,310	**1,082,441**
Other Income			
VIG HOLDING	Parent company	717,367	739,787
VIG RE ZAJIŠŤOVNA	Entity under common control	13,201	39,296
		730,568	**779,082**
Expenses			
Premium ceded to reinsurer			
VIG HOLDING	Parent company	(2,000,615)	(2,027,812)
VIG RE ZAJIŠŤOVNA	Entity under common control	(401,129)	(338,458)
WIENER STÄDTISCHE	Ultimate controlling entity	(4,092)	(3,039)
		(2,405,836)	**(2,369,309)**
Other Expense			
VIG HOLDING	Parent company	(44,878)	(12,955)
VIG RE ZAJIŠŤOVNA	Entity under common control	-	-
SIGMA INTERALBANIAN	Parent company	(23,191)	(31,113)
		(68,069)	**(44,067)**
Transactions with owners -dividends		-	-
Management Compensation		(146,000)	(136,000)

33. Related party disclosures (continued)

At each reporting date, the following related party amounts were included in the statement of financial position:

	Relationship	2017	2016
Management and Shareholders			
Assets			
Reinsurance assets			
VIG HOLDING	Parent company	2,418,251	1,983,699
VIG RE ZAJIŠŤOVNA	Entity under common control	570,475	486,757
WIENER STÄDTISCHE	Ultimate controlling entity	3,391	2,801
		2,992,117	**1,986,500**
Other receivables			
VIG HOLDING	Parent company	-	-
VIG RE ZAJIŠŤOVNA	Entity under common control	39,323	36,971
SIGMA INTERALBANIAN	Parent company	3,098	1,677
		42,421	**38,648**
Liabilities			
Reinsurance Payable			
VIG HOLDING	Parent company	39,555	32,158
VIG RE ZAJIŠŤOVNA	Entity under common control	75,106	92,734
WIENER STÄDTISCHE	Ultimate controlling entity	3,785	2,755
SIGMA INTERALBANIAN	Parent company	-	-
		118,447	**127,647**
Other Payable			
VIG HOLDING	Parent company	3,219	2,913
SIGMA INTERALBANIAN	Parent company	6,275	6,098
		9,494	**9,011**

34. Events after the reporting date

There are no other events after the reporting date that would require either adjustments or additional disclosures in the financial statements.

Supplementary Schedules

Solvency margin

Description		31.Dec.17
Net Profit/(Loss)	1	304,708
Net Assets	2	5,595,560
Total Assets	3	20,038,365
Minus: Debtors Older Than 90 Days	4	27,612
Minus: Other Debtors	5	117,027
Minus: Advances And Prepayments	6	-
Minus: 50% of Deferred Acquisition Costs (DAC)	7	280,434
Minus: Non Liquid Assets (Reinsurance)	8	-
Minus: Intangible Assets	9	96,557
Minus: Liabilities (Without Equity)	10	14,442,805
Available Solvency Margin (3-(4+5+6+7+8+9+10))		**5,073,930**
Required solvency margin		**3,200,000**
Adequacy		**1,873,930**

Supplementary Schedules

	31.12.2017 Maximum % of gross technical provisions that can be invested as per regulation	**Assets covering technical reserves**
(a) Deposits in euro currency in Kosovo licensed banks;	No limits	10,560,000
(b) Treasury bonds, securities and other capital market financial instruments, issued by the Government of the Republic of Kosovo with a maturity of no longer than one year	No limits	
c)Treasury bonds, securities and other capital market financial instruments with a maturity of less than one year issued and guaranteed by the central banks of governments of EU member states, which need to have a credit ranking not lower than BBB	20% in total; 5% individually	
(d) Real estate (land, buildings), as well as other fixed assets evaluated according to depreciation norms;	20% in total, 5% individually	
(e) Cash at hand, cash in bank and term deposits with a maturity not less than 3 months in banks licensed by the CBK in the Republic of Kosovo;	3%	337,994
(f) Reinsurance receivables arising from insurance activities, which are not older than 90 days from when the liability occurred.	No limits	40,902
(g) Reinsurance portion of technical provisions	No limits	3,737,159
(h) Accrued interest arising from investments in bank deposits and other securities;	5%	135,490
(i) Receivables up to 90 days, arising from insureds, agents and brokers, but not more than twenty percent (20%) of the gross unearned premium reserve;	Up to 20% of UPR	660,791
(j) Other fixed assets	5%	331,805
Total assets covering technical and mathematical provisions		**15,472,336**
Technical and mathematical provisions		**11,266,453**
Coverage in percentage		**137%**