FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

# ILLYRIA LIFE SH.A.

31 DECEMBER 2021

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RSM KOSOVO SH.P.K.

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

DL +383 45 666 888

www.rsm.global/kosovo

# INDEPENDENT AUDITOR'S REPORT

To the shareholders and management of Illyria Life Sh.a.

## Opinion

We have audited the financial statements of Illyria Life Sh.a. ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Kosovo Sh.p.k.

**RSM Kosovo Sh.p.k.** Sadik Berisha
Prishtina, Republic of Kosovo Statutory Auditor

1 March 2022

**ILLYRIA LIFE Sh.a**
**STATEMENT OF FINANCIAL POSITION**
**As at 31 December 2021**
**(All amounts expressed in EUR, unless otherwise stated)**

| | Note | 2021 | 2020 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 8 | 440,615 | 1,354,329 |
| Term deposits | 9 | 1,179,840 | 1,086,786 |
| Investment securities | 9 | 12,264,088 | 10,051,958 |
| Reinsurance share of insurance liabilities | 10 | 35,364 | 23,798 |
| Property, Plant, Equipment, and intangible assets | 11 | 747,617 | 566,624 |
| Premium receivables and other assets | 12 | 251,963 | 247,737 |
| Deferred tax asset | 25 | 3,075 | - |
| **Total Assets** | | **14,922,562** | **13,331,232** |
| | | | |
| **Liabilities** | | | |
| Insurance liabilities for losses and loss adjustment expenses | 13 | 9,317,476 | 7,873,983 |
| Unearned premium insurance liabilities | 14 | 281,350 | 200,404 |
| Deferred revenue | 15 | 18,509 | 42,502 |
| Leases Liabilities | 16 | 128,020 | 12,695 |
| Income tax payable | | 29,301 | 34,228 |
| Other liabilities | 17 | 180,172 | 145,155 |
| **Total Liabilities** | | **9,954,828** | **8,308,967** |
| | | | |
| **Equity** | | | |
| Share capital | 18 | 3,285,893 | 3,285,893 |
| Fair value reserves | | 655,308 | 863,912 |
| Retained earnings | | 672,460 | 650,399 |
| Current year profit | | 354,073 | 222,061 |
| **Total Equity** | | **4,967,734** | **5,022,265** |
| **Total Liabilities and Equity** | | **14,922,562** | **13,331,232** |

The financial statement set out on pages 1 to 33 were authorized for issue on February 21, 2022.

| | |
|---|---|
| Albin Podvorica | Zamira Ibrahimi |
| General Director | Head of Accounting and Finance |

The notes on pages 5 to 34 are an integral part of these financial statements.

**ILLYRIA LIFE Sh.a**
**STATEMENT OF COMPREHENSIVE INCOME**
**For the year ended 31 December 2021**
**(All amounts expressed in EUR, unless otherwise stated)**

| | Note | 2021 | 2020 |
|---|---|---|---|
| Gross written premiums | 19 | 3,416,263 | 2,502,635 |
| Change in the gross provision for unearned premiums | 14 | (80,946) | (12,449) |
| **Net Written Premiums** | | **3,335,317** | **2,490,186** |
| Premiums ceded to reinsurer | 20 | (68,332) | (50,158) |
| Change in reinsurer share of provision for unearned premiums | 10 | 11,566 | 1,744 |
| **Net Insurance Premium Revenue** | | **3,278,551** | **2,441,772** |
| Investment income | | 401,530 | 357,119 |
| Interest expenses | | (1,504) | (500) |
| Reinsurance commission | 21 | 9,596 | 8,281 |
| **Total Revenues** | | **3,688,173** | **2,806,672** |
| Change in Losses and loss adjustment liabilities | 13 | (1,443,493) | (1,130,350) |
| Policy acquisition costs | 22 | (426,889) | (259,078) |
| Claims expenses paid | 13 | (712,346) | (602,967) |
| Administrative expenses | 23 | (660,988) | (522,538) |
| **Total Losses and Expenses** | | **(3,243,716)** | **(2,514,933)** |
| **Profit before income tax** | | **445,457** | **291,739** |
| Income tax expense | 25 | (90,384) | (69,678) |
| **Profit for the year** | | **354,073** | **222,061** |
| ***Other comprehensive income*** | | | |
| Other comprehensive income/ Revaluation of AFS | | **(208,604)** | **50,070** |
| **Total comprehensive income for the year** | | **145,469** | **272,131** |

The notes on pages 5 to 34 are an integral part of these financial statements.

**(All amounts expressed in EUR, unless otherwise stated)**

| | **Share Capital** | **Retained Earnings** | **Other Comprehensive income** | **Total** |
|---|---|---|---|---|
| **Balance on 01 January 2020** | **3,285,893** | **850,399** | **813,842** | **4,950,134** |
| *Comprehensive Income for the Period* | | | | |
| Net profit for the year | - | 222,061 | - | 222,061 |
| Gain on revaluation of available for sale securities | - | - | 50,070 | 50,070 |
| **Total Comprehensive Income** | **-** | **222,061** | **50,070** | **272,131** |
| Dividends paid | - | (200,000) | - | (200,000) |
| **Total Transactions with Owners Reported Directly in Equity** | **-** | **(200,000)** | **-** | **(200,000)** |
| **Balance on 31 December 2020** | **3,285,893** | **872,460** | **863,912** | **5,022,265** |
| | | | | |
| **Balance on 01 January 2021** | **3,285,893** | **872,460** | **863,912** | **5,022,265** |
| *Comprehensive Income for the Period* | | | | |
| Net profit for the year | - | 354,073 | - | 354,073 |
| Loss on revaluation of available for sale securities | - | - | (208,604) | (208,604) |
| **Total Comprehensive Income** | **-** | **354,073** | **(208,604)** | **145,469** |
| Dividends paid | - | (200,000) | - | (200,000) |
| **Total Transactions with Owners Reported Directly in Equity** | **-** | **(200,000)** | **-** | **(200,000)** |
| **Balance on 31 December 2021** | **3,285,893** | **1,026,533** | **655,308** | **4,967,734** |

The notes on pages 5 to 34 are an integral part of these financial statements.

**ILLYRIA LIFE Sh.a**
**STATEMENT OF CASH FLOWS**
**As at and for the year ended 31 December 2021**
**(All amounts expressed in EUR, unless otherwise stated)**

| | **Note** | **2021** | **2020** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit for the period** | | **444,457** | **291,739** |
| ***Adjustments for:*** | | | |
| Depreciation and amortization | 11 | 50,184 | 35,462 |
| Increase in losses and loss adjustment insurance liabilities | 13 | 1,443,493 | 1,130,351 |
| Decreases in unearned premium insurance liabilities | 14 | 80,946 | 12,449 |
| Impairment of trade receivables | 23 | 63,405 | 26,356 |
| Interest expenses | | 1,504 | 500 |
| Investment income | | (401,530) | (358,528) |
| **Cash flows from operating activities before changes in operating** | | **1,682,459** | **1,138,329** |
| *Changes in operating assets and liabilities* | | | |
| (Increase)/decreases in reinsurance share of insurance liabilities | 10 | (11,566) | (1,744) |
| (Increase)/decrease in other assets, excluding accrued interest | 12 | (67,631) | (114,790) |
| (Decrease)/Increase in deferred revenue | 15 | (23,993) | (267) |
| Increases/(decrease) in other liabilities, excluding income tax payable | 17 | 35,017 | 5,331 |
| **Cash flows generated from operations** | | **1,614,286** | **1,026,859** |
| | | | |
| Income tax paid | | (98,386) | (45,450) |
| **Net cash generated from operating activities** | | **1,515,900** | **981,409** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 11 | (99,018) | (2,517) |
| (Increases)/Decrease in term deposits | 9 | (91,611) | 540,236 |
| (Increase) in Debt and other Fixed Income Securities | 9 | (2,412,998) | (951,243) |
| Interest received | | 392,351 | 358,528 |
| **Net cash from investing activities** | | **(2,211,276)** | **(54,996)** |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Dividend Paid | 7 | (200,000) | (200,000) |
| Repayment of borrowings and leasing liabilities | 7 | (16,834) | (9,199) |
| Interest paid | | (1,504) | (500) |
| **Net Cash from Financing Activities** | | **(218,338)** | **(209,699)** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | (913,714) | **716,714** |
| Cash and cash equivalents at the beginning of the year | 8 | 1,354,329 | 637,615 |
| **Cash and cash equivalents at 31 December** | 8 | **440,615** | **1,354,329** |

The notes on pages 5 to 34 are an integral part of these financial statements.

## 1. REPORTING ENTITY

Illyria Life Sh.a. (formerly "Dukagjini Life", hereafter "Illyria Life" or "the Company") is a joint-stock company registered by the Kosovo Business Registration Agency on 28 August 2008. Illyria Life was the first licensed life insurance company in Kosovo and was established under UNMIK regulation 2001/25 and Rule 31 of Central Company of Kosovo on licensing of life insurance companies in Kosovo.

The Company is a wholly owned subsidiary of Pozavarovalnica Sava d.d." Save Re Group", a Slovenian company which is present in Kosovo through K.S. Illyria, Sh.a. and K.S.J. Illyria Life, Sh.a.

The Company operates from one building located at Mother Theresa Boulevard, no. 33, Prishtina, Kosovo. At 31 December 2021, the Company employed 61 staff and senior management (2020: 66).

## 2. BASIS OF PREPARATION

### a. Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2d and Note 3: Significant accounting policies.

The financial statements are prepared as of and for the years ended 31 December 2021 and 2020. Current and comparative data stated in these financial statements are expressed in Euro's, unless otherwise stated.

### b. Basis of measurement

Financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

### c. Functional and presentation currency

The financial statements are presented in Euro ("EUR"), which is the Company's presentation and functional currency.

### d. Critical judgments in applying the accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## 2. BASIS OF PREPARATION (CONTINUED)

### d. Critical judgments in applying the accounting policies and key sources of estimation uncertainty (continued)

*Recognition and measurement of insurance liabilities, technical reserves*
Note 13 and 14 and note 6 *(Reserves and actuarial assumptions adequacy test)* and the respective accounting policy note 3.c (i) contain information about the assumptions and uncertainties related to insurance liabilities.

The most significant estimates in the financial statements of the Company relate to technical provisions. The Company has a reasonably cautious approach to provisioning. Management believes that the current level of technical reserves is sufficient.

*Impairment losses on receivables*
The Company reviews its insurance to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of receivables before the decrease can be identified with an individual debtor in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtor that correlates with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

*Income tax*
The Company is subject to income taxes based on the new law no.06/l-105 on corporate income tax effective from 5 August 2019. Significant judgement is required in determining the provision for income tax for the current year. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Estimation of fair values of Investment Securities*
The fair value of investment securities is determined using valuation techniques. The company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 6.

*Coronavirus (COVID-19) pandemic*
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products offered, customers, investments and staffing and geographic region in which the Company has its parent. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavorably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a. Foreign currency

Foreign currency transactions, if any, are transactions undertaken by the Company 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 recognized 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 and investment contracts (liabilities)

Contracts under which the Company accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder against a specified uncertain future event (the insured event) which adversely affects the policyholder are classified as insurance contracts. Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of specified interest rate, security price, commodity price, foreign exchange rate, indexes of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable when the variable is not specific to a party to the contract. Contracts under which the transfer of insurance risk to the Company from the policy holder is not significant are classified as investment contracts. All contracts currently written by the Company involve the transfer of significant insurance risk.

### c. Insurance contracts (liabilities)

#### *i. Recognition and measurement*

*General insurance contracts*

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

*Mathematical reserves*

Mathematical provisions for life insurance contracts represent the actuarial value of obligations arising from policyholders' guaranteed entitlements. In most cases, they are calculated using the net Zillmer method with the same parameters as those used for premium calculation, except for the discount rate applied, which was a technical interest rate not exceeding 2.75%. Other parameters are the same as those used in the premium calculation. Calculated negative liabilities arising out of mathematical provisions are set to nil. The Zillmer method was used for amortising acquisition costs. The calculation of mathematical provisions is based on the assumption that the full agent commission was paid at conclusion of the contract, while agents actually receive the commission within two to five years depending on the policy term. The mathematical provision includes all deferred commission. The Company sets aside deferred acquisition costs, showing them under assets in the event of commission prepayments, or shows the difference between the positive Zillmerised mathematical provision and the Zillmerised mathematical provision.

*Revenue*

Gross premiums on insurance contracts are recorded on written premium basis and are accreted to earnings on a pro-rata basis over the term of the related policy coverage. Gross written premium reflect business written during the year, and include applicable taxes or duties based on premiums. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Unearned premiums*
The provision for unearned premium comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using pro-rata basis.

*Claims (loss adjustments)*
Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring 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. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material.

Whilst the Board of Directors considers that the insurance liabilities for claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the insurance liabilities are reflected in the financial statements for the period in which the adjustments are made. The life insurance provision has been computed by the Company's actuary, having due regard to principles laid down in the regulation for the calculation of the mathematical provision for life assurers, issued by the Insurance Regulator.

### *i. Reinsurance assets*

The Company 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 Company from its direct obligation to its policy holders. The Company's reinsurance policy is established in order to limit its potential losses arising from longer exposures to Life insurance policies. Such reinsurance includes all insurance policies above certain limits of insured amounts.

Reinsurance premiums for ceded reinsurance are recognized 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 recognized as reinsurance assets are measured on a basis that is consistent with the measurement of the provision held in respect of the related insurance contracts.

Reinsurance receivables include reinsurance commission in respect of premiums ceded to the reinsurer. 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 Company may not recover all amounts due, and that the event has a reliable measurable impact on the amounts that the Company will receive.

### *ii. 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d. Financial instruments

*Recognition*
The Company initially recognizes loans, advances and deposits on the date that they originate. All other financial assets and liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

*Classification*
See accounting policy 3. (e), (f) and (g).

*De-recognition*
The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all risk or rewards of the transferred assets or a portion of them.

If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

*Offsetting*
Financial assets and liabilities are set off and the net amount presented when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize 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 Company’s trading activity.

*Amortized cost measurement*
The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

*Fair Value measurement.* Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date. As at 31 December 2021 the Company used level 2 information to measure the value of Investment Securities” (see note 6).

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d. Financial instruments (continued)

*Identification and measurement of impairment*
At each reporting date the Company assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a debtor will enter Company bankruptcy or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

### d. Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with Banks and short-term highly liquid investments with maturities of three months or less when purchased.

### 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, those with maturities greater than three months are classified as term deposits. Interest is calculated on an accrual basis and interest receivable is reflected in other assets.

### g. Other receivables

Other receivables are stated at their costs less impairment losses (see accounting policy 3.d.vii).

### h. Property, plant and equipment

Property and equipment assets, except for buildings are initially recognised at cost, including cost directly attributable to acquisition of the asset. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses.

Property and equipment assets are first depreciated upon their availability for use. Depreciation is calculated for each item separately, on a straight-line basis. Depreciation rates are determined so as to allow writing off the cost of property and equipment assets over their estimated useful life.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Depreciation and amortization*
Depreciation and amortization on all categories of fixed assets is calculated on a straight-line basis over the estimated useful lives of the assets. The annual depreciation rates are:

| | |
|---|---|
| Buildings and premises | 1.30% |
| Computer equipment | 33.33% |
| Office and other furniture | 10% |
| Other equipment | 20% |
| Software | 20% |

The Company assesses annually whether there is any indication of impairment. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell.

If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

Gains and losses on the disposal of items of property and equipment, calculated as the difference between sales proceeds and carrying amounts, are included in profit or loss. The costs of property and equipment maintenance and repairs are recognised in profit or loss as incurred. Investments in property and equipment assets that increase future economic benefits are recognised in their carrying amount.

### i. Impairment of non-financial assets

The carrying amounts of the Company'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 recognized 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 recognized 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.

### j. Provision

A provision is recognized when the Company 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.

### k. Revenue recognition

*Earned Premiums from insurance contracts*
The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 3.c.(i).

*Investment income*
Investment income represents income from financial assets and is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### l. Employee benefits

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

### m. 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.

### n. Right-of-use assets

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

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

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

### o. Lease liabilities

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### p. Leases

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

### q. Income tax

*Corporate income tax*

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

Current tax is calculated on the basis of the expected taxable profit for the financial year. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

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

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

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

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

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

## 4. NEW OR REVISED STANDARDS

### 4.1 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

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

The following new standards and amendments became effective as at 1 January 2021:

- COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

### 4.2 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE COMPANY

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. The Company is in the initial stage of the assessment of the impact of the of IFRS 17 Insurance Contracts in the financial statements, nevertheless its adoption is expected to have significant impact in the Company's financial statements.

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

- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9,
- IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Deferred Tax related to Assets and Liabilities from a Single Transaction

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

## 5. INSURANCE RISK MANAGEMENT

### a. Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organizations that are directly subject to the risk. Such risks may relate to life or other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Company also has exposure to market risk through its insurance and investment activities.

Insurance risk relates to the uncertainty in the insurance business. The significant components of insurance risk are premium risk and reserve risk. These risks affect the adequacy of insurance premium rates, insurance liability provisions and the capital base.

Premium risk is present when the policy is issued before any insured event has occurred. The risk is that expenses and incurred losses will be higher than the premium received. Reserve risk represents the risk that the absolute level of the technical provisions is incorrectly estimated.

Underwriting risk components of the life assurance business include biometric risk (comprising mortality and disability) and lapse risk. Lapse risk relates to unanticipated higher or lower rate of policy lapses, terminations, changes to paid-up status (cessation of premium payments) and surrenders. Mortality rates and guaranteed interest rates have the largest impact on the risk that the premium will not be sufficient to cover the expenses and incurred losses.

Guaranteed interest rates are capped, while the Company utilizes the most recent mortality rate tables available in Kosovo, which were produced by UNMIK in 2003 and adjusted in 2018 to reflect regional & group experience. They include separate statistics for both the male and female population.

Life assurance provisions are computed by the Company's actuary for all long-term active insurance policies and those capitalized, pursuant to the Company's internal policies and regulatory requirements. Provisions are computed utilizing the gross Zillmer method and are separately calculated for each policy. In applying the gross Zillmer method to calculate life assurance provisions, the Company includes acquisition costs, including alpha expenses within the limits prescribed by the Insurance regulator. Policy acquisition costs are not included in calculating life assurance provisions for insurances policies in which the insuring party is no longer required to pay premiums, such as capitalized insurance or single-premium insurance policies. Use of the gross method does not affect the disbursement of the agreed sum insured. The assumptions used for calculation of premiums are the same ones that are used for calculation of provisions.

### b. Underwriting strategy

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing, product design and management of reinsurance.

The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years, which reduces the variability of the outcome.

### c. Reinsurance Strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources. The Company buys proportionate reinsurance treaties to reduce the net exposure for an individual risk to less than EUR 15,000 for all traditional life products & two riders, pertaining to accidental death and disability for policies written until 31 December 2020. The aforementioned retention is EUR 20,000 for policies written from 31 January 2021.

Ceded reinsurance contains credit risk and such reinsurance recoverable is reported after deductions for known uncollectible items. The Company monitors the financial condition of its reinsurer on an ongoing basis and reviews its reinsurance arrangements periodically.

## 5. INSURANCE RISK MANAGEMENT (CONTINUED)

### d. Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

*Products*

The products offered by the Company are:

***Mix Life***, which is an endowment policy that pays the sum insured on the earlier of death of the insured or at the maturity date of the policy, which event occurs first;

***Scholarship***, which is an endowment policy that pays a fixed term annuity starting on the maturity date of the policy;

***Additional Death Coverage***, a death benefit which is paid at the occurrence of death of the insured person. Not contracted separately, but only as a rider to the above noted Scholarship product.

***Group Term Life***, which provides coverage for death only during the term of the policy; and

***Personal accidents*** (accidental death, invalidity, medical expenses, daily allowances), the benefit for which is payable upon the occurrence of any of the above listed events. Personal accident products are not sold separately, but are sold as riders to the main covers.

The Company does not offer unit linked products.

*Premiums*

The premiums are paid in regular installments (monthly, quarterly, semi-annual and yearly premiums), but also as a lump sum. Premiums are denominated in EUR, and the Company is not exposed to currency risk.

Indexation is the increase of the sum insured during the term of insurance validity. Indexation is optional and can be purchased for an additional premium. For contracts that include the indexation option, indexation is performed every five years, unless the retail price index increased cumulatively by at least 10%. Indexation can only be performed up to five years before the expiry of the insurance contract. No indexation is performed during the last five years of the insurance contract.

*Profit sharing*

Policyholders of classical Mix Life (endowment policies) are entitled to a share of up to 85% of the profits generated by the Company while managing assurance funds. The remaining 15% of profits generated remain with the Company.

The policyholder profit result is calculated based on the current year experience after deduction of investment income from capital fund and income tax. Due to positive policyholder profit result, an amount of EUR 31,500 net profit will be allocated to policies for year- ended 31 December 2021 (2020; EUR Nil, due to a negative policyholder profit result)

Profit is calculated for each and every life insurance policy, which in accordance with the general conditions is eligible for participation in profit. Profit for policies which do not participate in profit sharing, remain with the Company. Profit allocated to policy holders are not paid out, instead it is included in the insured sum.

### e. Concentration of insurance risks

An aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk, which determines the extent to which a particular event or series of events could impact significantly upon the Company's liabilities. Concentrations of risk can arise in situations where the Company is exposed to unexpected changes in trends, for example, unexpected changes in human mortality or in policyholder behavior.

The risks underwritten by the Company are located in the Republic of Kosovo. The Company is exposed to concentration risk through its Group Term Life policies. Management does not consider that there is a significant insurance risk concentration as of 31 December 2021.

### f. Exposure relating to catastrophic events

The Company considers that in its major insurance activity it has not accumulated exposures related to catastrophic events.

**(All amounts expressed in EUR, unless otherwise stated)**

## 6. FINANCIAL RISK MANAGEMENT

Transactions in financial instruments may result in the Company undertaking more financial risks. These include credit risk, market risk, currency risk and liquidity risk. Each of these financial risks is described below.

**Determination of fair values**
The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

***Level 1:*** Quoted market price (unadjusted) in an active market for an identical instrument.

***Level 2:*** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments, if any, valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;

***Level 3:*** Valuation techniques using significant unobservable inputs. In addition, in this level are included investments in subsidiaries, associates and other equity shares stated at cost, that do not have reliable market value, if any.
Below is an analysis of financial instruments measured at or given disclosure of fair value according to valuation methods used in 2021 and 2020:

| **As of 31 December 2021:** | **Level 1:** | **Level 2:** | **Level 3:** | **Total** |
|---|---|---|---|---|
| Investment securities | - | 12,264,088 | - | 12,264,088 |
| **Total** | **-** | **12,264,088** | **-** | **12,264,088** |

| **As of 31 December 2020:** | **Level 1:** | **Level 2:** | **Level 3:** | **Total** |
|---|---|---|---|---|
| Investment securities | - | 10,051,958 | - | 10,051,958 |
| **Total** | **-** | **10,051,958** | **-** | **10,051,958** |

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

| **As of 31 December 2021** | **Carrying Value** | **Fair value** |
|---|---|---|
| Cash Equivalents | 440,615 | 440,615 |
| Term Deposits | 1,179,840 | 1,179,840 |
| Premium Receivables | 197,820 | 197,820 |
| **TOTAL** | **1,818,275** | **1,818,275** |
| | | |
| **As of 31 December 2020** | | |
| Cash Equivalents | 1,354,329 | 1,354,329 |
| Term Deposits | 1,086,786 | 1,086,786 |
| Premium Receivables | 187,205 | 187,205 |
| **TOTAL** | **2,628,320** | **2,628,320** |

(All amounts expressed in EUR, unless otherwise stated)

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk

In the normal course of its business, as premiums are received, they are invested to pay for future policy holder obligations. The Company has no significant concentration of credit risk. The Company has policies that limit the amount of credit exposure to any single counter party. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of financial position.

| | 2021 | 2020 |
|---|---|---|
| Cash Equivalents in Banks | 440,174 | 1,354,108 |
| Term Deposits | 1,179,840 | 1,086,786 |
| Investment Securities | 12,264,088 | 10,051,958 |
| Premium receivables and other assets | 251,963 | 247,737 |
| **As of 31 December** | **14,136,065** | **12,740,589** |

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

**Investment in Government Bonds.** The Company has significant concentration in investment securities, since all investments represent government bonds issued from Republic of Kosovo.

**Premium receivable.** The Company actively manages its product mix to ensure that there is no significant concentration of credit risk. The aging structure is presented under note 12.

### Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates.

### Interest rate risk

Interest rate risk is comprised of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets.

The length of time for which the rate of interest is fixed on a financial instrument indicates to what extent it is exposed to interest rate risk. The financial assets and liabilities of the Company carry market interest rates.

### Risk Arising from Changes in Interest Rates

The Company's exposure to risks arising from changes in interest rates is relatively limited. The Company is not a borrower, and its investments are primarily focused on fixed interest rate instruments. The Company's exposure to risks from changes in interest rates is greater when considering future cash flows from interest bearing instruments if the returns from those investments fall below the guaranteed technical interest rate over a prolonged period of time.

| 31 December 2021 Type of Financial Instrument | Non-Interest bearing | Fixed interest up to 1 year | Fixed interest 1 up to 5 year | Fixed interest over 5 year | Total |
|---|---|---|---|---|---|
| Cash Equivalents | 440,174 | - | - | - | **440,174** |
| Term Deposits | 320,000 | 815,951 | 43,889 | - | **1,179,840** |
| Investment securities | - | 131,527 | 7,085,207 | 5,047,354 | **12,264,088** |
| Premium receivables and other assets | 251,963 | - | - | - | **251,963** |
| **Total** | **1,012,137** | **947,478** | **7,129,096** | **5,047,354** | **14,136,065** |

(All amounts expressed in EUR, unless otherwise stated)

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

| 31 December 2021 Type of Financial Instrument | Non-Interest bearing | Fixed interest up to 1 year | Fixed interest 1 up to 5 year | Fixed interest over 1 year | Total |
|---|---|---|---|---|---|
| Insurance liabilities for Losses and loss adjustment expenses | 9,317,476 | - | - | - | **9,317,476** |
| Lease Liability | - | 28,354 | 99,666 | - | **128,020** |
| Other liabilities | 180,172 | - | - | - | **180,172** |
| **Total** | **9,497,648** | **28,354** | **99,666** | **-** | **9,625,668** |

| 31 December 2020 Type of Financial Instrument | Non-Interest bearing | Fixed interest up to 1 year | Fixed interest 1 up to 5 years | Fixed interest over 1 year | Total |
|---|---|---|---|---|---|
| Cash Equivalents | 1,354,108 | - | - | - | **1,354,108** |
| Term Deposits | 320,126 | 739,912 | 26,748 | - | **1,086,786** |
| Investment securities | - | 365,289 | 6,133,623 | 3,553,046 | **10,051,958** |
| Premium receivables and other assets | 247,737 | - | - | - | **247,737** |
| **Total** | **1,921,971** | **1,105,201** | **6,160,371** | **3,553,046** | **12,740,589** |

| 31 December 2020 Type of Financial Instrument | Non-Interest bearing | Fixed interest up to 1 year | Fixed interest 1 up to 5 years | Fixed interest over 1 year | Total |
|---|---|---|---|---|---|
| Insurance liabilities for Losses and loss adjustment expenses | 7,873,983 | - | - | - | **7,873,983** |
| Lease Liability | - | 9,474 | 3,221 | - | **12,695** |
| Other liabilities | 145,155 | - | - | - | **145,155** |
| **Total** | **8,019,138** | **9,474** | **3,221** | **-** | **8,031,833** |

**Currency risk**

The Company undertakes transactions mainly in Euro to satisfy regulatory and self-imposed capital requirements. Currency risk in the investment portfolio is managed using assets/liabilities matching principles.

**Liquidity risk**

Liquidity risk is moderately inherent to the Company’s business as certain assets purchased and liabilities sold could have liquidity characteristics that are specific. If the Company requires significant amounts at short notice, in excess of normal cash requirements, it may face difficulties to obtain attractive prices. The Company monitors its liquidity on a daily basis in order to manage its obligations when they fall due.

**Maturity Structure**

The Company has to meet potential daily calls on its cash resources, notably from claims arising on its insurance contracts. This gives rise to the risk that cash will not be available to settle liabilities when due at a reasonable cost. The Company manages this risk by setting minimum limits on the proportion of maturing assets that will be available to settle these liabilities. The maturity structure of the financial assets of the Company presented below is based on the remaining term to maturity

(All amounts expressed in EUR, unless otherwise stated)

:

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

| 31 December 2021<br>Type of Financial Instrument | No Maturity | Up to 1 Year | Over 1 to 5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|
| Cash Equivalents | - | 440,615 | - | - | **440,615** |
| Term Deposits | 320,000 | 815,951 | 43,889 | - | **1,179,840** |
| Investment securities | - | 131,527 | 7,085,207 | 5,047,354 | **12,264,088** |
| Premium receivables and other assets | - | 251,963 | - | - | **251,963** |
| **Total** | **320,000** | **1,640,056** | **7,129,096** | **5,047,354** | **14,136,506** |

Financial items under no maturity are items deposited in the Central Bank of Kosovo in accordance with the regulation.

| 31 December 2021<br>Type of Financial Instrument | No Maturity | Up to 1 Year | Over 1 Year | Over 5 Years | Total |
|---|---|---|---|---|---|
| Insurance liabilities for Losses and loss adjustment expenses | - | 611,431 | 1,124,342 | 7,581,703 | **9,317,476** |
| Lease Liability | - | 28,354 | 99,666 | - | **128,020** |
| Other liabilities | - | 180,172 | - | - | **180,172** |
| **Total** | **-** | **819,957** | **1,224,008** | **7,581,703** | **9,625,668** |

| 31 December 2020<br>Type of Financial Instrument | No Maturity | Up to 1 Year | Over 1 to 5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|
| Cash Equivalents | - | 1,354,108 | - | - | **1,354,108** |
| Term Deposits | 320,126 | 739,912 | 26,748 | | **1,086,786** |
| Investment securities | - | 365,289 | 6,133,623 | 3,553,046 | **10,051,958** |
| Premium receivables and other assets | - | 247,737 | - | - | **247,737** |
| **Total** | **320,126** | **2,707,046** | **6,160,371** | **3,553,046** | **12,740,589** |

Financial items under no maturity are items deposited in the Central Bank of Kosovo in accordance with the regulation.

| 31 December 2020<br>Type of Financial Instrument | No Maturity | Up to 1 Year | Over 1 Year | Over 5 Years | Total |
|---|---|---|---|---|---|
| Insurance liabilities for Losses and loss adjustment expenses | - | 318,818 | 905,667 | 6,649,498 | **7,873,983** |
| Lease Liability | - | 9,474 | 3,221 | - | **12,695** |
| Other liabilities | - | 145,155 | - | - | **145,155** |
| **Total** | **-** | **473,447** | **908,888** | **6,649,498** | **8,031,833** |

**(All amounts expressed in EUR, unless otherwise stated)**

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Reserves and actuarial assumptions adequacy test

The Company calculates and charges a life insurance reserve (mathematical reserve) to provide for future payments under long term insurance policies. Many factors affect the calculation of these reserves including, mortality, cancellations and technical interest. Life insurance reserve is calculated based on current assumptions for the basic parameters. The liability adequacy test is limited to analysis of the main parameters that have the most significant impact on the reserve calculation.

“Mortality” is the risk covered by all insurance products, underwritten by the Company.
“Mortality” risk occurrence data for 2021 including estimations used are as follows:

| | |
|---|---|
| Number of people currently insured susceptible to the risk of death | 8,759 people |
| Average age of people susceptible to the risk of death | 40 years |
| Number of payments following deaths of insured in 2020 | 8 cases. |
| Estimated number of deaths per 1000 people | 6.63 cases. |
| Actual number of deaths per 1000 people | 0.91 |

Therefore, the actual “Mortality” risk occurrence shown on this table is below the expectation levels during 2021.

### Surrender

Surrenders can take place for the Mix Life Product. When the premium is calculated, the probability of surrender is taken into account. The estimated probability for surrender is highest in the third year at 5%, while leveling off in year twenty at 1%.

The Company’s product allows for surrender costs after the second year, if the policy term is shorter or equal to 15 years, and after the third year, if the policy term is greater than 15 years. In the year 2021, 255 (2020: 239) insured persons surrendered their policies, with the corresponding surrender value of EUR 509,450 (2020: EUR 475,646).

### Technical Interest

The technical interest rate of 2.75% p.a is used for older policies written until 30 June 2018; 1.75% p.a for policies written from 1 July 2018 until 31 December 2020; and 1% p.a. for new policies written from 1 January 2021, which are also used when calculating the reserve. The technical interest rate is the minimum guaranteed return for every life insurance contract. There is a risk that income from investments will not cover the minimum guaranteed return. In 2021, the generated book return on investments (including mathematical reserves) covers the average guaranteed return, resulting in a positive policyholder profit. In 2020 the generated net income on investments (including mathematical reserves) does not cover the minimum guaranteed income, resulting in a negative policyholder profit.

The analysis of the actuarial parameters used in the calculation of the tariffs and life insurance reserves shows that the assumptions made are reliable and prudent. The favorable development of the risks compared to the expected values, guarantees that the reserves are adequately charged.

### Reinsurance Risk

The Company cedes insurance risk to limit exposure to underwriting losses under separate agreements for each type of insurance. These reinsurance agreements spread the risk and minimize the effect of losses. The amount of each risk retained depends on the Company’s evaluation of the specific risk, subject in certain circumstances to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

**(All amounts expressed in EUR, unless otherwise stated)**

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

When selecting a reinsurer, the Company considers their credit quality The credit quality of the reinsurer is assessed from public rating information and from internal investigations. The current reinsurer has a Standard and Poor's rating of A, and an AM Best rating of A.

**Sensitivity Analysis**
The main factors affecting the profit of the company are the level of claims ratio and expenses.

| Simulation as at 31 December 2021 | Profit / (Loss) | Net Equity | Required Guarantee Fund |
|---|---|---|---|
| Current | 354,073 | 4,967,734 | 3,200,000 |
| Claims Increase by (+40%) | 322,701 | 4,936,362 | 3,200,000 |
| Expenses Increase by (+10%) | 288,282 | 4,901,943 | 3,200,000 |

| Simulation as at 31 December 2020 | Profit / (Loss) | Net Equity | Required Guarantee Fund |
|---|---|---|---|
| Current | 222,061 | 5,022,265 | 3,200,000 |
| Claims Increase by (+40%) | 208,194 | 5,008,398 | 3,200,000 |
| Expenses Increase by (+10%) | 169,808 | 4,970,012 | 3,200,000 |

The table above presents a simulation, taking into account changes to certain claims incurred or increases in expenses, and its effect on the Net Equity of the Company and the available solvency margin.

**Operational Risk**
Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk may arise with inadequate information system, technological errors, breach in the internal control, frauds, unforeseen circumstances and other problems having operational character in result of which there is a possibility of unexpected losses.

Operational risks arise from all operations of the Company. The purpose of the Company is to manage the operational risk in a way to achieve a balance between avoiding financial losses and reputation risk and the Company's effective cost management.

**Other risks**
Changes in governmental regulations in the business segments in which the Company operates may affect profitability. The insurance business is subject to comprehensive and developing supervision in Kosovo. The primary purpose of such regulations is to protect policyholders.

Changes in existing insurance laws and regulations may affect the way in which the Company conducts its business and the products offered. Additionally, the insurance laws or regulations adopted and amended from time to time may be more restrictive or may result in higher costs than current requirements.

**Disclosures and estimation of fair values**
Fair value estimates, if any, are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments.

**(All amounts expressed in EUR, unless otherwise stated)**

## 7. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | 1 January 2021 | Additions to IFRS 16 | Cash flows | Declaration of Dividends | 31 December 2021 |
|---|---|---|---|---|---|
| Lease Liabilities | 12,695 | 132,159 | (16,834) | - | 128,020 |
| Dividends payable | - | - | (200,000) | 200,000 | - |
| **Total liabilities from financing activities** | **12,695** | **132,159** | **(216,834)** | **200,000** | **128,020** |

| | 1 January 2020 | Adoption of IFRS 16 | Cash flows | Declaration of Dividends | 31 December 2020 |
|---|---|---|---|---|---|
| Lease Liabilities | 21,894 | - | (9,199) | - | 12,695 |
| Dividends payable | - | - | (200,000) | 200,000 | - |
| **Total liabilities from financing activities** | **21,894** | **-** | **(209,199)** | **200,000** | **12,695** |

## 8. CASH AND CASH EQUIVALENTS

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Cash on hand** | 441 | 221 |
| **Cash equivalent at Banks** | 440,174 | 1,354,108 |
| **Total** | **440,615** | **1,354,329** |

Cash equivalent at Banks include current accounts of EUR 440,174 (2020: EUR 1,354,108) at Raiffeisen Bank, ProCredit Bank, TEB, NLB Prishtina, Banka për Biznes, Banka Kombëtare Tregtare, Banka Ekonomike, Ziraat Bank, and IS Bank.

## 9. TERM DEPOSITS, DEBT AND INVESTMENT SECURITIES

The breakdown of term deposits with maturities exceeding three months is as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| NLB Prishtina | 51,400 | 59,664 |
| Banka Kombtare Tregtare | 400,000 | 300,000 |
| Banka per Biznes | 400,000 | 400,000 |
| Central Bank of Republic of Kosovo-(Restricted Deposit) | 320,000 | 320,126 |
| Accrued interest | 8,439 | 6,996 |
| **Total** | **1,179,840** | **1,086,786** |

The annual deposit interest rates with respect to 2021 term deposits ranged from 1.50% to 2.00% (2020: 1.50% to 2.00%).

Net Interest income of EUR 15,579 (2020: EUR 12,687) was earned from term deposits. Withholding tax of 10% (2020: 10%) is applied to interest income and is withheld by the banks upon payment of interest to the Company. Interest income from term deposits is included in investment income.

**(All amounts expressed in EUR, unless otherwise stated)**

## 9. TERM DEPOSITS, DEBT AND NVESTMENTSECURITIES (CONTINUED)

At 31 December 2021 the company has a portion of its assets in Sovereign Debt Securities, held in custody with NLB Prishtina, as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| KS Government Bonds – Available for Sales | 12,264,088 | 10,051,958 |
| **Total** | **12,264,088** | **10,051,958** |

The Sovereign Debt Securities classified as Available for Sale have a stated Yield to Maturity of 1.13% - 6.39%. The Debt Securities have remaining maturities from 15 months up to 120 months.

The Sovereign Debt Securities have been designated as managed on fair value basis; Level 2 (please see Note 6.) and the decrease in the fair value for the year ended 31 December 2021 amounted to EUR 208,604. The fair value of debt securities for the year ended 31 December 2020 increased for EUR 50,070.

Interest income of EUR 385,951 (2020: EUR 344,441) was earned from Sovereign Debt Securities.

## 10. REINSURER SHARE OF INSURANCE LIABILITIES

At year end, the reinsurer's share of insurance liabilities is as follows:

| | 31 December 2021 | Change for the period | 31 December 2020 |
|---|---|---|---|
| Reinsurer's share on insurance liability on unearned premium | | | |
| Capital life | 24,304 | 11,479 | 12,825 |
| Riders | 11,060 | 87 | 10,973 |
| | **35,364** | **11,566** | **23,798** |
| Reinsurance share on insurance liability on claims reserves | - | - | - |
| **Total** | **35,364** | **11,566** | **23,798** |

**(All amounts expressed in EUR, unless otherwise stated)**

## 11. PROPERTY, PLANT, EQUIPMENT AND INTANGIBILE ASSETS

| | Buildings and Premises | Computer Equipment | Office and other Furniture | Other Equipment | Vehicles | Software | Right-of-use-assets | Total |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| Balance at 1 January 2020 | **589,042** | **21,805** | **16,051** | **1,439** | **64,180** | **101,108** | **30,826** | **824,451** |
| Additions | - | - | 890 | 1,627 | - | - | - | **2,517** |
| **Balance at 31 December 2020** | **589,042** | **21,805** | **16,941** | **3,066** | **64,180** | **101,108** | **30,826** | **826,968** |
| Balance at 1 January 2021 | **589,042** | **21,805** | **16,941** | **3,066** | **64,180** | **101,108** | **30,826** | **826,968** |
| Addition ROA | **-** | **-** | **-** | **-** | **-** | **-** | 132,159 | **132,159** |
| Additions | 61,610 | 5,799 | 19,209 | 779 | - | 11,621 | - | **99,018** |
| **Balance at 31 December 2021** | **650,652** | **27,604** | **36,150** | **3,845** | **64,180** | **112,729** | **162,985** | **1,058,145** |
| **Accumulated depreciation and amortization** | | | | | | | | |
| **Balance at 1 January 2020** | **(85,155)** | **(13,954)** | **(13,293)** | **(742)** | **(3,864)** | **(98,580)** | **(9,294)** | **(224,882)** |
| Charge for the year | (7,658) | (3,679) | (676) | (196) | (12,836) | (1,123) | (9,294) | **(35,462)** |
| **Balance at 31 December 2020** | **(92,813)** | **(17,633)** | **(13,969)** | **(938)** | **(16,700)** | **(99,703)** | **(18,588)** | **(260,344)** |
| **Balance at 1 January 2021** | **(92,813)** | **(17,633)** | **(13,969)** | **(938)** | **(16,700)** | **(99,703)** | **(18,588)** | **(260,344)** |
| Charge for the year | (7,754) | (3,607) | (957) | (318) | (13,264) | (6,180) | (18,104) | **(50,184)** |
| **Balance at 31 December 2021** | **(100,567)** | **(21,240)** | **(14,926)** | **(1,256)** | **(29,964)** | **(105,883)** | **(36,692)** | **(310,528)** |
| **Carrying amounts** | | | | | | | | |
| **Balance at 31 December 2020** | **496,229** | **4,172** | **2,972** | **2,128** | **47,480** | **1,405** | **12,238** | **566,624** |
| **Balance at 31 December 2021** | **550,085** | **6,364** | **21,224** | **2,589** | **34,216** | **6,846** | **126,293** | **747,617** |

(All amounts expressed in EUR, unless otherwise stated)

## 12. PREMIUM RECEIVABLES AND OTHER ASSETS

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Premium receivables | 402,586 | 328,566 |
| Provision for Impairment | (204,766) | (141,361) |
| | **197,820** | **187,205** |
| **Other** | | |
| Other asset | 40,993 | 46,446 |
| Due from Sava Re | 10,483 | 8,794 |
| Receivables from Employees | 27 | 2,609 |
| Deferred Acquisition Cost | 2,640 | 2,683 |
| | **54,143** | **60,532** |
| **Total** | **251,963** | **247,737** |

Deferred Acquisition Cost ("DAC") is created only for rider products. DAC is calculated consistent with the unearned premium reserve using the pro-rata temporis method, for agents' commissions and CBK fees.

The age structure of insurance receivables as of 31 December 2021 and 2020 and related impairment is as follows:

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Gross amount | Impairment provision | Gross amount | Impairment provision |
| Up to 30 days | 70,174 | 12,466 | 76,327 | 10,705 |
| 31 to 60 days | 53,043 | 16,366 | 49,424 | 14,788 |
| 61 to 90 days | 48,554 | 17,251 | 49,069 | 19,728 |
| 91 to 180 days | 89,442 | 44,323 | 74,622 | 34,886 |
| 181 to 270 days | 52,955 | 31,688 | 38,885 | 23,632 |
| More than 270 | 88,418 | 82,671 | 40,239 | 37,622 |
| | **402,586** | **204,766** | **328,566** | **141,361** |

Movement of the impairment provision account for the periods considered is as follows:

| | 2021 | 2020 |
|---|---|---|
| AT 01 January | 141,361 | 115,005 |
| Impairment charge for the year (Note 23) | 63,405 | 26,356 |
| At 31 December | **204,766** | **141,361** |

**(All amounts expressed in EUR, unless otherwise stated)**

## 13. INSURANCE LIABILITIES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

| | 2021 | 2020 |
|---|---|---|
| Insurance liabilities for losses and loss adjustment expenses as at 1 January | 7,873,983 | 6,743,632 |
| Losses and loss adjustment expenses incurred | 2,149,874 | 1,728,196 |
| Reserves related to portfolio transfer from Grawe | 5,965 | 5,122 |
| Losses and loss adjustment expenses paid | (712,346) | (602,967) |
| **Insurance liabilities for losses and loss adjustment expenses as at December 31** | **9,317,476** | **7,873,983** |

The insurance liabilities for losses and loss adjustment expenses consist of following:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Life assurance provision | 9,150,612 | 7,721,353 |
| IBNR Reserves | 147,877 | 127,406 |
| RBNS Reserve | 18,987 | 25,224 |
| **Total** | **9,317,476** | **7,873,983** |

The life insurance provision is recorded on a per policy basis using standard computation factors based on actuarial formulae, pricing assumptions on mortality and interest rates used.

A significant measure of experience and judgment is involved in assessing outstanding insurance liabilities; the ultimate costs 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.

## 14. UNEARNED PREMIUM INSURANCE LIABILITIES

Unearned premium reserve by product is comprised as follows:

| **Product** | **31 December 2021** | **Change for the period** | **31 December 2020** |
|---|---|---|---|
| *Capital life:* | | | |
| Mix life assurance | 219,890 | 41,981 | 177,909 |
| Scholarship | 2,481 | 326 | 2,155 |
| Group life assurance | 43,590 | 39,333 | 4,257 |
| *Riders:* | | | |
| Accidental death | 7,545 | (481) | 8,026 |
| Disability from accident | 5,647 | (265) | 5,912 |
| Daily compensation | 29 | 1 | 28 |
| Medical expense | 2,168 | 51 | 2,117 |
| Additions on term life | - | - | - |
| **Total** | **281,350** | **80,946** | **200,404** |

(All amounts expressed in EUR, unless otherwise stated)

| Product | 31 December 2020 | Change for the period | 31 December 2019 |
|---|---|---|---|
| *Capital life:* | | | |
| Mix life assurance | 177,909 | 965 | 176,944 |
| Scholarship | 2,155 | 948 | 1,207 |
| Group life assurance | 4,257 | 4,257 | - |
| *Riders:* | | | |
| Accidental death | 8,026 | 2,748 | 5,278 |
| Disability from accident | 5,912 | 2,605 | 3,307 |
| Daily compensation | 28 | 3 | 25 |
| Medical expense | 2,117 | 979 | 1,138 |
| Additions on term life | - | (56) | 56 |
| **Total** | **200,404** | **12,449** | **187,955** |

## 15. DEFERRED REVENUE

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Premiums collected in advance | 13,369 | 38,249 |
| Unearned reinsurance commission | 5,140 | 4,253 |
| **Total** | **18,509** | **42,502** |

Premiums collected in advance, represents payments by clients which are not due until after 31 of December 2021. Unearned reinsurance commission relates to commissions for unearned premiums at the reporting date.

## 16. LEASE LIABILITIES

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Current | 28,354 | 9,474 |
| Non-current | 99,666 | 3,221 |
| **Total** | **128,020** | **12,695** |

The Company has leases for the three vehicles and one building for office space. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The depreciation charged to profit and loss the year ended 31 December 2021 amount to EUR 18,104 whereas interest expenses charged in profit and loss amount to EUR 1,504.

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

| Right-of use of asses | No of Right of Use of assets leased | Range of remaining term | Average remaining lease term |
|---|---|---|---|
| Vehicles | 3 | 1-2 years | 1.5 years |
| Building | 1 | 4.5 years | 4.5 years |

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 were as follows:

| | Minimum lease payments due | | | |
|---|---|---|---|---|
| **31 December 2021** | **Within 1 Year** | **1-2 Years** | **Over 3 Years** | **Total** |
| Lease payments | 31,707 | 28,464 | 76,551 | 136,722 |
| Finance charges | (3,353) | (2,519) | (2,830) | (8,702) |
| **Net present values** | **28,354** | **25,945** | **73,721** | **128,020** |

**(All amounts expressed in EUR, unless otherwise stated)**

| | Minimum lease payments due | | | |
|---|---|---|---|---|
| **31 December 2020** | **Within 1 Year** | **1-2 Years** | **2-3 Years** | **Total** |
| Lease payments | 9,699 | 3,233 | - | 12,932 |
| Finance charges | (225) | (12) | - | (237) |
| **Net present values** | **9,474** | **3,221** | **-** | **12,695** |

## 17. OTHER LIABILITIES

Other liabilities comprise of:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Due to brokers ("WVP") | 472 | 1,328 |
| Due to Tax Authorities (see below) | 4,207 | 3,507 |
| Due to employees and pension contributions | 36,783 | 33,433 |
| Due to SAVA Re | 68,332 | 50,158 |
| Due to CBK | 14,324 | 10,000 |
| Other payables | 56,054 | 46,729 |
| **Total** | **180,172** | **145,155** |

Due to Tax Authorities relates to the following:

| | 2021 | 2020 |
|---|---|---|
| VAT Payable | 190 | 353 |
| Tax on interest income payable | 627 | 627 |
| Personnel income tax | 3,390 | 2,527 |
| **Total** | **4,207** | **3,507** |

Other payables relate to certain administrative expenses, and payments made which at the 31 of December 2021, have been recognized, but had yet to be paid.

## 18. SHARE CAPITAL

The authorized, issued and fully paid-up share capital of the Company is EUR 3,285,000, comprised of 6,570 ordinary shares with a nominal value of EUR 500 each of which EUR 500 was paid by the reporting date. Share capital as at 31 December 2021 and 2020 consists of:

| Shareholder | Number of shares | Nominal value per share | Paid capital per share | Nominal amount (EUR) | Paid amount (EUR) | Percentage |
|---|---|---|---|---|---|---|
| Sava RE | 6,570 | 500 | 500 | 3,285,000 | 3,285,893 | 100.00% |
| **Total** | **6,570** | **500** | **500** | **3,285,000** | **3,285,893** | **100.00%** |

During 2021 the Company has declared and paid dividends in amount of EUR 200,000 (2020:EUR 200,000)

**(All amounts expressed in EUR, unless otherwise stated)**

## 19. GROSS WRITTEN PREMIUMS

Gross written premiums (GWP) and premium tax by product at year end are comprised as follows:

| | **31 December 2021** | **31 December 2020** |
|---|---:|---:|
| Product | **GWP** | **GWP** |
| *Capital life:* | | |
| Mix life assurance | 2,399,285 | 2,213,578 |
| Credit Life | 550,974 | - |
| Scholarship | 81,479 | 70,396 |
| Group life assurance | 160,725 | 28,673 |
| Term Life | 38,353 | 21,025 |
| *Riders:* | | |
| Accidental death | 81,182 | 74,099 |
| Disability from accident | 66,003 | 60,433 |
| Daily compensation | 112 | 112 |
| Medical expense | 36,767 | 33,267 |
| Additions on term life | 1,383 | 1,052 |
| **Total** | **3,416,263** | **2,502,635** |

## 20. PREMIUMS CEDED TO REINSURERS

Premiums as per products ceded to reinsurer at year end are comprised as follows:

| **Product** | **31 December 2021** | **31 December 2020** |
|---|---:|---:|
| *Capital life:* | | |
| Mix life assurance | 24,327 | 25,035 |
| Credit Life | 15,691 | - |
| Group life assurance | 2,865 | 2,258 |
| Term Life | 1,627 | 493 |
| *Riders:* | | |
| Accidental death | 14,343 | 13,489 |
| Disability from accident | 9,479 | 8,883 |
| **Total** | **68,332** | **50,158** |

**(All amounts expressed in EUR, unless otherwise stated)**

## 21. REINSURANCE COMMISSION

Reinsurance commission by product at year end is comprised as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| *Capital life:* | | |
| Mix life assurance | 1,823 | 1,877 |
| Credit Life | 1,177 | - |
| Group life assurance | 215 | 169 |
| Term Life | 122 | 37 |
| *Riders:* | | |
| Accidental death | 4,303 | 4,047 |
| Disability from accident | 2,843 | 2,665 |
| **Total reinsurance commission calculated** | **10,483** | **8,795** |
| Unearned part of reinsurance commission | (887) | (514) |
| **Total reinsurance commission** | **9,596** | **8,281** |

## 22. POLICY ACQUISITION COSTS

Policy acquisition costs at year end are comprised as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Agent commission, including tax and social expense | 227,252 | 209,770 |
| Agent- commissions Credit life product | 143,863 | - |
| Broker commission | 7,328 | 10,021 |
| CBK fees | 48,403 | 40,000 |
| Deferred Acquisition Costs | 43 | (713) |
| **Total** | **426,889** | **259,078** |

The Company utilizes broker named “WVP – Broker for insurance LLC” in order to sell insurance policies on the Company’s behalf. During 2021 the Company introduced a new product “Credit Life” and signed an agreement with NLB Banka to sell insurance policies on the Company’s behalf.

## 23. ADMINISTRATIVE EXPENSES

Administrative expenses at year end are comprised as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Payroll and related expenses (See note 24) | 359,511 | 326,920 |
| Professional service fees | 37,612 | 40,154 |
| Core System Maintenance | 49,620 | 25,059 |
| Depreciation and amortization | 50,184 | 35,462 |
| Travel and accommodation | 6,267 | 1,018 |
| Office supplies | 19,960 | 13,583 |
| Phone and postage expenses | 6,272 | 4,257 |
| Representation expenses | 9,469 | 4,820 |
| Impairments of receivables | 63,405 | 26,356 |
| Other | 58,688 | 44,909 |
| **Total** | **660,988** | **522,538** |

**(All amounts expressed in EUR, unless otherwise stated)**

## 24. PAYROLL AND RELATED EXPENSES

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Net salaries | 276,699 | 251,351 |
| Withholding income tax | 31,103 | 28,242 |
| Social insurance | 18,784 | 16,952 |
| Accrued Expenses for Bonuses | 32,925 | 30,375 |
| **Total** | **359,511** | **326,920** |

## 25. INCOME TAX

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Income tax expense | 93,459 | 69,678 |
| Deferred tax (credit)/expense | (3,075) | - |
| **Total** | **90,384** | **69,678** |

*Corporate income tax*
Insurance Companies are liable to tax on profit with the new Law no. 06/L-105 “On Corporate Income Tax” which is effective from 5 August 2019. In accordance with the Law insurance companies are required to pay the corporate income tax at 10 % at their taxable profits. The tax rate on taxable corporate income is fixed at 10%.

The Company is required to pay income tax on the taxable profit, as calculated in the annual Income Tax Return Statement. The charge for the year can be reconciled to the profit and loss as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Profit for the year** | **444,457** | **291,739** |
| **Tax rate at 10%** | **44,446** | **29,174** |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income | 87,609 | 74,948 |
| Tax effect of amounts which are exempt in calculating taxable income | (38,594) | (34,444) |
| **Income tax expenses for the period** | **93,459** | **69,678** |

**(All amounts expressed in EUR, unless otherwise stated)**

## 25. INCOME TAX (CONTINUED)

Differences between the IFRS financial statements and the Kosovo taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for reporting purposes and for tax purposes. The tax effect of these temporary differences is calculated at the income tax rate of 10%.

| | 1 January 2021 | Charged/(Credited) to profit or loss | 31 December 2021 |
|---|---|---|---|
| **Tax effect of deductible/(taxable) temporary difference** | | | |
| Property plant and equipment | - | (2,902) | 2,902 |
| Lease liabilities | - | (12,802) | 12,802 |
| Right-of-use assets | - | 12,629 | (12,629) |
| **Net deferred tax asset/(liability)** | **-** | **(3,075)** | **3,075** |

## 26. COMMITMENT AND CONTINGENCIES

***i.Legal***

The Company is involved in routine legal procedures in the ordinary course of business. There are no outstanding lawsuits as at 31 December 2021 and 2020.

There are no additional known commitments or contingencies as at 31 December 2021.

## 27. RELATED PARTY TRANSACTIONS

The Company has related party relationships with its shareholders, sister company, board of directors and management. The following are the Company’s related parties and the respective relationships:

- Sava RE. – Parent Company (100%);
- Illyria sh.a. – Subsidiary of Sava Re;
- Sava Osiguranje - Subsidiary of Sava Re;
- Marko Jazbec, Chairman of the Board of Diectors (BoD);
- Milan Viršek, member of the BoD;
- Rok Moljk, member of the BoD;
- Andreja Rahne, member of the BoD;
- Edita Rituper, member of the BoD;
- Albin Podvorica, member of the BoD and General Director of the Company.

***Transactions with related parties***

A summary of related party transactions, conducted on an arm’s length basis, for the years ended 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Key management personnel remuneration | 103,568 | 102,340 |
| Due to Sava RE | 68,332 | 50,158 |
| Due from Sava RE | 10,483 | 8,794 |

## 27. RELATED PARTY TRANSACTIONS (CONTINUED)

***Transactions with parent company***

The Company has a reinsurance contract with Sava Re which is also the Company's 100% shareholder.

During 2021 the Company ceded EUR 68,332 (2020: EUR 50,158) to Sava Re related to gross written premiums contracted during 2021. The entire amount remains outstanding to be paid to SAVA RE as at 31 December 2021. See note 20 for details of premiums ceded to SAVA RE by life assurance products.

***Transactions with Illyria Sh.a. – sister company and subsidiary of Sava Re***

The Company has contracted professional services consisting of information technology, legal, office space and maintenance, medical censorship, and internal audit, from the sister company Illyria sh.a. totaling EUR 53,100 for the year ended 31 December 2021 (2020: EUR 22,381).

## 28. SUBSEQUENT EVENTS

There were no events after the reporting date that would require adjustments, or additional disclosures in these financial statements.

# Supplementary Schedules

**(All amounts expressed in EUR, unless otherwise stated)**

**Table 1: Solvency Calculation**

| Description | 2021 | 2020 |
|---|---|---|
| **Available Solvency Margin (Table 2)** | 4,960,888 | 5,020,860 |
| **Guarantee Fund** | 3,200,000 | 3,200,000 |
| | | |
| **I. Insurance Products Prescribed By Section 12(2)** | | |
| First Result | 364,700 | 308,854 |
| Second Result | 208,729 | 125,039 |
| **Required Solvency Margin** | **573,430** | **433,893** |
| | | |
| **II. Insurance Products Prescribed By Section 12(3)** | | |
| Premium Result | 33,506 | 29,816 |
| Claims Result | 3,478 | 3,371 |
| **Required Solvency Margin** | **33,506** | **29,816** |
| | | |
| **Total Required Solvency Margin** | **606,936** | **463,709** |
| | | |
| Excess/Deficit of Solvency | 4,353,952 | 4,557,151 |
| | | |
| **Guarantee Fund** | **3,200,000** | **3,200,000** |

**(All amounts expressed in EUR, unless otherwise stated)**

**Table 2: Available Solvency Margin**

| **Description** | **2021** | **2020** |
|---|---|---|
| **Section 11.2** | | |
| Paid-Up Share Capital | 3,285,893 | 3,285,893 |
| Treasury Shares (-) | - | - |
| Reserves | 655,308 | 863,912 |
| *Revaluation Reserves* | 655,308 | 863,912 |
| *Reserves For Deferred Tax Assets* | - | - |
| *Other Reserves* | - | - |
| Retained Earnings | 672,460 | 650,399 |
| Net Profit To Be Paid: | 354,073 | 222,061 |
| **Total Section 11.2** | **4,967,734** | **5,022,265** |
| **Section 11.3** | | |
| Preferential Share Capital And Subordinated Loan Capital: | - | - |
| *Preferred Share Capital With Fixed Maturity* | - | - |
| *Preferred Share Capital Without Fixed Maturity* | - | - |
| *Subordinated Loan Capital With Fixed Maturity* | - | - |
| *Subordinated Loan Capital Without Fixed Maturity* | - | - |
| Securities With No Specified Maturity Date And Other Instruments | - | - |
| **Total Section 11.3** | **-** | **-** |
| **Deductions** | | |
| Intangible Assets | 6,846 | 1,405 |
| **Total Deductions** | **6,846** | **1,405** |
| **Available Solvency Margin** | **4,960,888** | **5,020,860** |
| **Guarantee Fund** | **3,200,000** | **3,200,000** |

**(All amounts expressed in EUR, unless otherwise stated)**

**Table 3: Required Solvency Margin**

| Description | 2021 | 2020 |
|---|---|---|
| **I. Insurance Products Prescribed By Section 12(2)** | | |
| Gross Mathematical Provisions | 9,117,509 | 7,721,353 |
| Gross Mathematical Provisions (Ceded Reinsurance) | - | - |
| **First Result** | **364,700** | **308,854** |
| **Capital At Risk** | | |
| Temporary Insurance Of Death With Term: < 3Yrs | 19,369,656 | 5,739,000 |
| Temporary Insurance Of Death With Term: 3-5 Yrs | 19,592,234 | 4,415,984 |
| All Other Except Temporary Insurance Of Death With Term < 5 Yrs | 65,602,028 | 44,913,885 |
| **Capital At Risk (Reinsurance Recoverable)** | | |
| Temporary Insurance Of Death With Term: < 3Yrs | 2,905,448 | 860,850 |
| Temporary Insurance Of Death With Term: 3-5 Yrs | 2,938,835 | 662,398 |
| All Other Except Temporary Insurance Of Death With Term < 5 Yrs | 9,840,304 | 6,737,083 |
| **Second Result** | **208,729** | **125,039** |
| **II. Insurance Products Prescribed By Section 12(3)** | | |
| Incurred Claims | | |
| *Current Year N* | 15,512 | 14,264 |
| *Current Year N-1* | 14,264 | 10,351 |
| *Current Year N-2* | 10,351 | 14,284 |
| Reinsurance Recoveries | | |
| *Current Year N* | - | - |
| *Current Year N-1* | - | - |
| *Current Year N-2* | - | - |
| **Retention Ratio** | **100%** | **100%** |
| **Premium Basis** | | |
| Gross Premiums Written | 185,447 | 168,963 |
| (Change) Reserves For Unearned Premiums | 697 | (3,321) |
| Taxes and Levies | - | - |
| **Total Premium Basis** | **186,144** | **165,642** |
| **Premium Result** | **33,506** | **29,816** |
| **Claims Result** | **3,478** | **3,371** |

**(All amounts expressed in EUR, unless otherwise stated)**

**Table 4: Assets Covering Technical Provisions**

| **Description** | **Actual Investment** | **% allowed** | **Regulatory Allowance** |
|---|---|---|---|
| **Bank Deposits, with a maturity of > than 3 months** | **859,840** | Unlimited | **859,840** |
| **Government Securities (Excluding the charter capital)** | **9,384,088** | | **9,384,088** |
| **Government of Kosovo** | **9,384,088** | Unlimited | **9,384,088** |
| Treasury Bills | - | | - |
| Bonds | 9,384,088 | | 9,384,088 |
| Other | - | | - |
| **EU Member States, with a rating of >= BBB** | **-** | 20% in total 5% in each investment | **-** |
| Treasury Bills | - | | - |
| Bonds | - | | - |
| Other | - | | - |
| **Land and Buildings** | **550,086** | 20% in total, 10% from each investments | **550,086** |
| For Own Use | 550,086 | | 550,086 |
| For Investment Purposes | - | | - |
| **Cash and Cash Equivalents** | **440,614** | 3% | **287,965** |
| Deposits with a maturity of <= 3 months | - | | - |
| Current Accounts | 440,174 | | 440,174 |
| Cash on Hand | 441 | | 441 |
| **Receivable from Reinsurers** | **9,596** | | **9,596** |
| Credit Rating >= BBB | 9,596 | Unlimited | 9,596 |
| Credit Rating < BBB | - | 25% | - |
| **Reinsurers Share in Technical Provisions** | **35,364** | | **35,364** |
| Credit Rating >= BBB | 35,364 | Unlimited | 35,364 |
| Credit Rating < BBB | - | 25% | - |
| **Interest Accrued from Investments** | **139,967** | 5% | **139,967** |
| **Insurance Receivable, up to 90 days** | **125,686** | Limited till 20% of UPR | **56,270** |
| From Policyholders | 125,686 | | 125,686 |
| From Intermediaries | | | - |
| **Other Fixed Assets, not included in point 3.** | **64,393** | | **64,393** |
| **Total Assets Covering Technical Provisions** | **11,609,634** | | **11,387,569** |

**(All amounts expressed in EUR, unless otherwise stated)**

**Table 4.1: Coverage of Technical Provisions**

| Technical Provisions on 31 December 2020 | Amount |
|---|---|
| Provisions for Unearned Premiums and Unexpired Risk | 281,350 |
| Provisions for Claims and Mathematical Reserves | 9,150,612 |
| Other Technical Provisions (RBNS and IBNR) | 166,864 |
| **Total Amount Required to Cover Technical Provisions** | **9,598,826** |
| | |
| Assets Covering Technical Provisions | 11,387,568 |
| Total Technical Provisions | 9,598,826 |
| **Difference** | **1,788,742** |
| **Coverage Level** | **119%** |