FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

ILLYRIA LIFE SH.A.

31 DECEMBER 2019

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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 2019, 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 2019, 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) and administrative instruction no 02/2019 on the independence of the statutory auditors and auditing firms issued by the Kosovo Council for Financial Reporting of the Republic of Kosovo. 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),* and we have fulfilled our other ethical responsibilities in accordance with the administrative instruction no 02/2019 *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 Matter

The financial statements of the Company as at and for the year ended 31 December 2018, were audited by another auditor who expressed a unmodified opinion on those statements on 19 February 2019.

Key Audit Matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

RSM Kosovo Sh.p.k is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

Measurement of Loss and Loss adjsutment Liabilities

As disclosed in Note 13 to the accompanying financial statements the Company's Insurance liabilities for losses and loss adjustment expenses (Insurance liabilities) as at 31 December 2019 amounted to EUR 6,743,632 (31 December 2018; EUR 5,806,094). Losses and Loss Adjustment Expenses resulting from the change in insurance liabilities for Insurance liabilities for losses and loss adjustment expenses amount to EUR 937,538.

Reference to the financial statements: Note 13 and 14 and note 6 (*Reserves and actuarial assumptions adequacy test)* and the respective accounting policy note 3.c (i).

Key Audit Matter	How the matter was addressed in our audit
The Company's insurance business comprises from life insurance contracts. The Company has significant life insurance liabilities representing more than 94% of its total liabilities. Measurement of these liabilities is associated with significant estimation uncertainty as it requires management to exercises judgment and develop complex and subjective assumptions used as inputs in the underlying valuation model based on standard actuarial practises. At each reporting date the Company is required to perform the liability adequacy test (the LAT test), the Company assesses at each reporting date whether the recognized insurance liabilities are adequate by applying the current estimates of future cash flows from insurance contracts. If such estimate shows that the carrying amount of its insurance liabilities is inadequate in terms of the estimated future cash flows, the entire deficiency is recognized in the profit or loss. The key assumptions used by the Company include, expected costs, mortality rates, lapses rates, investment yields and discount rates used. Insignificant changes in these assumptions used can have a significant effect on the amounts of the related estimates due to the long-term nature of the obligations. Due to the above factors, we considered measurement of the life insurance liabilities to be our key audit matter.	Our procedures performed with the support from our own actuarial specialist included the following: - Evaluated the methodology used by the Company for valuation of life insurance liabilities against regulatory and financial reporting requirements. - We tested the completeness and accuracy of the underlying insurance data provided by the management. - We analysed the database and performed the control calculation for mathematical reserve for product class "life insurance". - Reviewed the reasonableness of key assumptions with reference to historical trends and experience. - Reviewed the relevant experience investigations to verify that the assumptions applied are consistent with the Company's experience. - Reviewed the reasonableness of the movement analysis of provisions to explain the key drivers of the changes during the year; and - We assessed the reasonableness of the Company's current estimates of future cash flows used for LAT test purposes. - We assessed the adequacy of the Company's related disclosures by reference to the relevant accounting standards.

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.

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

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

Report on Other Legal and Regulatory Requirements as required by administrative instruction no 02/2019

The Shareholders meeting of Illyria Life Sh.a has appointed us on 9 December 2019 as auditors of the Company for the year ended 31 December 2019.

We confirm that:

- Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 25 February 2020.
- We have not provided prohibited non-audit services referred to in Article 5(1) of the administrative instruction no 02/2019 and that we have remained independent of the Company in conducting the audit.

RSM Kosovo Sh.p.k.

RSM Kosovo Sh.p.k
Prishtina, Republic of Kosovo
26 February 2020

Astrit Kelmendi
Engagement Partner

ILLYRIA LIFE Sh.a
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(All amounts expressed in EUR, unless otherwise stated)

	Note	2019	2018
Assets			
Cash and cash equivalents	8	637,615	1,045,682
Term deposits	9	1,627,022	838,994
Investment securities	9	9,050,645	8,376,455
Reinsurance share of insurance liabilities	10	22,054	25,321
Property, Plant and Equipment, net	11	599,569	522,491
Premium receivables and other assets	12	159,303	142,449
Total Assets		**12,096,208**	**10,951,392**
Liabilities			
Insurance liabilities for losses and loss adjustment expenses	13	6,743,632	5,806,094
Unearned premium insurance liabilities	14	187,955	220,894
Deferred revenue	15	42,769	16,571
Leases Liabilities	16	21,894	-
Other liabilities	17	149,824	220,600
Total Liabilities		**7,146,074**	**6,264,159**
Equity			
Share capital	18	3,285,893	3,285,893
Fair value reserves		813,842	691,193
Retained earnings		560,147	394,478
Current year profit		290,252	315,669
Total Equity		**4,950,134**	**4,687,233**
Total Liabilities and Equity		**12,096,208**	**10,951,392**

The financial statement set out on pages 1 to 38 were authorized for issue on February 14, 2020.

Albin Podvorica	Zamira Ibrahimi
General Director	Chief Accountant

ILLYRIA life Shoqëri Aksionare PRISHTINË

The notes on pages 5 to 32 are an integral part of these financial statements.

(All amounts expressed in EUR, unless otherwise stated)

	Note	2019	2018
Gross written premiums	19	2,338,989	2,096,721
Premium tax & Income tax	25	(98,336)	(104,836)
Change in the gross provision for unearned premiums	14	32,939	674
Net Written Premiums		**2,273,592**	**1,992,559**
Premiums ceded to reinsurer	20	(46,565)	(55,264)
Change in reinsurer share of provision for unearned premiums	10	(3,267)	6,928
Net Insurance Premium Revenue		**2,223,760**	**1,944,223**
Investment income		334,006	316,189
Interest expenses		(767)	(18,552)
Tax on interest income		(1,205)	(8,482)
Reinsurance commission	21	8,974	8,176
Total Revenues		**2,564,768**	**2,241,554**
Change in Losses and loss adjustment liabilities	13	(937,538)	(793,998)
Policy acquisition costs	22	(251,853)	(271,080)
Claims expenses	13	(531,354)	(450,046)
Administrative expenses	23	(553,771)	(410,761)
Total Losses and Expenses		**(2,274,516)**	**(1,925,885)**
Net Profit for the Year		**290,252**	**315,669**
Other comprehensive income			
Other comprehensive income/ Revaluation of AFS		**122,649**	**274,837**
Total comprehensive income for the period		**412,901**	**590,506**

The notes on pages 5 to 32 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 January 1, 2018	**3,285,893**	**494,478**	**416,356**	**4,196,727**
Comprehensive Income for the Period				
Net Profit for the Period	-	315,669	-	315,669
Gain on revaluation of available for sale securities	-	-	274,837	274,837
Total Comprehensive Income	**-**	**315,669**	**274,837**	**590,506**
Dividend Paid	-	(100,000)	-	(100,000)
Total Transactions with Owners Reported Directly in Equity		**(100,000)**		**(100,000)**
Balance on December 31, 2018	**3,285,893**	**710,147**	**691,193**	**4,687,233**
Balance on 01 January 2019	**3,285,893**	**710,147**	**691,193**	**4,687,233**
Adjustment from the adoption of IFRS 16	**-**	**-**	**-**	**-**
Adjusted balance at 1 January 2019	**3,285,893**	**710,147**	**691,193**	**4,687,233**
Comprehensive Income for the Period				
Net Profit for the Period	-	290,252	-	290,252
Gain on revaluation of available for sale securities	-	-	122,649	122,649
Total Comprehensive Income	**-**	**290,252**	**122,649**	**412,901**
Dividends Paid	-	(150,000)	-	(150,000)
Total Transactions with Owners Reported Directly in Equity		**(150,000)**		**(150,000)**
Balance on 31 December 2019	**3,285,893**	**850,399**	**813,842**	**4,950,134**

The notes on pages 5 to 32 are an integral part of these financial statements.

(All amounts expressed in EUR, unless otherwise stated)

	Note	2019	2018
Cash flows from operating activities			
Net profit for the period		**290,252**	**315,669**
Adjustments for:			
Depreciation and amortization	11	25,313	14,196
Increase in losses and loss adjustment insurance liabilities	13	937,538	735,420
Decreases in unearned premium insurance liabilities	14	(32,939)	(674)
Premium tax expense	25	76,335	107,216
Income tax expense	25	22,001	-
Interest expenses		767	8,482
Investment income		(334,006)	(307,708)
Cash flows from operating activities before changes in operating		**985,261**	**872,601**
Changes in operating assets and liabilities			
Decreases in reinsurance share of insurance liabilities	9	3,267	6,928
(Increase)/decrease in other assets, excluding accrued interest	11	(16,854)	1,690,247
Increase/(decrease) in deferred revenue	14	26,198	(37,475)
Decrease in other liabilities, excluding income tax payable	15	(53,112)	(11,365)
Cash flows generated from operations		**944,760**	**2,520,936**
Premium tax paid		(103,999)	(99,102)
Income tax paid		(12,001)	-
Net cash generated from operating activities		**828,760**	**2,421,834**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(71,565)	(5,441)
(Increases)/Decrease in term deposits	9	(800,150)	
(Increase) in Debt and other Fixed Income Securities	9	(551,541)	(2,037,147)
Interest received		346,128	352,386
Net cash from investing activities		**(1,077,128)**	**1,159,798**
Cash Flows from Financing Activities			
Dividend Paid	7	(150,000)	(100,000)
Repayment of borrowings and leasing liabilities	7	(8,932)	(3,000,000)
Interest paid		(767)	-
Net Cash from Financing Activities		**(159,699)**	**(3,100,000)**
Net increase/(decrease) in cash and cash equivalents		**(408,067)**	**481,632**
Cash and cash equivalents at the beginning of the year	8	1,045,682	564,050
Cash and cash equivalents at 31 December	8	**637,615**	**1,045,682**

The notes on pages 5 to 32 are an integral part of these financial statements.

(All amounts expressed in EUR, unless otherwise stated)

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 2019, the Company employed 73 staff and senior management (2018: 57).

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 2019 and 2018. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. 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.

iii. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Financial instruments (continued)

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 2019 the Company used level 2 information to measure the value of " Debt And Other Fixed Income 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.

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.

e. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. 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.
Assets in line with the new standard IFRS 16 "Leases", effective as of 1 January 2019.

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.

Buildings

Buildings are carried at revaluated amount whose fair value is measured reliably, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity, every two year.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Premium tax

Effective 1 September 2015 in accordance with Law no. 05/L-029 “On Corporate Income Tax”., insurance companies are required to pay a premium tax of 5% on their quarterly gross premiums. Premiums returned and retrospective premium adjustments are deducted from gross premiums to arrive at the tax base.
Tax on gross premiums written is presented separately as a deduction from the gross premiums written. Premium tax constitutes a part of acquisition costs and is expensed when incurred. Insurance companies are not liable to tax on profit in Kosovo for the years up to 31 December 2018 and the period from 1 January 2019 up to 5 August 2019.

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 period starting from the effective date of the legislation up to 31 December 2019. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

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

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

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

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

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

The Company has not recognized any deferred tax assets or liability as at 31 December 2019.

r. Accounting estimates - Evaluation of uncertainty regarding technical reserves

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. 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.

IFRS 16 Leases

The company has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The new Standard has been applied using the modified retrospective approach, with the cumulative

effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.5%.

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

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

- IFRS 17 Insurance Contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Conceptual Framework for Financial Reporting

The Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.

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 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, up to 3.5% of the sum insured, which is 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 traditional Mix-Life (endowment policies) and Scholarship policies, and EUR 10,000 for Group Term Life policies respectively.

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 profit is calculated based on the current year profit after deduction of investment income from capital fund and income tax. The share for the year ended 31 December 2019 was 50% of the profit.

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 2019.

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 2019 and 2018:

As of 31 December 2019:	**Level 1:**	**Level 2:**	**Level 3:**	**Total**
Debt And Other Fixed Income Securities	-	9,050,645	-	9,050,645
Total	**-**	**9,050,645**	**-**	**9,050,645**

As of 31 December 2018:	**Level 1:**	**Level 2:**	**Level 3:**	**Total**
Debt And Other Fixed Income Securities	-	8,376,455	-	8,376,455
Total	**-**	**8,376,455**	**-**	**8,376,455**

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 31December 2019	Carrying Value	Fair value
Cash Equivalents	637,475	637,475
Term Deposits	1,627,022	1,627,022
TOTAL	**2,264,497**	**2,264,497**
As of 31 December 2018		
Cash Equivalents	1,045,638	1,045,638
Term Deposits	838,994	838,994
TOTAL	**1,884,632**	**1,884,632**

(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 is exposed to credit risk on its cash at Company, debt securities-held to maturity, term deposits and other assets. The Company manages its exposure to credit risk on a regular basis by closely monitoring its exposure to debt securities and term deposit counterparties.

	2019	2018
Cash Equivalents in bank	637,475	1,045,638
Term Deposits	1,627,022	838,994
Debt and Other Fixed Income Securities	9,050,645	8,376,455
Premium receivables and other assets	159,303	142,449
As of 31 December	**11,474,445**	**10,403,536**

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 2019 **Type of Financial Instrument**	**Non-Interest bearing**	**Fixed interest up to 1 year**	**Fixed interest over 1 year**	**Total**
Cash Equivalents	637,475	-	-	**637,475**
Term Deposits	320,150	1,306,872	-	**1,627,022**
Debt and Other Fixed Income Securities	-	261,345	8,789,300	**9,050,645**
Total	**957,625**	**1,568,217**	**8,789,300**	**11,315,142**

31 December 2018 **Type of Financial Instrument**	**Non-Interest bearing**	**Fixed interest up to 1 year**	**Fixed interest over 1 year**	**Total**
Cash Equivalents	1,045,638	-	-	**1,045,638**
Term Deposits	-	838,994	-	**838,994**
Debt and Other Fixed Income Securities	-	269,361	8,107,094	**8,376,455**
Total	**1,045,638**	**1,108,355**	**8,107,094**	**10,261,087**

(All amounts expressed in EUR, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

31 December 2019 **Type of Financial Instrument**	**No Maturity**	**Up to 6 months**	**From 6 to 12 months**	**Over 12 Months**	**Total**
Cash Equivalents	-	637,475	-	-	637,475
Term Deposits	320,150	1,306,872	-	-	1,627,022
Debt And Other Fixed Income Securities	-	-	261,345	8,789,300	9,050,645
Total	**320,150**	**1,944,347**	**261,345**	**8,789,300**	**11,315,142**

31 December 2018 **Type of Financial Instrument**	**No Maturity**	**Up to 6 months**	**From 6 to 12 months**	**Over 12 Months**	**Total**
Cash Equivalents	320,174	725,463	-	-	1,045,638
Term Deposits	-	838,994	-	-	838,994
Debt And Other Fixed Income Securities	-	-	269,361	8,107,094	8,376,455
Total	**320,174**	**1,564,458**	**269,361**	**8,107,094**	**10,261,087**

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

(All amounts expressed in EUR, unless otherwise stated)

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 2019 including estimations used are as follows:

Number of people currently insured susceptible to the risk of death	4,998 people
Average age of people susceptible to the risk of death	42 years
Number of payments following deaths of insured in 2019	0 cases
Estimated number of deaths per 1000 people	4.81 cases
Actual number of deaths per 1000 people	0

Therefore, the actual "Mortality" risk occurrence shown on this table is below the expectation levels during 2019.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2019, 202 (2018: 254) insured persons surrendered their policies, with the corresponding surrender value of EUR 441,899 (2018: EUR 400,876).

Technical Interest

The technical interest rate of 2,75%p.a is used for older policies and 1,75% p.a for newer policies. is 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 2019 the generated net income on investments (including mathematical reserves) covers the minimum guaranteed income, granting additional profit above the technical interest.

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 relative security. The security 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 2019	Profit / (Loss)	Net Equity	Required Guarantee Fund
Current	290,252	4,950,132	3,200,000
Claims Increase by (+40%)	286,044	4,945,925	3,200,000
Expenses Increase by (+10%)	234,797	4,894,679	3,200,000

Simulation as at 31 December 2018	Profit / (Loss)	Net Equity	Required Guarantee Fund
Current	315,669	4,676,733	3,200,000
Claims Increase by (+40%)	307,959	4,669,023	3,200,000
Expenses Increase by (+10%)	273,543	4,634,607	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 2019	Adoption of IFRS 16	Cash flows	Declaration of Dividends	31 December 2019
Lease Liabilities	-	30,826	(8,932)	-	21,894
Dividends payable	-		(150,000)	150,000	-
Total liabilities from financing activities	**-**	30,826	**(158,932)**	**150,000**	**21,894**

	1 January 2018	Accruals of Interest	Cash flows	Declaration of Dividends	31 December 2018
Borrowings	3,005,927	(5,927)	(3,000,000)	-	-
Dividends payable	-		(100,000)	100,000	-
Total liabilities from financing activities	**3,005,927**	**(5,927)**	**(3,100,000)**	**100,000**	**-**

8. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	140	44
Cash equivalent at Banks	637,475	1,045,638
Total	**637,615**	**1,045,682**

Cash equivalent at Banks include current accounts of EUR 637,475 (2018: EUR 1,045,638) at Raiffeisen Bank, ProCredit Bank, TEB, NLB Prishtina, Banka për Biznes, Banka Kombëtare Tregtare, Banka Ekonomike, Ziraat Bank, and IS Bank. The Company reclassified cash held in Central Bank of Republic of Kosovo to term deposits.

9. TERM DEPOSITS, DEBT AND OTHER FIXED INCOME SECURITIES

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

	31 December 2019	31 December 2018
Pro Credit Bank	500,000	-
NLB Prishtina	500,000	-
Ziraat Bank	-	420,000
Banka per Biznes	300,000	400,000
Central Bank of Republic of Kosovo-(Restricted Deposit)	320,150	-
Accrued interest	6,872	18,994
Total	**1,627,022**	**838,994**

The annual deposit interest rates with respect to 2019 term deposits ranged from 0.80% to 1.80% (2018: 1.30% to 4.00%).

Gross Interest income of EUR 12,046 (2018: EUR 74,015) was earned from term deposits. Withholding tax of 10% (2018: 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. As at 31 December 2019 the Company reclassified cash held in central bank to term deposits.

(All amounts expressed in EUR, unless otherwise stated)

9 TERM DEPOSITS, DEBT AND OTHER FIXED INCOME SECURITIES (CONTINUED)

At 31 December 2019 the company has a portion of its assets in Sovereign Debt Securities, held in custody with NLB Prishtina, as follows:

	31 December 2019	31 December 2018
KS Government Bonds – Available for Sales	9,050,645	8,376,455
Total	**9,050,645**	**8,376,455**

The Sovereign Debt Securities classified as Available for Sale have a stated Yield to Maturity of 1.4% - 6.39%. All Sovereign Debt Securities have remaining maturities up to 120 months.

The Sovereign Debt Securities have been designated as managed on fair value basis; Level 2 (please see Note 6.) of the revaluation reserve has a balance of EUR 122,649 (2018: EUR 274,837).

Interest income of EUR 321,960 (2018: EUR 242,174) 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 2019	Change for the period	31 December 2018
Reinsurer's share on insurance liability on unearned premium			
Capital life	12,989	(1,344)	14,333
Riders	9,065	(1,923)	10,988
	22,054	**(3,267)**	**25,321**
Reinsurance share on insurance liability on claims reserves	**-**	**-**	**-**
Total	**22,054**	**(3,267)**	**25,321**

(All amounts expressed in EUR, unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings and Premises	Computer Equipment	Office and other Furniture	Other Equipment	Vehicles	Software	Right-of-use-assets	Total
Cost								
Balance at 1 January 2018	**589,042**	**10,678**	**15,132**	**660**	**-**	**101,108**	**-**	**716,620**
Additions	-	4,521	919	-	-	-	-	5,440
Balance at 31 December 2018	**589,042**	**15,199**	**16,051**	**660**	**-**	**101,108**	**-**	**722,060**
Balance at 1 January 2019	**589,042**	**15,199**	**16,051**	**660**	**-**	**101,108**	**-**	**722,060**
Additions	-	6,606	-	779	64,180	-	30,826	102,391
Balance at 31 December 2019	**589,042**	**21,805**	**16,051**	**1,439**	**64,180**	**101,108**	**30,826**	**824,451**
Accumulated depreciation and amortization								
Balance at 1 January 2018	**(69,840)**	**(10,657)**	**(11,641)**	**(660)**	**-**	**(92,575)**	**-**	**(185,373)**
Charge for the year	(7,657)	(630)	(1,027)	-	-	(4,882)	-	(14,196)
Balance at 31 December 2018	**(77,497)**	**(11,287)**	**(12,668)**	**(660)**	**-**	**(97,457)**	**-**	**(199,569)**
Balance at 1 January 2019	**(77,497)**	**(11,287)**	**(12,668)**	**(660)**	**-**	**(97,457)**	**-**	**(199,569)**
Charge for the year	(7,658)	(2,667)	(625)	(82)	(3,864)	(1,123)	(9,294)	(25,313)
Balance at 31 December 2019	**(85,155)**	**(13,954)**	**(13,293)**	**(742)**	**(3,864)**	**(98,580)**	**(9,294)**	**(224,882)**
Carrying amounts								
Balance at 31 December 2018	**511,545**	**3,912**	**3,383**	**-**	**-**	**3,651**	**-**	**522,491**
Balance at 31 December 2019	**503,887**	**7,851**	**2,758**	**697**	**60,316**	**2,528**	**21,532**	**599,569**

(All amounts expressed in EUR, unless otherwise stated)

12. PREMIUM RECEIVABLES AND OTHER ASSETS

	31 December 2019	31 December 2018
Premium receivables	252,352	186,537
Provision for Impairment	(115,005)	(68,509)
	137,347	**118,028**
Other		
Other asset	11,612	11,006
Due from Sava Re	8,342	9,644
Receivables from Employees	32	410
Deferred Acquisition Cost	1,970	3,361
	21,956	**24,421**
Total	**159,303**	**142,449**

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, CBK fees and premium tax.

The age structure of insurance receivables as of 31 December 2019 and 2018 and related impairment is as follows:

	31 December 2019		31 December 2018	
	Gross amount	Impairment provision	Gross amount	Impairment provision
Up to 30 days	56,029	9,430	58,510	8,325
31 to 60 days	40,817	10,304	30,942	5,208
61 to 90 days	29,826	12,828	23,775	9,781
91 to 180 days	45,598	22,596	34,205	16,310
181 to 270 days	23,296	6,752	15,209	6,541
More than 270	56,786	53,095	23,896	22,344
	252,352	**115,005**	**186,537**	**68,509**

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

	2019	2018
AT 01 JANUARY	68,509	47,393
Impairment charge for the year (Note 23)	46,496	21,116
At 31 December	**115,005**	**68,509**

(All amounts expressed in EUR, unless otherwise stated)

13. INSURANCE LIABILITIES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

	2019	2018
Insurance liabilities for losses and loss adjustment expenses as at 1 January	5,806,094	5,012,095
Losses and loss adjustment expenses incurred	1,433,289	1,185,466
Reserves related to portfolio transfer from Grawe	35,603	58,579
Losses and loss adjustment expenses paid	(531,354)	(450,046)
Insurance liabilities for losses and loss adjustment expenses as at December 31	**6,743,632**	**5,806,094**

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

	31 December 2019	31 December 2018
Life assurance provision	6,674,998	5,772,481
IBNR Reserves	58,533	33,613
RBNS Reserve	10,101	-
Total	**6,743,632**	**5,806,094**

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 2019	Change for the period	31 December 2018
Capital life:			
Mix life assurance	176,944	(31,009)	207,953
Scholarship	1,207	(212)	1,419
Group life assurance	-	-	-
Riders:	-	-	-
Accidental death	5,278	(925)	6,203
Disability from accident	3,307	(579)	3,886
Daily compensation	25	(4)	29
Medical expense	1,138	(199)	1,337
Additions on term life	56	(11)	67
Total	**187,955**	**(32,939)**	**220,894**

(All amounts expressed in EUR, unless otherwise stated)

Product	**31 December 2018**	**Change for the period**	**31 December 2017**
Capital life:			
Mix life assurance	207,953	(635)	208,588
Scholarship	1,419	(4)	1,423
Riders:	-		
Accidental death	6,203	(19)	6,222
Disability from accident	3,886	(12)	3,898
Daily compensation	29	-	29
Medical expense	1,337	(4)	1,341
Additions on term life	67	-	67
Total	**220,894**	**(674)**	**221,568**

15. DEFERRED REVENUE

	31 December 2019	**Change for the period**	**31 December 2018**
Premiums collected in advance	39,030	26,830	12,200
Unearned reinsurance commission	3,739	(632)	4,371
Total	**42,769**	**26,198**	**16,571**

Premiums collected in advance, represents payments by clients which are not due until after 31 of December 2019. Unearned reinsurance commission relates to commissions for unearned premiums at the reporting date.

16. LEASE LIABILITIES

	31 December 2019	**31 December 2018**
Current	8,027	-
Non-current	13,867	-
Total	**21,894**	**-**

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

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

Right-of use of asses	**No of Right of Use of assets leased**	**Range of remaining term**	**Average remaining lease term**
Vehicles	3	2.5-3 years	2.5 Years

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2019 were as follows:

		Minimum lease payments due		
31 December 2019	**Within 1 Year**	**1-2 years**	**2-3 years**	**Total**
Lease payments	8,296	8,296	6,042	22,634
Finance charges	(269)	(269)	(202)	(740)
Net present values	**8,027**	**8,027**	**5,840**	**21,894**

(All amounts expressed in EUR, unless otherwise stated)

17. OTHER LIABILITIES

Other liabilities comprise of:

	31 December 2019	31 December 2018
Due to brokers ("WVP")	698	844
Due to Tax Authorities (see below)	13,689	32,844
Due to employees and pension contributions	33,920	27,622
Due to SAVA Re	46,565	55,264
Due to CBK	10,000	7,464
Other payables	44,952	96,562
Total	**149,824**	**220,600**

Due to Tax Authorities relates to the following:

	2019	2018
Premium tax payable	-	27,664
VAT Payable	370	236
Income tax payable	10,000	-
Tax on interest income payable	561	1,925
Personnel income tax	2,758	3,019
Total	**13,689**	**32,844**

Other payables relate to certain administrative expenses, and payments made which at the 31 of December 2019, 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 2019 and 2018 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 2019 the Company has declared and paid dividends in amount of EUR 150,000.

(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 2019	31 December 2018
Product	**GWP**	**GWP**
Capital life:		
Mix life assurance	2,124,188	1,914,619
Scholarship	54,315	39,430
Group life assurance	9,847	9,420
Term Life	435	-
Riders:		
Accidental death	66,415	59,837
Disability from accident	53,541	48,120
Daily compensation	115	152
Medical expense	29,194	24,416
Additions on term life	939	727
Total	**2,338,989**	**2,096,721**

20. PREMIUMS CEDED TO REINSURERS

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

Product	31 December 2019	31 December 2018
Capital life:	**26,209**	**30,819**
Mix life assurance	25,163	29,565
Scholarship	-	-
Group life assurance	1,046	1,254
Riders:	**20,356**	**24,445**
Accidental death	12,056	15,645
Disability from accident	8,210	8,800
Term Life	90	-
Total	**46,565**	**55,264**

21. REINSURANCE COMMISSION

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

	31 December 2019	31 December 2018
Capital life:		
Mix life assurance	1,963	2,218
Group life assurance	78	94
Riders:		
Accidental death	3,741	4,693
Disability from accident	2,560	2,640
Total reinsurance commission calculated	**8,342**	**9,645**
Unearned part of reinsurance commission	632	(1,469)
Total reinsurance commission	**8,974**	**8,176**

(All amounts expressed in EUR, unless otherwise stated)

22. POLICY ACQUISITION COSTS

Policy acquisition costs at year end are comprised as follows:

	31 December 2019	31 December 2018
Agent commission, including tax and social expense	204,010	221,098
Broker commission	11,072	23,104
CBK fees	35,380	28,306
Deferred Acquisition Costs	1,391	(1,428)
Total	**251,853**	**271,080**

The Company utilizes broker named "WVP – Broker for insurance LLC" in order to sell insurance policies on the Company's behalf.

23. ADMINISTRATIVE EXPENSES

Administrative expenses at year end are comprised as follows:

	31 December 2019	31 December 2018
Payroll and related expenses (See note 24)	329,609	234,643
Professional service fees	33,898	43,007
Core System Maintenance	23,433	18,903
Depreciation and amortization	25,314	14,196
Travel and accommodation	13,230	7,886
Office supplies	8,913	8,721
Phone and postage expenses	7,706	5,979
Representation expenses	8,982	6,584
Impairments of receivables	46,496	21,116
Other	56,190	49,726
Total	**553,771**	**410,761**

24. PAYROLL AND RELATED EXPENSES

	31 December 2019	31 December 2018
Net salaries	255,794	169,017
Withholding income tax	28,764	19,968
Social insurance	17,050	10,840
Health Insurance	-	9,375
Accrued Expenses for Bonuses	28,001	25,443
Total	**329,609**	**234,643**

(All amounts expressed in EUR, unless otherwise stated)

25. PREMIUM TAX AND INCOME TAX

	31 December 2019	31 December 2018
Premium tax	76,334	104,836
Income tax expense	22,002	-
Total	**98,336**	**104,836**

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

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 has calculated its total taxable income for the period from 1 September 2019 up to 31 December 2019 and accounted for the income tax in amount of EUR 22,002.

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:

	For the Period from 1 September 2019 up to 31 December 2019
Gross written premiums	812,283
Investment income	116,574
	928,857
Change in Loss and loss insurance liabilities	(304,066)
Claims paid	(160,186)
Change in UPR and Reinsurance assets	(8,555)
Other operating expenses	(330,109)
	125,941
Adjustment as per tax regulation:	
Un-allowed expenses related to change in insurance liabilities and other provisions	94,079
Taxable profit	**220,020**
Income tax expense at 10%	**22,002**

(All amounts expressed in EUR, unless otherwise stated)

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 2019 and 2018.

There are no additional known commitments or contingencies as at 31 December 2019.

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 Versek, member of the BoD;
- Rok Moljk, member of the BoD;
- Gianni Sokolic, member of the BoD;
- Andreja Rahne, 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 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Key management personnel remuneration	102,340	59,125
Due to Sava RE	46,565	55,264
Due from Sava RE	8,342	9,644
Due to Illyria Sh.a.	604	2,305
Due to Sava Osiguranje Skopje	101	-

Transactions with parent company

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

During 2019 the Company ceded EUR 46,565 (2018: EUR 55,264) to Sava Re related to gross written premiums contracted during 2019. The entire amount remains outstanding to be paid to SAVA RE as at 31 December 2019. 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 maintenance, medical censorship, and internal audit, from the sister company Illyria sh.a. totaling EUR 33,481 for the year ended 31 December 2019 (2018: EUR 31,797).

28. SUBSEQUENT EVENTS

There are no subsequent events that would require either adjustments or additional disclosures in the financial statements.

Supplementary Schedules

(All amounts expressed in EUR, unless otherwise stated)

Table 1: Solvency Calculation

Description	2019	2018
Available Solvency Margin (Table 2)	4,947,606	4,683,582
Guarantee Fund	3,200,000	3,200,000
I. Insurance Products Prescribed By Section 12(2)		
First Result	264,621	230,899
Second Result	112,763	106,336
Required Solvency Margin	**377,384**	**337,235**
II. Insurance Products Prescribed By Section 12(3)		
Premium Result	27,573	22,651
Claims Result	11,609	13,625
Required Solvency Margin	**27,573**	**22,651**
Total Required Solvency Margin	**404,957**	**359,886**
Excess/Deficit Of Solvency	4,542,649	4,323,697
Guarantee Fund	**3,200,000**	**3,200,000**

(All amounts expressed in EUR, unless otherwise stated)

Table 2: Available Solvency Margin

Description	**2019**	**2018**
Section 11.2		
Paid-Up Share Capital	3,285,893	3,285,893
Treasury Shares (-)		
Reserves	813,842	691,193
Revaluation Reserves	813,842	691,193
Reserves For Deferred Tax Assets	-	-
Other Reserves	-	-
Retained Earnings	560,147	394,478
Net Profit To Be Paid:	290,252	315,669
Total Section 11.2	**4,950,134**	**4,687,233**
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	2,528	3,651
Total Deductions	**2,528**	**3,651**
Available Solvency Margin	**4,947,606**	**4,683,582**
Guarantee Fund	**3,200,000**	**3,200,000**

(All amounts expressed in EUR, unless otherwise stated)

Table 3: Required Solvency Margin

Description	**2019**	**2018**
I. Insurance Products Prescribed By Section 12(2)		
Gross Mathematical Provisions	6,615,517	5,772,482
Gross Mathematical Provisions (Ceded Reinsurance)	-	-
First Result	**264,621**	**230,899**
Capital At Risk		
Temporary Insurance Of Death With Term: < 3Yrs	2,760,000	2,320,000
Temporary Insurance Of Death With Term: 3-5 Yrs	117,909	74,422
All Other Except Temporary Insurance Of Death With Term < 5 Yrs	43,524,955	41,442,367
Capital At Risk (Reinsurance Recoverable)		
Temporary Insurance Of Death With Term: < 3Yrs	665,000	835,200
Temporary Insurance Of Death With Term: 3-5 Yrs	17,686	11,163
All Other Except Temporary Insurance Of Death With Term < 5 Yrs	6,528,743	6,216,355
Second Result	**112,763**	**106,336**
II. Insurance Products Prescribed By Section 12(3)		
Incurred Claims		
Current Year N	10,351	14,284
Current Year N-1	14,284	209,311
Current Year N-2	109,311	33,613
Reinsurance Recoveries		
Current Year N	-	-
Current Year N-1	-	-
Current Year N-2	-	-
Retention Ratio	**100%**	**100%**
Premium Basis		
Gross Premiums Written	150,205	132,525
(Change) Reserves For Unearned Premiums	2,976	(6,689)
Taxes and Levies	-	-
Total Premium Basis	**153,181**	**125,837**
Premium Result	**27,573**	**22,651**
Claims Result	**11,609**	**22,291**

(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	**1,306,872**	Unlimited	**1,306,872**
Government Securities	**6,170,795**		**6,170,795**
Government of Kosovo	**6,170,795**	Unlimited	**6,170,795**
Treasury Bills	-		-
Bonds	6,170,795		6,170,795
Other	-		-
EU Member States, with a rating of >= BBB	**-**	20% in total 5% in each investment	**-**
Treasury Bills	-		-
Bonds	-		-
Other	-		-
Land and Buildings	**-**	20% in total, 10% from each investments	**-**
For Own Use	-		-
For Investment Purposes	-		-
Cash and Cash Equivalents	**637,615**	3%	**207,948**
Deposits with a maturity of <= 3 months	-		-
Current Accounts	637,476		637,471
Cash on Hand	140		140
Receivable from Reinsurers	**8,974**		**8,974**
Credit Rating >= BBB	8,974	Unlimited	8,974
Credit Rating < BBB	-	25%	-
Reinsurers Share in Technical Provisions	**22,054**		**22,054**
Credit Rating >= BBB	22,054	Unlimited	22,054
Credit Rating < BBB	-	25%	-
Interest Accrued from Investments	**-**	5%	**-**
Insurance Receivable, up to 90 days	**94,110**	Limited till 20% of UPR	**37,591**
From Policyholders	94,110		37,591
From Intermediaries			-
Other Fixed Assets, not included in point 3.			**-**
Total Assets Covering Technical Provisions	**8,240,420**		**7,754,233**

(All amounts expressed in EUR, unless otherwise stated)

Table 4.1: Coverage of Technical Provisions

Technical Provisions on 31 December 2019	Amount
Provisions for Unearned Premiums and Unexpired Risk	187,955
Provisions for Claims and Mathematical Reserves	6,674,998
Other Technical Provisions (RBNS and IBNR)	68,634
Total Amount Required to Cover Technical Provisions	**6,931,587**
Assets Covering Technical Provisions	7,754,233
Total Technical Provisions	6,931,587
Difference	**822,646**
Coverage Level	**112%**