

Illyria Insurance sh.a.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

WITH INDEPENDENT AUDITORS' REPORT THEREON



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INDEPENDENT AUDITOR'S REPORT

To the shareholders and management of Illyria Insurance sh.a.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Illyria Insurance sh.a. ("the Company), which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Responsibilities of management for the financial statements

Management is responsible to prepare financial statements that give a true and fair view 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. Management is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility

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.

Auditor's Responsibility (continued)

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 the Management 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.

Other Report on regulatory requirements of the supervisory authority, the Central Bank of Kosovo, for Investment on Technical Reserves.

Pursuant to the requirements of the Central Bank of Kosovo ("CBK"), we have read the accompanying Supplementary Schedules for Investment on Technical Reserves ("Supplementary Schedules"). These Supplementary Schedule prepared by management are not part of financial statements. The historical financial information, presented in the Supplementary Schedules prepared by management, is consistent, in all material respects, with the annual financial information disclosed in the accompanying financial statements of the Company as of 31 December 2016, prepared in accordance with International Financial Reporting Standards, applicable for insurance companies in Kosovo. Management is responsible for the preparation of the Supplementary Schedule, in accordance with CBK Rule "Regulation on investment of assets covering technical and mathematical provisions and investment of charter capital for insures" dated 29 December 2016.

Ernst & Young Certified Auditors Kosovo

Ernst & Young Certified Auditors Kosovo shpk
Pristina, February 22, 2017

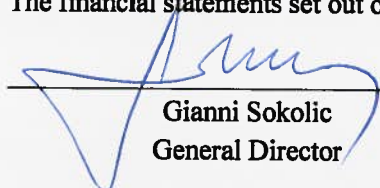
Kompania e Sigurimeve Illyria Sh.a.

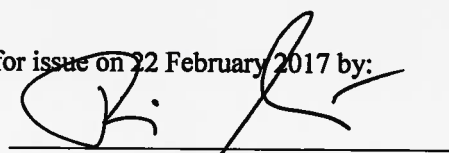
Statement of financial position

As at 31 December 2016 (in EUR)

	Note	31 December 2016	31 December 2015
Assets			
Property and equipment	7	3,132,527	3,185,377
Intangible assets	8	60,406	77,780
Total non-current assets		3,192,933	3,263,157
Investment in Government Securities	9	3,861,898	4,291,839
Receivables from agents and customers	10	355,609	524,024
Other assets	11	355,588	334,329
Reinsurance share of insurance liabilities	12	474,380	489,010
Deferred acquisition costs	13	427,719	478,118
Term deposits, net	14	5,316,623	3,765,415
Cash and cash equivalents	15	553,514	1,533,203
Total assets		14,538,264	14,679,095
Equity			
Share capital	16	5,428,040	5,428,040
Revaluation surplus		765,843	753,393
Accumulated loss		(2,496,776)	(2,324,806)
Total equity		3,697,107	3,856,627
Liabilities			
Insurance contract liabilities -Claim reserves	17	7,342,027	6,820,048
Insurance contract liability -Unearned premium	18	2,187,407	2,681,661
Insurance payables	19	442,070	498,181
Other accounts payable	20	807,951	768,233
Deferred revenue	21	61,702	54,345
Total liabilities		10,841,157	10,822,468
Total liabilities and equity		14,538,264	14,679,095

The financial statements set out on pages 1 to 42 were authorized for issue on 22 February 2017 by:


Gianni Sokolic
General Director


Primož Mocivnik
Chairman of the Board

The notes on pages 5 to 42 are an integral part of these financial statements.

Kompania e Sigurimeve Illyria Sh.a.

Statement of comprehensive income

For the year ended 31 December 2016 (in EUR)

	Notes	2016	2015
Gross written premiums	22	7,120,933	8,073,035
Premium tax		(356,090)	(403,174)
Change in the gross provision for unearned premiums	18	494,254	165,251
Net written premiums		7,259,097	7,835,112
Premiums ceded to reinsurers'	22	(763,672)	(725,931)
Reinsurers' share of change in the provision for unearned premiums	12	25,366	5,095
Net insurance premiums revenue		6,520,791	7,114,276
Investment income	25	157,456	112,278
Reinsurance recoveries		415,656	224,310
Reinsurance commission		111,773	115,742
Other income	25	154,743	174,307
Total revenues		7,360,419	7,740,913
Losses and loss adjustment expenses		(4,059,424)	(4,223,922)
Interest expense		(7,923)	(6,596)
Policy acquisition costs	23	(874,866)	(773,438)
Share of expenses of KIB	24	(544,692)	(594,714)
Administrative expenses	26	(2,045,484)	(2,101,246)
Total losses and expenses		(7,532,389)	(7,699,916)
Net profit for the year		(171,970)	40,997
Other comprehensive income			
Other comprehensive income/expenses form Revaluation of AFS		12,450	(12,603)
Total comprehensive income for the period		(159,520)	28,394

The notes on pages 5 to 42 are an integral part of these financial statements.

Supplementary Schedules

Kompania e Sigurimeve Illyria Sh.a.

Supplementary Schedules

i) Assets covering technical reserves

No.	Investments	Invested Amount	% allowed	Allowed amount
1	Bank Deposits (maturity over 3 months)	€ 4,002,308	Unlimited	€ 4,002,308
2	Treasury bills and bonds	€ 2,249,585		€ 2,249,585
2.1	Issued by Government of Kosovo	€ 2,249,585	Unlimited	€ 2,249,585
2.1.1	Treasury bills	€ 650,000		€ 650,000
2.1.2	Bonds	€ 1,599,585		€ 1,599,585
2.1.3	Other financial instrument			€ -
2.2	Issued by EU countries, (rated not below BBB)	€ -	20% in total 5% in each investment	€ -
2.2.1	Treasury bills	€ -		
2.2.2	Bonds	€ -		
2.2.3	Other financial instrument	€ -		
3	Land and building	€ 3,047,086	20% in total, 10% from each investment	€ 1,905,887
3.1	Property for own use	€ 3,047,086		€ 3,047,086
3.2	Investment property			€ -
4	Cash and cash equivalents	€ 253,490	3%	€ 253,490
4.1	Deposit<= 3 months	€ -		€ -
4.2	Current accounts	€ 253,490		€ 253,490
4.3	Cash	€ -		€ -
5	Receivables arising out of reinsurance	€ 112,956		€ 112,956
5.1	Reinsurance with rating > = BBB	€ 112,956	unlimited	€ 112,956
5.2	Reinsurance with rating<BBB	€ -	25%	€ -
6	Reinsurance share of technical provisions	€ 474,380		€ 474,380
6.1	Reinsurance with rating > = BBB	€ 474,380	unlimited	€ 474,380
6.2	Reinsurance with rating<BBB	€ -	25%	€ -
7	Accrued interest from investment	€ 26,652	5%	€ 26,652
8	Receivables from insurance premiums, not older than 90 days	€ 285,940	limited till 20% of UPR	€ 285,940
8.1	from policyholders	€ 285,940		€ 285,940
8.2	from intermediaries	€ -		€ -
9	Other long term asset (except land and building)	€ 210,441	5%	€ 210,441
10	Total assets invested to covered technical provisions	€ 10,662,838		€ 9,521,639

No.	Technical Provisions, 31 December 2016	Amount
1	Unearned premiums and unexpired risk premiums	€ 2,187,407
2	Provision for outstanding claims	€ 7,342,027
3	Other technical provisions	-
4	Total Amount of technical provisions to be covered	€ 9,529,434
5	Total assets to cover technical provisions	€ 9,521,639
6	Total of technical provisions	€ 9,529,434
7	Difference	€ (7,795)
5/6	Coverage of technical provisions	99,92%
	Minimum requirement	70%