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INDEPENDENT AUDITOR'S REPORT

To the shareholders and management of Kompania e Sigurimeve Illyria Sh.a

We have audited the accompanying financial statements of Kompania e Sigurimeve Illyria Sh.a ("the Company"), which comprise the statement of financial position as at 31 December 2013, 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.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give true and fair view of the financial position of the Company as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Report on regulatory requirements of the supervisory authority, the Central Bank of Kosovo, for Solvency Margin and Assets Deemed to Insurance Liabilities

Pursuant to the requirements of the Central Bank of Kosovo ("CBK"), we have read the accompanying Supplementary Schedules of Solvency Margin and Assets Deemed to Back Insurance Liabilities ("Supplementary Schedules"). These Supplementary Schedules prepared by management are not part of accompanying 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 2013, prepared in accordance with International Financial Reporting Standards, applicable for insurance companies in Kosovo. Management is responsible for the preparation of the Supplementary Schedules, in accordance with CBK Rule No. 8 "On Capital Adequacy" dated 29 December 2011.

Other Matter

The financial statements of the Company for the year ended 31 December, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on March 19, 2013.

Ernst & Young Certified Auditors Ltd
Ernst & Young Certified Auditors Ltd, Pristina

Pristina, March 19, 2014

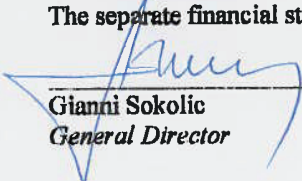
Kompania e Sigurimeve Illyria Sh.a.

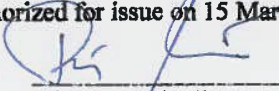
Separate statement of financial position

As of 31 December 2013 (in EUR)

	Note	31 Dec 2013	31 Dec 2012
Assets			
Cash and cash equivalents	6	948,979	1,034,323
Term deposits, net	7	6,461,992	6,123,133
Reinsurance share of insurance liabilities	8	489,427	501,297
Property, plant and equipment	9	3,353,727	3,461,138
Intangible assets	10	90,955	18,194
Deferred acquisition costs	11	584,894	514,055
Investment	12	1,800,000	1,800,000
Receivables from agents and customers	13	569,151	869,657
Other assets	14	1,466,267	1,116,693
Total assets		15,765,392	15,438,490
Liabilities			
Insurance liabilities for losses and loss adjustment expenses	15	5,297,776	5,174,220
Unearned premium insurance liabilities	16	2,975,635	3,098,154
Insurance accounts payable	17	1,729,107	1,105,320
Borrowings	18	1,100,000	1,500,000
Deferred revenue	19	52,743	51,173
Other accounts payable	20	1,013,540	1,171,299
Total liabilities		12,168,801	12,100,166
Equity			
Share capital	21	5,428,040	5,428,040
Revaluation surplus		765,996	765,996
Accumulated loss		(2,597,445)	(2,855,712)
Total equity		3,596,591	3,338,324
Total liabilities and equity		15,765,392	15,438,490

The separate financial statements set out on pages 1 to 37 were authorized for issue on 15 March 2014 by:


Gianni Sokolic
General Director


Primož Mocičnik
Chairman of the Board

The notes on pages 5 to 38 are an integral part of these separate financial statements.

Kompania e Sigurimeve Illyria Sh.a.

Separate statement of comprehensive income

For the period ended 31 December 2013 (in EUR)

	Notes	2013	2012
Gross written premiums	22	9,697,381	10,001,189
Premium tax		(497,469)	(513,719)
Change in the gross provision for unearned premiums	16	122,519	263,280
Net written premiums		9,322,431	9,750,750
Premiums ceded to reinsurers'	23	(640,292)	(1,264,970)
Reinsurers' share of change in the provision for unearned premiums	8	(79,705)	7,717
Net insurance premiums revenue		8,602,434	8,493,497
Investment income		283,859	282,846
Share of income from IAK, net of premium tax			1,196,585
Reinsurance recoveries		343,905	508,534
Reinsurance commission		111,715	176,871
Other income		61,057	198,116
Total revenues		9,402,970	10,856,449
Losses and loss adjustment expenses	15	(4,988,263)	(5,483,929)
Interest expense		(91,728)	(135,548)
Policy acquisition costs	24	(751,208)	(515,340)
Share of expenses of IAK	25	(869,412)	(260,981)
Contribution to Guarantee Fund		-	(476,736)
Administrative expenses	26	(2,444,092)	(3,752,921)
Total losses and expenses		(9,144,703)	(10,625,455)
Net profit for the year		258,267	230,994
Other comprehensive income		-	-
Other comprehensive loss		-	-
Total comprehensive income (loss) for the period		258,267	230,994

The notes on pages 5 to 37 are an integral part of these separate financial statements.

Kompania e Sigurimeve Illyria Sh.a.

Supplementary Schedules

Table 1: Minimal Solvency Margin

	Description	31.12.2013
1	Net Profit/Loss of the year	258,267
2	Net Assets	3,596,591
3	Total Assets	15,765,392
4	Minus: Premium receivables older than 90 days	262,835
5	Minus: Other Debtors	386,843
6	Minus: Advances and prepayments	50,000
7	Minus: 25% of Deffered Acquisition Costs	146,223
8	Minus: Other non - liquid assets	-
9	Minus: Intangible Assets	90,955
10	Minus: Liabilities	12168792
11	Net Admissible Assets (3+(-4-5-6-7-8-9))	2,659,743
12	Required Solvency Margin (as per rule 8 section 8)	600,000
13	Adequacy ¹³ = 11-12	2,059,743
14	Solvency Position	Solvent

Table 2: Insurance Risk and Operational Risk

	Description	31/12/2013
1	Total requirements for risk insurance	
2	Insurance risk 2013	3,857,245
3	Total requirements for risk insurance in 2013 (1+2)	3,857,245
4	Claims paid from Insurance Risk in 2013	-
5	Premiums ceded to reinsures from Insurance risk 2013	-
6	Plus Operational Risk	-
7	Total Variable Collateral (3+(4:6))	3,857,245
8	Minimum Capital Requirement	3,000,000
9	Total required Capital (7+8)	6,857,245
10	Total Cash or near cash assets (11+12)	7,410,971
11	Cash in current account	948,979
12	Investments and term deposits (13+14)	6,461,992
13	Variable Capital	-
14	Other Deposits	6,461,992
15	25% of Variable Collateral Invested in Property (7*25%)	964,311.25
16	Surplus/Deficit (10-9)	553,726
17	Status:	Surplus