



INDEPENDENT AUDITORS' REPORT

To the shareholders and management of Sigkos sh.a.

We have audited the accompanying financial statements of SIGKOS sh.a. (the "Company"), which comprise the balance sheet as at December 31, 2007 and income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Rules and Regulations of Central Banking Authority of Kosovo applicable to insurance companies ("CBAK Rules") in Kosovo. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraphs 1 and 2, 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 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 auditor considers 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.

Except as discussed in the following paragraphs 1 and 2, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

1. As discussed in Note 17 to the financial statements, the Company has accounted for its share of the Compulsory Third Party Motor Vehicle Liability ("CTPL") border insurance pool operated by the Insurance Association of Kosovo ("IAK"). IAK operates the pool on behalf of all the insurance companies licensed to sell such CTPL insurance within the Territory of Kosovo. The Company has recorded the following amounts within its financial statements for the year ended December 31, 2007: in respect of gross premiums written, net of premium tax, EUR 643 thousand (period ended December 31, 2006: EUR 84 thousand); in respect of its share of IAK expenses EUR 187 thousand (period ended December 31, 2006: EUR 34 thousand).

Furthermore, the Company has recorded the following amounts within its balance sheet based on unaudited information received from IAK: in respect of unearned premiums – EUR 31 thousand as at December 31, 2007 (December 31, 2006: Nil), in respect of liabilities for losses and loss adjustment expenses – EUR 30 thousand as at December 31, 2007 (December 31, 2006: Nil).

IAK prepares its financial statements based on a cash receipts and disbursements basis of accounting. Financial statements of IAK for the periods ended December 31, 2007 and 2006 were audited by another auditor whose audit reports on the financial statements for both periods were unqualified. Therefore, we are unable to determine through other independent means that the amounts recorded by the Company for the year ended December 31, 2007 and period ended December 31, 2006 are fairly stated.

2. As discussed in Note 18 to the financial statements, the Company is required to fund its share of the operations of the Guarantee Fund of Kosovo ("GFK") by way of periodic contributions. The Company has recorded the following amounts within its financial statements for the year ended December 31, 2007: in respect of contributions to GFK for claims incurred and administrative overheads EUR 103 thousand (period ended December 31, 2006: EUR 51 thousand).

Furthermore, the Company has recorded the following amounts within its balance sheet based on unaudited information received from GFK: in respect of liabilities for losses and loss adjustment expenses – EUR 92 thousand as at December 31, 2007 (December 31, 2006: Nil).

GFK prepares its financial statements based on a cash receipts and disbursements basis of accounting. Financial statements of GFK for the periods ended December 31, 2007 and 2006 were audited by another auditor whose audit reports on the financial statements for both periods were unqualified. Therefore, we are unable to determine through other independent means that the amounts recorded by the Company for the year ended December 31, 2007 and period ended December 31, 2006 are fairly stated.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters referred to in paragraphs 1 and 2 above, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and of its financial performance and its cash flows for the year then ended in accordance with the CBAK Rules and Regulations as set out in note 2.1 to 3.11

Deloitte Kosova sh.p.k

Deloitte Kosova Sh.p.k.

Prishtina, Kosova

March 12, 2008

SIGKOS S.H.A.
BALANCE SHEET
AS AT DECEMBER 31, 2007

	Notes	As at December 31, 2007 (in EUR)	As at December 31, 2006 (in EUR)
ASSETS			
Cash and bank balances	4	2,343,340	2,028,052
Held to maturity investments	5	1,050,000	900,000
Deferred acquisition costs	6	206,755	130,596
Receivables from agents and customers	7	80,539	9,182
Property and equipment	8	203,500	99,171
Intangible assets	9	19,635	7,170
Other assets	10	150,252	156,963
TOTAL ASSETS		4,054,021	3,331,134
LIABILITIES			
Losses and loss adjustment expenses	11	438,854	557
Unearned premiums	12	783,632	23,022
Insurance accounts payable	13	99,382	41,840
Other payables	14	371,443	370,417
TOTAL LIABILITIES		1,693,311	435,836
SHAREHOLDERS' EQUITY			
Share capital	15	3,000,000	3,000,000
Accumulated deficit		(639,290)	(104,702)
TOTAL SHAREHOLDERS' EQUITY		2,360,710	2,895,298
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,054,021	3,331,134

Authorised for issue on behalf of Board of Directors on March 12, 2008:

Ibrahim Kastrati

General Director

Alisa Bejta

Finance Director

The accompanying notes from 1 to 23 form an integral part of these financial statements.