

ION INSURANCE GROUP S.A.

2016 Audited Financial Statements

INDEPENDENT AUDITOR'S REPORT

Board of Directors:

ION Insurance Group S.A.

Escazu Corporate Center, 6th Floor
Escazu, San Jose
Costa Rica

I have audited the accompanying balance sheet of ION Insurance Group S.A. (the "Company") as of 31st December 2016, and the related statements of income and retained earnings. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in Europe. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures, in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

This report is made solely to the company's shareholders. My audit work has been undertaken so that I may state to the company's shareholders those matters I am required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body for my audit work, for the report or for the opinions I have formed.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and the cash flows for the next 12 months, in accordance with accounting principles generally accepted in Europe.

Michael John Hadley FCA
Calle Valdepeñas
Edf. Romalisa 1D
Arroyo de la Miel
Malaga
Spain

29th March 2017



A handwritten signature in blue ink, appearing to read "Michael Hadley", with a horizontal line drawn underneath it.

ION INSURANCE GROUP S.A.

Report of the Directors for the year ended 31 December 2016.

1. The directors present herewith their report and the audited financial statements of the Company for the year ended 31 December 2016.

Business review and principal activities

2. The Company was formed in Costa Rica in 2004 and is registered in the Mercantile Register of Companies with corporate I.D. number: 3-101-367511. The Company has now completed its Thirteenth year of continuous operations and the board of directors are satisfied with the progress made during the year. The Company continues to maintain its practice of conservative underwriting, whilst always seeking new strategic alliances around the World to expand the field of operations currently enjoyed.
3. As was the case for previous years, the Board of Directors has chosen to establish adequate reserves for outstanding losses, Losses that may be incurred in the future (IBNR) and unearned premium reserves. In addition to our reserving policy, we have taken the decision to retain all profits earned for the year as additional reserves of the company.
4. The long term assets of the company are comprised of the stock and assets of two wholly owned subsidiaries, namely ION Surety Company S.A. and ION Insurance Company Inc. ION Surety Company S.A. is a specialist Surety and Guarantee provider that has made good progress during the 2016 year and I am confident that the company will increase its portfolio of business substantially in 2017. ION Insurance Company Inc., an American Samoa Insurance and Reinsurance Company, licensed to accept all classes of business, with the exception of life business was formed in 2016 and will be writing new business from January 2017.
5. A portion of our cash on hand is deposited with the R.A. Whitney Trust, an inter-related party through the common ownership of ION Insurance Group S.A. and the R.A. Whitney Trust. This cash balance may be called by the Company giving thirty days notice to R.A. Whitney Trust.
6. The Board of Directors has established, through enquiry that the Accounts Receivable is an accurate assessment of premiums due to the Company.
7. The board of directors has decided to write off a loan made to a third party agent of the Company as there is no longer a realistic prospect of this loan being repaid.
8. In conclusion, the Board of Directors are satisfied with the progress made by the Company during the financial period under review.

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with European Generally Accepted Accounting Practice. The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- * Select suitable accounting policies and then apply them consistently;
- * make judgments and estimates that are reasonable and prudent;
- * state whether applicable European Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- * there is no relevant audit information of which the company's auditor is unaware, and
- * the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the directors on 1st March 2017 by:



Richard A. Whitney
President & C.E.O.

ION Insurance Group S.A.

Consolidated Balance Sheet for the year ending December 31, 2016.

United States Dollars.

Assets

	\$'000 2016	\$'000 2015
Current Assets		
Cash in banks	867	1,116
Escrow Accounts		
In a/c with R A Whitney Trust	2,167	1,917
Cash in wholly owned subsidiaries	1,205	0
Total Cash	4,239	3,033
Accounts Receivable	18	49
Agent premiums held in trust	0	0
Total current assets	4,257	3,082
Long Term Assets		
Stocks in subsidiary companies	125,663	125,000
Oil & Gas reserves	40,000	40,000
Loan to Agent	0	38
Total Long Term Assets	165,663	165,038
Total Assets	169,920	168,120

Liabilities & Stockholder's Equity

Current Liabilities

	\$'000 2016	\$'000 2015
Claims & L.A.E. Paid	132	0
Contingent Loss Provision (IBNR)	390	1,079
Provision for outstanding losses	526	513
Unearned Premiums	105	255
Operating Costs	485	415
	<hr/> 1,638	<hr/> 2,262

Stockholder's Equity

Paid Up Capital	500	500
Long Term Assets	165,663	165,038
Profit and Loss Account	1,735	320
Retained Earnings	384	0
	<hr/>	<hr/>
Total Stockholder's Equity	168,282	165,858

Total Liabilities and Stockholder's Equity	169,920	168,120
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Profit and Loss Account

Technical Account - General Business

	\$'000 2016	\$'000 2015
Premiums Written	1,951	1,277
Change in provision for unearned premiums	150	(29)
	<hr/>	<hr/>
Earned Premiums net of reinsurance	2,101	1,248
	<hr/>	<hr/>
Claims Paid	132	0
Change in the net provision for claims	(13)	(513)
Operating Expenses	(485)	(415)
Total Technical charge	<hr/> (422)	<hr/> 928
Total Balance on the technical account for general business	1,735	1,517

Profit and Loss Account

Non Technical Accounts

	\$'000 2016	\$'000 2015
Balance on the technical account for general business	1,735	320
Other income/(expense)	0	0
	<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	1,735	320
Tax (expense/credit on profit on ordinary activities)	0	0
	<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation and retained profit/ (loss) for the financial period	1,735	320
Consolidated statement of total recognised gains and losses for the year ended December 31, 2013		
Profit/(loss) for the financial period	1,735	320
	<hr/>	<hr/>
Total recognised gains/(losses) for the period	1,735	320
	<hr/>	<hr/>

All figures relate to continuing operations in the current and prior years.

Notes to the Accounts – December 31, 2016.

A. Accounting Policies

The accompanying balance sheet has been prepared by management in accordance with generally accepted accounting procedures and has been independently audited by Michael J Hadley FCA.

B. Premiums

Premiums written and ceded comprise premiums reported and/or estimated on policies and contracts inception during the accounting period. Unearned premiums comprise the unexpired portion of premiums written and ceded and are calculated based on inception dates, duration of the policies and contracts and management's estimate of the risk profile. Surety risks are taken as fully earned when paid.

C. Claims

Claims incurred, which include direct and indirect, internal and external claim expenses, comprise claims paid in the period and changes in the provision for claims outstanding. Ceded loss recoveries are accounted for in the same period as the related losses on the business written.

D. Acquisition Costs

Acquisition costs comprise mainly commissions to ceding companies. For the purposes of the accompanying balance sheet, all acquisition costs have been deducted at source and all figures presented are on a net basis.

E. Investments

Listed investments are stated in the balance sheet at estimated market value.

F. Profits

The company realised a profit of US\$1,735,000 for the year and this profit is retained as cash reserves of the company.

G. Taxation

The company, as a registered offshore company in Costa Rica is not liable to taxation.

H. Foreign Currencies

Transactions in foreign currencies are translated to United States Dollars at the rates ruling at the dates the transactions are made. Foreign currency monetary assets and liabilities are translated to United States Dollars at rates of exchange ruling at the end of the financial period.

I. Staff Costs and Directors Fees.

In view of the fact that inwards business is managed by independent agents, the cost of staff is included in the commission allowed by the company. Additionally, a consultancy fee is paid to Pacindat Consultants Ltd to cover administration duties carried out on behalf of the company. The board of directors decided to waive their right to fees for the financial period under review.

INDEPENDENT AUDITOR'S REPORT

Board of Directors:

ION Insurance Company Inc.
Escazu Corporate Center, 6th Floor
Escazu, San Jose
Costa Rica

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29th March 2017



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ION Insurance Company Inc.

Balance Sheet for the year ending December 31, 2016.

United States Dollars.

Assets

	\$ 2016
Current Assets	
Cash in banks & on hand	1,044,062
Total Cash	<hr/> 1,044,062
Accounts Receivable	0
Agent premiums held in trust	0
C.D. in bank	50,000
Total current assets	<hr/> 1,094,062
Long Term Assets	
Tangible Assets	61,629,610
Total Long Term Assets	<hr/> 61,629,610
Total Assets	62,723,672

Liabilities & Stockholders Equity

Current Liabilities

	\$ 2016
Claims & L.A.E. Paid	0
Contingent Loss Provision (IBNR)	0
Provision for outstanding losses	0
Unearned Premiums	0
Operating Costs	40
Retained Earnings	7,397
	<hr/> 7,437

Stockholders Equity

Cash paid in	1,086,625
Long Term Assets	61,629,610
	<hr/>
Total Stockholder's Equity	62,716,235
Total Liabilities and Stockholder's Equity	62,723,672

INDEPENDENT AUDITOR'S REPORT

Board of Directors:

ION Surety Company S.A.

Escazu Corporate Center, 6th Floor
Escazu, San Jose
Costa Rica

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29th March 2017



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ION Surety Company S.A.

Balance Sheet for the year ending December 31, 2016.

United States Dollars.

Assets

	\$ 2016
Current Assets	
Cash in banks	111,715
Total Cash	<u>111,715</u>
Accounts Receivable	0
Agent premiums held in trust	0
Total current assets	<u>111,715</u>
Long Term Assets	
Tangible Assets	125,663,820
Total Long Term Assets	<u>125,663,820</u>
Total Assets	125,775,535

Liabilities & Stockholders Equity

Current Liabilities

	\$ 2016
Claims & L.A.E. Paid	0
Contingent Loss Provision (IBNR)	2,351
Provision for outstanding losses	0
Unearned Premiums	0
Operating Costs	40
Retained Earnings	9,324
	<hr/> 11,715

Stockholders Equity

Paid Up Capital	100,000
Long Term Assets	125,663,820
	<hr/>
Total Stockholder's Equity	125,763,820
Total Liabilities and Stockholder's Equity	 125,775,535