AD INSURANCE POLICY – Skopje
National Group for insurance

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2014

Skopje, March 2015

These reports are translation from the official ones issued on macedonian language

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INDEPENDENT AUDITOR'S REPORT
TO THE
SHAREHOLDERS OF
AD INSURANCE POLICY - Skopje
National Group for insurance

Report on the Financial Statements

We have audited the accompanying financial statements of AD INSURANCE POLICY - Skopje (The Company), which comprise the Statement of Financial Position as at 31 December 2014, and the Income statement, Statement of comprehensive income, Statement of changes in equity and Cash flow statement for the period 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 regulations of the Agency for insurance supervision and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 judgement, 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 polices used and the reasonableness of accounting estimates made by the 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.

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE
SHAREHOLDERS OF
AD INSURANCE POLICY - Skopje
National Group for insurance

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AD INSURANCE POLICY - Skopje as of 31 December 2014, and of its financial performance and its cash flows for the period then ended in accordance with the regulations of the Agency for insurance supervision.

Other matters

The financial statements for the year ending at 31 December 2013 have been audited by other audit company, which has issued unqualified opinion from 17 of March 2014.

Report on Other Legal or Regulatory Requirements

The management of the Company is also responsible for preparation of the annual business report according to the article 384 from the Law on trade companies. Our responsibility, according to the Audit Law, is to report whether the annual business report is consistent with the annual account and the financial statements for the year ended 31 December 2014. Our job regarding the annual business report is conducted according to the ISA 720 and is restricted to reporting whether the historical financial information presented in the annual business report are consistent to the annual accounts and the audited financial statements.

The annual business report is consistent, in all material aspects, with the annual account and the audited financial statements of AD INSURANCE POLICY - Skopje as of 31 December 2014.

Skopje, 24 March 2015

Certified Auditor	Manager and Certified Auditor
Goce Hristov	Antonio Veljanov

	Note	2014 (000) MKD	2013 (000) MKD
Revenues			
Earned premium	8	527,417	511,243
Investment income	9	37,596	33,990
Other insurance income	10	29,381	29,956
Other income	11	9,433	11,872
Total revenues		**603,827**	**587,061**
Expenses			
Claims for damages, net	12	(213,285)	(183,321)
Changes in provision for claims, net	13	(39,236)	(50,595)
Insurance acquisition costs	14	(201,994)	(184,750)
Investment expenses		(181)	(194)
Other insurance expenses	15	(42,888)	(47,593)
Impairment losses from receivables	23	(7,601)	(950)
Expenses of provision for liabilities	29	(2,878)	(20,300)
Other expenses		-	(3,493)
Total expenses		**(508,063)**	**(491,196)**
Profit (loss) before taxation		**95,764**	**95,865**
Income tax expense	16	(10,302)	(906)
Net profit (loss) for the period		**85,462**	**94,959**
Earnings per share (MKD for 1 share)	17	**284**	**316**

Board of Directors of AD Insurance Policy - Skopje authorized these financial statements at 26.02.2015 for issue and propose them to the Shareholders Assembly. The financial statements are signed by the:

Executive manager
Vladimir Toshevski

	Note	2014 (000) MKD	2013 (000) MKD
Net profit for the period		**85,462**	**94,959**
Other comprehensive income:			
Changes in fair value of available-for-sale investments	21	4,104	2,918
Total other comprehensive income		**4,104**	**2,918**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**89,566**	**97,877**

	Note	2014 (000) MKD	2013 (000) MKD
ASSETS			
Intangible assets	18	4,338	3,979
Tangible assets	19	142,294	132,136
Financial investments:			
Financial assets held to maturity	20	71,000	34,000
Financial assets available-for-sale	21	156,952	199,441
Financial assets held for trading		-	-
Deposits, loans and other	22	523,359	467,590
Part for reinsurance in provisions		65,807	56,134
Receivables from insurance	23	220,116	127,668
Prepaid expenses and other	24	1,298	211
Cash and cash equivalents	25	22,452	22,596
TOTAL ASSETS		**1,207,616**	**1,043,755**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	184,696	184,696
Reserves		135,856	104,203
Revaluation reserves and fair value		2,710	(1,394)
Accumulated profit (loss)		85,462	94,959
Total equity		**408,724**	**382,464**
Provisions			
Unearned premiums	8	271,929	269,922
Provisions for claims and bonuses	27	374,610	325,323
Total provisions		**646,539**	**595,245**
Liabilities			
Liabilities for claims		92,867	7,125
Liabilities to insurance brokers		849	663
Other insurance liabilities	28	3,941	5,337
Liabilities for reinsurance		6,180	7,663
Other liabilities	28	25,338	24,958
Provision for liabilities	29	23,178	20,300
Total liabilities		**152,353**	**66,046**
TOTAL EQUITY AND LIABILITIES		**1,207,616**	**1,043,755**

	Note	2014 (000) MKD	2013 (000) MKD
Cash flows from operating activities			
Inflows from policyholders		633,866	623,615
Payments to policyholders		(241,305)	(191,828)
Payments to re-insurers		(49,856)	(62,676)
Payments for employees		(74,322)	(70,061)
Payments for brokerage commissions		(31,102)	(24,378)
Payments for other operating expenses		(142,987)	(129,256)
Income tax paid		(1,098)	(906)
Net cash flows from operating activities		**93,196**	**144,510**
Cash flows from investing activities			
Net inflow (outflow) from bank deposits	22	(57,300)	(118,104)
Net inflow (outflow) from government bills	20	(37,000)	(19,000)
Net inflow (outflow) from investments available-for-sale	21	49,394	36,398
Net inflow (outflow) from loans given	22	857	-
Acquired investment in NBO	22	674	556
Received interest	9	32,063	20,405
Acquisition of intangible assets	18	(944)	(1,502)
Acquisition of property and equipment	19	(17,778)	(13,624)
Net cash flows from investing activities		**(30,034)**	**(94,871)**
Cash flows from financing activities			
Paid-in share capital		-	-
Dividend and dividend taxes paid		(63,306)	(44,689)
Net cash flows from financing activities		**(63,306)**	**(44,689)**
Net increase (decrease) from cash flows		**(144)**	**4,950**
Cash at the begging of the year	**25**	**22,596**	**17,646**
Cash at the end of the year	**25**	**22,452**	**22,596**

AD INSURANCE POLICY - Skopje
STATEMENT OF CHANGES IN EQUITY for the year ended at 31 December

	Share capital		Reserves					
	Number of shares	Amount	Legal	Statutory	Total reserves	Revaluation reserve	Accumulated income (loss)	Total equity
		(000) MKD	(000) MKD	(000) MKD	(000) MKD	(000) MKD	(000) MKD	(000) MKD
Balance as at 1 January 2013	**300,901**	**184,696**	**43,035**	**38,823**	**81,858**	**(4,312)**	**67,034**	**329,276**
Comprehensive income:								
Profit (loss) for the period	-	-	-	-	-	-	94,959	**94,959**
Adjustment of investments available for sales to fair value	-	-	-	-	-	2,918	-	**2,918**
Total comprehensive income:	**-**	**-**	**-**	**-**	**-**	**2,918**	**94,959**	**97,877**
Transactions with owners:								
New issue of shares	-	-	-	-	-	-	-	**-**
Distribution of net profit for dividends	-	-	-	-	-	-	(44,689)	**(44,689)**
Distribution of net profit for reserves	-	-	-	22,345	22,345	-	(22,345)	**-**
Balance as at 31 December 2013	**300,901**	**184,696**	**43,035**	**61,168**	**104,203**	**(1,394)**	**94,959**	**382,464**
Comprehensive income:								
Profit (loss) for the period	-	-	-	-	-	-	85,462	**85,462**
Adjustment of investments available for sales to fair value	-	-	-	-	-	4,104	-	**4,104**
Total comprehensive income:	**-**	**-**	**-**	**-**	**-**	**4,104**	**85,462**	**89,566**
Transactions with owners:								
New issue of shares	-	-	-	-	-	-	-	**-**
Distribution of net profit for dividends	-	-	-	-	-	-	(63,306)	**(63,306)**
Distribution of net profit for reserves	-	-	-	31,653	31,653	-	(31,653)	**-**
Balance as at 31 December 2014	**300,901**	**184,696**	**43,035**	**92,821**	**135,856**	**2,710**	**85,462**	**408,724**

1. Basic data and activity

The insurance company AD INSURANCE POLICY – Skopje, National Group for insurance (furthermore the “Company”) has received Permission for doing insurance business from the Ministry of finance No. 11-8020/8 from 04.05.2005.

According to the Permission issued by the Ministry of finance, the Company is allowed for the following classes of insurance, in the group of non-life insurance, according to the Law for supervision on insurance:

- accidental insurance;
- health insurance;
- motor hull insurance;
- railway motor hull insurance;
- aircraft hull insurance;
- ship hull insurance;
- cargo insurance;
- property insurance from fire and other;
- other property insurance;
- motor third party liability;
- aircraft third party liability;
- ship third party liability;
- insurance from liability;
- insurance from financial losses;
- insurance of tourist help;
- insurance of guarantees and
- insurance of law services

The Company’s foundation share capital amounted to 750,000 EUR in denar counter value, while during 2007, second share issue was realized and the equity was increased for new 68,000 common shares or 680,000 EUR by which the total value of the share capital amounted to 1,430,000 EUR.

During 2008, new share issue was conducted through script dividend and the share capital was increased for new 47,901 common shares or 479,010 EUR by which the total value of the share capital amounted to 1,909,010 EUR.

During 2009, the share capital of the Company increased by issue of new 110,000 common shares in amount of 67,542 thousands of MKD by which the total share capital has increased to 300,901 shares with total nominal value amounting to 3,009,010 EUR.

The activities of the Company are realized through 47 branches, out of which 11 branches in Skopje and other 36 branches along other cities in Republic of Macedonia.

The total number of employees in the Company as at 31 December 2014 is 138 (2013: 131 employees) out of which:

	2014	**2013**
- on permanent basis	73	57
- on non-permanent basis	65	74

2. Basis of preparation of the financial statements

2.1. Basis of preparation

The financial statements set on pages 3 to 40 are prepared in accordance with the International Financial Reporting Standards (IFRS) which were published in the Official gazette of the Republic of Macedonia No.159/2009 and become effective from 1 January 2010.

The financial statements were prepared for the period ending 31 December 2014 and 2013. The figures for the current and the previous period are shown in thousands of Macedonian denars (000 MKD), if not otherwise stated. Certain adjustments and reclassifications of the balances for the previous year are made in order to adapt them for presentation in the current year.

2.2. Basic accounting methods

The financial statements are prepared based on the principal of historical prices (cost), with exception to investments held to maturity which are measured at amortized cost and the investments available for sale which are measured at their fair value.

2.3. Accounting estimates and judgements

The Company is applying certain accounting estimates and judgments during the process of preparation of the financial statements. Certain financial statements accounts which are not able to be measured properly are assessed on a regular basis. The assessment process includes judgments based on the latest relevant and available information.

Estimates are used during the assessment of the useful life period of the assets, fair value of receivables and its collectability, fair value of investments available for sale etc.

During the period certain estimates and judgments can be revised and changed if there are changes in the circumstances on which the assessment was based or as a result of a new information, greater experience and subsequent events.

The effects of the changes in the accounting estimates and judgments are included in the net profit or loss for the period as well as in the future periods when the change takes effect or the both.

2.4. Going concern concept

The financial statements are prepared based on the going concern concept which means that the Company will continue to operate in the future on a continuing basis. The management of the Company has neither intention nor need to liquidate or restrict significantly the scope of its operations.

3. Basic accounting policies and estimates

The principal accounting policies applied for the preparation of these financial statements are set out below. These policies have been applied consistently for the periods presented.

3.1. Classification of insurance contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is any risk other than financial risk. Financial risk is the risk of a possible future change in one or more of the specified indexes: interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant, if and only if, the insured event can affect to the Company to pay significant additional benefits. If an insurance contract is classified as an insurance contract it stays like that until all benefits or obligations expire.

3.2. Insurance contracts

(a) Recognition and measurement

Revenues

Gross premiums reflect the activities during the year and do not include tax or any liabilities for premiums.

The earned portion of the premiums is recognized as revenue. Premiums are earned from the date when the risk is incurred for the period of compensation, based on the model of undertaken risks.

Unearned premium reserve

The provision for unearned premiums comprises of the proportion of gross premiums written, which is estimated to be earned in the following or subsequent financial periods, calculated separately for each insurance contract, using the daily pro rata method, and if necessary, adjusted to reflect the change in incurring risk for the period covered with the contract.

Claims

Claims incurred consist of claims and claims handling expenses paid arising from events which occurred during the financial year adjusted for the movement in the provision for outstanding claims.

3. Basic accounting policies and estimates (Continued)

3.2. Insurance contracts (Continued)

Claims outstanding comprise of provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. Claims outstanding are assessed by reviewing individual claims and provisioning for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial changes, legislative changes, past experience and trends. Provisions for claims are not discounted. Adjustments on the provisions for claims established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Provisions for claims are calculated on the basis of actuarial profession using appropriate statistical methods. The international practise in property insurance does not require additional testing to the adequacy of the provisions for claims as the method used provides adequate amount.

(b) Reinsurance

The Company cedes insurance risk in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets, liabilities, revenues and expenses arising from the reinsurance contracts are presented separately from the related assets, liabilities, revenues and expenses arising from the insurance contracts, since the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Contracts which do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums are recognized as expense and are consistent with the basis for recognition of the related insurance premiums. For the basic insurance business the reinsurance premiums are recognized as expense over the life of the reinsurance, using assumptions consistent with the reinsured risk. The part of the ceded premium not eligible as expense is included in the reinsurance assets.

Net amount paid to reinsurer at the beginning of the contract may amount less then reinsurance assets recognized by the Company according the reinsurance contract. The difference between reinsurance premium and the recognized asset from reinsurance is included in the income statement in the period when the reinsurance premium matures.

The amount of the recognized reinsurance asset is measured consistently with the measurement of the provision of the related insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are 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 reliably measurable impact on the amounts that the Company will receive from the reinsurer.

3. Basic accounting policies and estimates (Continued)

3.2. Insurance contracts (Continued)

(c) Acquisition costs

Acquisition costs are determined as costs for acquiring new insurance contracts which include direct costs such as accrued commissions to intermediaries and costs related to offers and issuing polices. These costs are recognized as they arise.

(d) Insurance receivables and liabilities

Amounts which are due or owned to its insurers, intermediaries or other receivables represent financial instruments and are included in the receivables and payables from insurance and not in the provisions from the insurance contracts.

3.3. Financing income

Financing income, which are calculated to the balance sheet date, are presented as revenues in the year when they arise, independent from their collection. They are consisted of dividend income, capital gains from sale of securities, interest revenues and gains on exchange.

Dividends income is recognized when the right to receive payment is established.

Interest revenues are recognized on a time proportion basis, taking into account the effective yield on the asset.

3.4. Financing expenses

Financing expenses, which are calculated to the balance sheet date, are presented as expenses in the year when they arise, independent from their payment. They are consisting of interest expenses, fees and losses on exchange.

Interest expenses are recognized on a time proportion basis.

3. Basic accounting policies and estimates (Continued)

3.5. Exchange rate differences

Business transactions in foreign currency are recorded in denars by applying the exchange rate at the date of the transaction. All monetary items in foreign currencies are denominated into denars at the exchange rates ruling at the balance sheet date.

Gains and losses arising on the translation of receivables and liabilities in foreign currencies during the year have been credited or charged to financing revenues or expenses.

The official exchange rates ruling at 31 December 2014 and 2013 are the following:

	2014	2013
1 EUR =	61.4814 MKD	61.5113 MKD
1 USD =	50.5604 MKD	44.6284 MKD

3.6. Income tax (current and deferred)

Income tax for the year comprises current and deferred tax. Income tax is presented in the income statement of the Company.

Income tax is calculated in accordance with the statutory regulations in Republic of Macedonia. As at December 31, 2013 the current income tax was calculated in accordance with the statutory regulations where the Income tax at 10% rate was paid to non-recognized expenses and less recognized revenues and expenses and less recognized revenues from related parties adjusted for tax credit, and as well as on the distributed profit for dividends to legal entities – non-residents and to individuals. Undistributed profit (retained earnings) was exempt of taxation. According to the changes in regulation for income tax applied for 2014, the basis for calculating the income tax of 10% is a financial result in the income statement adjusted for non-deductible expenses and tax exemptions. The current income tax is calculated and paid in accordance with the Macedonian Law on Income Tax at rate of 10% (2013: 10%).

Deferred tax is provided using the balance sheet liability method, providing temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

Calculation of the effective tax rate is presented in Note 14.

3.7. Earnings per share

The Company discloses basic earnings per share from the ordinary shares. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

3. Basic accounting policies and estimates (Continued)

3.8. Cash and cash equivalents

Cash and cash equivalents are carried out at nominal amount in the balance sheet. For the purposes of these financial statements, cash and cash equivalents are comprised of cash in hand, cash in banks denar and foreign currency accounts and denar demand deposits.

3.9. Trade receivables

Receivables from insurance premiums are comprised of invoiced, but not collected premiums in accordance with the Company's price list, less for impairment losses for bad and doubtful receivables.

3.9.1. Impairment losses for bad and doubtful receivables from insurance

The impairment of the receivables from insurance and interest on insurance premiums is based on the estimate of the Company's management for the collectibility of these receivables. The impairment for these receivables is estimated by the management whenever events indicate that the Company will not be able to collect all amounts according previous terms, accompanied by general impairment.

General impairment of the receivables is made according maturity structure of the receivables, as follows:

Maturity of receivables (matured)	% of impairment of nominal amount
Matured to 30 days	0%
Matured from 31 to 60 days	10%
Matured from 61 to 120 days	31%
Matured from 121 to 270 days	51%
Matured from 271 to 365 days	71%
Matured over 365 days	100%

For receivbales for insurance premium for which the agreed due date is beyond the insurance period, the Company provides full impairment in amount of 100% of the receivables starting from the first after the insurance period regardless of the maturity and the due days from the customer.

3. Basic accounting policies and estimates (Continued)

3.10. Property, plant and equipment (PPE)

(1) Basic presentation

Initially, property, plant and equipment are carried out at cost. Cost includes invoiced value and all other costs to bring the PPE to their present condition and location.

Subsequently, PPE are recognized at cost less accumulated depreciation and any impairment losses.

Maintenance and repairs are charged to income as incurred. Costs relating to reconstruction and improvements that change the capacity or the purpose of the PPE are added to the value of the assets.

Profits on disposals of PPE are credited directly to other operating revenues. Losses on disposal of PPE are charged to other operating expenses.

(2) Depreciation

Depreciation is charged on a straight-line basis at prescribed rates to allocate the revalue cost of the property, plant and equipment over their estimated useful lives. PPE are depreciated on a single asset basis, until the asset is fully depreciated.

No depreciation is provided on land and construction in progress.

The basic depreciation annual rates i.e. estimated useful life of the assets applied in 2014 compared to 2013 are as follows:

	2014	2013	2014	2013
Property	2.5%	-	40 years	-
Vehicles	25 %	25 %	4 years	4 years
Computers	25 %	25 %	4 years	4 years
Office furniture	10-20 %	10-20 %	5-10 years	5-10 years

3.11. Intangible assets

An asset should be recognized as intangible asset in the financial statements if, and only if, it is controlled from the company, it is probable that the future economic benefits will flow, the cost of the asset can be measured reliably and it has non-material form.

An intangible asset should be recognized initially, at cost, and that is the amount of cash and cash equivalents paid for its acquisition. Subsequently, the intangible assets are recognized at cost less accumulated amortization and any impairment losses.

Intangible assets should be amortized over the best estimate of their useful life. The basic amortization rate used in 2014 for the intangible assets is 20 - 25% per year (2013: 20 - 25% per year).

3. Basic accounting policies and estimates (Continued)

3.12. Impairment of assets

Assets that have an indefinite useful life are not subject to amortization are subject of annual analysis for impairment. Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.13. Investments in financial instruments

The Company classifies its investments as investments held to maturity, since they have fixed or determined payments and fixed maturity and the Company has definite intention to hold them to maturity or as investments held for sale.

Investments in financial instruments are initially recorded at cost, including transfer expenses. Transaction costs comprise of brokerage fee, stock exchange fee and fee to Central Depositary of Republic of Macedonia. Acquisition of financial assets is recorded on the day of the transaction.

Investments held to maturity are valued at their amortized cost by applying effective interest rate. Gains or losses are recognized in the income statement when the financial asset is derecognized or is impaired, as well as through the amortization process.

Investments available for sale are measured at fair value using their last market price at the balance sheet date for those with active market, while those investments for which there is no active market are measured at cost less any impairment (bankruptcy or liquidation). Gains or losses from change in the fair value of the investments available for sale are recognized in the equity, or comprehensive income, until the investment is sold, charged or disposed or until it is impaired, when the cumulative income, or loss, previously recognized in the equity is included in the income or loss for the period.

3.14. Trade payables

Trade payables are stated at their nominal value (cost) arising from business transactions.

Trade payables are written off by crediting other revenues, after the expiration of the legal maturity period or by off-court agreement between parties.

3. Basic accounting policies and estimates (Continued)

3.15. Equity

(1) Shareholders capital

The Company's shareholders capital is recognized in the amount of the nominal (par) value of the authorized and issued shares.

(2) Treasury shares

Shares issued and at the same time owned by the Company are considered to be treasury shares and are recognized at cost and presented as decrease of the equity.

(3) Legal reserves

According to the local legislation the Company is obliged to set aside legal and safety reserves.

Safety reserves represent un-nominated equity formed by distribution of the net profit. Increase of these reserves is done by distribution of at least 1/3 from the Company's net profit unless it is used for recovering losses from previous years. These reserves are used for recovering losses from previous years.

The safety reserves are used by the Company for recovering losses from previous years and other risks.

The Company which has already formed safety reserves at least 50% from the average premium in the last two years, increased for the price increase index, is not obliged to distribute such reserves any more.

3.16. Leases

Leases where the Company has substantially all the risks and rewards from ownership of an asset are classified as finance lease. The leased asset under finance lease is recognised as an asset in the balance sheet at the lower of the fair value or present value of the minimum lease payments.

Leases were a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of lease. The lessor presents the assets for rent or investment property in the balance sheet.

3. Basic accounting policies and estimates (Continued)

3.17. Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

(1) Short-term employee benefits

Short-term employee benefits are employee benefits which fall due wholly within twelve months after the end of the period in which the employees render the related services. These benefits include items such as: wages, salaries and social security contributions, short-term compensated absences, profit-sharing and bonuses and other non-monetary benefits. All short-term employee benefits are recognized as a liability and expense for the undiscounted amount.

(2) Post-employment benefits

The Company calculates and pays pension insurance contributions of its employees according to the domestic legislation. The contributions, based on the employee's salaries are paid in the domestic National Fund. The Company has no additional liabilities.

Also, the Company is obliged to pay benefit in amount of two months' salary to all its employees who are retiring in the moment of retirement. The Company has made no provision for these liabilities as the amount is not significant for the financial statements.

3.18. Provisions

Provisions (uncertain liabilities) are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as an asset when, and only when, it is virtually certain that the reimbursement will be received. The expense relating to a provision is presented in the income statement net of the amount recognized for a reimbursement. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation using pre-tax rates that reflects current market assessments.

3.19. Contingencies

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liability is not recognized in the financial statements, only are disclosed.

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent asset are recognized only when the realization of income is virtually certain.

4. Financial risk management

The Company is engaged in different kind of business transactions which derive from its daily activities and which are connected with the customers, suppliers and creditors. The main financial risks to which the Company is exposed during its business and the policies for their management are the following:

4.1. Market risk

Foreign exchange risk

Foreign exchange risk represents risk from change in foreign currencies in terms of local currency (MKD), which can affect the Company revenues or the value of the financial instruments.

The Company conducts international transactions related to reinsurance, as well as investments in financial assets in foreign currency, therefore the Company is exposed to foreign exchange risk.

In order to reduce the exposure of foreign exchange risk, the Company implemented policy for investing available cash from the equity and technical reserves into government bonds denominated in EUR and deposits in foreign currency or denar deposits with foreign currency clause.

Equity price risks

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of the investments in shares and other instruments that derive their value from a particular investment in shares or index of equity prices. The Company has engaged significant amount in financial instruments – investments held to maturity and available for sale. They are amortized in predetermined time intervals (fixed maturity) with fixed or determinable payments. Equity price risk exists if the Company decides to dispose the financial instruments with fixed maturity before the maturity date, in which case the value of the financial assets will fluctuate as a result of the changes in the equity prices.

4.2. Credit risk

The Company is exposed to credit risk in the event where its customers fail to meet their payment obligations. The Company does not have significant concentration to this kind of risk as all receivables are from large number of customers. Policies and procedures for credit risk management are:

a) Trade receivables are consisted of large number of customer's balances. There are signed contracts and collateral for approved deferred payments and payments in installments of higher insurance amounts.
b) The investments of available cash are based on the principle of dispersal of risk by investing in time deposits in first class banks, as well as investments in government securities.

4. Financial risk management (continued)

4.3. Interest rate risk

The Company is exposed to risk of interest rate fluctuation, which relates to the bank deposits with variable interest rates. Since the Company has bank deposits at the balance sheet date, the Company is exposed to this kind of risk, which is presented below.

4.4. Liquidity risk

Liquidity risk includes the risk of being unable to fund its liabilities at appropriate maturities with its cash. This kind of risk is managed by maintaining sufficient cash for regular funding of its committed credit facilities. The Company has no such liquidity issues.

4.5. Taxation risk

According to local legislation, the tax authorities may at any time inspect the books and records subsequent to the reported tax year, and may impose additional tax assessments. Up to the date of the Auditors report, inspection for income tax, personnel income tax and contributions on allowances for period 2014 is not yet executed and therefore additional taxes or contributions are possible.

5. Fair value estimation

The Company has financial assets and liabilities which include trade receivables, available-for-sale investments, trade payables, as well as non-financial assets, for which large number of accounting policies and disclosures require establishing of their fair value.

The fair value of financial assets and liabilities generally approximate their carrying amount as most of them have maturity up to one year of the balance sheet date.

6. Financial instruments

6.1. Capital risk management

The Company is financing its activities with its own equity and therefore does not use any short-term or long-term borrowings. The management of the Company reviews its capital structure on a regular basis.

6.2. Foreign currency risk

The Company does enter in to transactions denominated in foreign currencies, by using services from foreign markets and therefore the Company is exposed to foreign currency risk. The carrying amount of the financial assets and liabilities denominated in foreign currencies as at 31 December 2014 and 2013, are as follows:

	Assets		**Liabilities**	
	2014	**2013**	**2014**	**2013**
EUR	220,938	179,024	6,180	7,663
USD	-	-	-	-
Total	**220,938**	**179,024**	**6,180**	**7,663**

The Company is generally exposed to EUR and the exposure arises from the bank deposits in foreign currencies and investments in government bonds, as well as Company's liabilities to foreign reinsurance companies.

Foreign currency risk exposure according to the types of financial assets and liabilities as at 31 December 2014 is at it follows:

	EUR	**USD**	**Other**	**MKD**	**Total**
Cash	219	-	-	22,234	**22,453**
Bank deposits	615	-	-	495,300	**495,915**
Deposit in GF of NBO	-	-	-	20,692	**20,692**
Given loans	-	-	-	6,752	**6,752**
Bonds and bills	133,117	-	-	94,835	**227,952**
Receiv. for premium	-	-	-	115,832	**115,832**
Other receivables	86,987	-	-	17,297	**104,284**
	220,938	**-**	**-**	**772,942**	**993,880**
Claims	-	-	-	96,808	**96,808**
Reinsurance	6,180	-	-	-	**6,180**
Payables to brokers	-	-	-	849	**849**
Other payables	-	-	-	25,339	**25,339**
	6,180	**-**	**-**	**122,996**	**129,176**

6. Financial instruments (Continued)

6.2. Foreign currency risk (Continued)

Foreign currency risk exposure according to the types of financial assets and liabilities as at 31 December 2013 is at it follows:

	EUR	USD	Other	MKD	Total
Cash	625	-	-	21,975	**22,600**
Bank deposits	615	-	-	339,000	**339,615**
Deposit in GF of NBO	-	-	-	21,366	**21,366**
Given loans	-	-	-	7,609	**7,609**
Bonds and bills	177,784	-	-	55,657	**233,441**
Receiv. for premium	-	-	-	112,857	**112,857**
Other receivables	-	-	-	14,971	**14,971**
	179,024	**-**	**-**	**573,435**	**752,459**
Claims	-	-	-	12,462	**12,462**
Reinsurance	7,663	-	-	-	**7,663**
Payables to brokers	-	-	-	663	**663**
Other payables	-	-	-	24,958	**24,958**
	7,663	**-**	**-**	**38,083**	**45,746**

The sensitivity analysis below has been determined based on the 10% increase or decrease of the MKD related to the foreign currencies. The analysis has been done based on the carrying amounts of the assets and liabilities denominated in foreign currency at the balance sheet date. A positive number below indicates an increase in profit and equity and negative number below indicates a decrease.

	10% increase		**10% decrease**	
	2014	**2013**	**2014**	**2013**
EUR	21,476	17,136	(21,476)	(17,136)
USD	-		-	-
Net	**21,476**	**17,136**	**(21,476)**	**(17,136)**

6. Financial instruments (Continued)

6.3. Interest rate risk

The Company is exposed to interest risk arising from variable interest rate on bank deposits and borrowings, which depends on the changes of the financial markets. The carrying amount of the financial assets and liabilities at the end of the year according to the interest rate risk is as it follows:

	31 December	
	2014	**2013**
Financial assets		
Non-interest bearing:		
- Cash	21	25
- Receivables for premiums	115,832	112,138
- Other receivables	104,284	15,530
	220,137	**127,693**
Interest bearing with variable interest::		
- Cash	22,431	22,571
- Bank deposits	495,915	438,615
- Deposit in GF of NBO	20,692	21,366
	539,038	**482,552**
Interest bearing with fixed interest:		
- Given loans	6,752	7,609
- Investments in government bills	227,952	233,441
	234,704	**241,050**
Total	**993,879**	**851,295**
Financial liabilities		
Non-interest bearing:		
- Liabilities to policyholders	92,867	7,125
- Liabilities to brokers	849	663
- Other payables from insurance	3,941	5,337
- Liabilities for reinsurance	6,180	7,663
- Other current payables	25,339	24,958
	129,176	**45,746**
Total	**129,176**	**45,746**

The sensitivity analysis below has been determined based on the exposure to interest rates as a result of a 2% increase or decrease for the bank deposits and borrowings at the balance sheet date. The analysis is performed on the balances of borrowings at the balance sheet date. A positive number below indicates an increase in profit and equity and negative number below indicates a decrease.

	Increase of 2% points		Decrease of 2% points	
	2014	**2013**	**2014**	**2013**
Bank deposits	10,332	9,200	(10,332)	(9,200)
Borrowings	-	-	-	-
Net	**10,332**	**9,200**	**(10,332)**	**(9,200)**

6. Financial instruments (Continued)

6.4. Liquidity risk

The following tables detail the Company's remaining contractual maturity for its financial assets and liabilities as at 31 December 2014:

	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	22,452	-	-	-	22,452
Deposits	-	-	153,000	363,607	516,607
Bonds and bills	-	-	156,952	71,000	227,952
Receiv. for premium	115,832	-	-	-	115,832
Given loans	73	153	699	5,827	6,752
Other receivables	104,284	-	-	-	104,284
	242,641	**153**	**310,651**	**440,434**	**993,879**
Claims	96,808	-	-	-	**96,808**
Reinsurance	6,180	-	-	-	**6,180**
Payables to brokers	849	-	-	-	**849**
Other payables	25,339	-	-	-	**25,339**
	129,176	**-**	**-**	**-**	**129,176**

The following tables detail the Company's remaining contractual maturity for its financial assets and liabilities as at 31 December 2013:

	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	22,596	-	-	-	**22,596**
Deposits	-	45,000	52,000	362,981	**459,981**
Bonds and bills	-	-	199,441	34,000	**233,441**
Receiv. for premium	112,138	-	-	-	**112,138**
Given loans	68	141	644	6,756	**7,609**
Other receivables	15,530	-	-	-	**15,530**
	150,332	**45,141**	**252,085**	**403,737**	**851,295**
Claims	12,462	-	-	-	**12,462**
Reinsurance	7,663	-	-	-	**7,663**
Payables to brokers	663	-	-	-	**663**
Other payables	24,958	-	-	-	**24,958**
	45,746	**-**	**-**	**-**	**45,746**

6. Financial instruments (Continued)

6.5. Capital risk management

The Agency for Supervision of Insurance, as principal regulator, follows the equity adequacy of the Company in general. The Company is obliged to maintain adequacy rate of the equity in relation to the scope of activities and the classes of insurance within the non-life insurance and / or reinsurance, at least in amount of the margin of solvency at any time.

The Company's equity, according legal requirements, consists of basic and additional equity and is calculated as follows:

When calculating the basic equity of the Company the following items are considered:

- Paid in share capital, less paid in share capital from cumulative priority shares;
- Company's reserves (legal and statutory) not arising from insurance contracts;
- Transferred undistributed profit;
- Current year undistributed profit (after tax and contributions, as well as dividend provided for payment) if confirmed by certified auditor.

When calculating the basic equity of the Company, the following items are considered non eligible:

- Treasury shares owned by the Company;
- Long term intangible assets;
- Transferred non-recovered loss and current year loss;

When calculating the additional equity of the Company, which cannot exceed 50% of the basic equity, the following items are considered:

- Paid in share capital from cumulative priority shares;
- Share premiums from issued cumulative priority shares;
- Subordinated debt instruments;
- Securities with indefinite maturity date.

The adequacy of maintaining the equity and use of own funds are reviewed on a regular basis by the management of the Company.

The table below represents the calculation of the total equity in respect of margin of solvency and the Company's Guarantee Fund as at 31 December 2014 and 2013 according regulations. The Company is complied with the prescribed requirements.

6. Financial instruments (Continued)

6.5. Capital risk management (Continued)

	2014 (000) MKD	2013 (000) MKD
1. Equity		
a) Paid in share capital	184,696	184,696
b) Reserves (with revaluation reserve)	138,566	102,809
c) Undistributed income	-	-
d) Treasury shares (-)	-	-
e) Intangible assets (-)	(4,338)	(3,979)
f) Accumulated and current losses (-)	-	-
Total equity	**318,924**	**283,526**
2. Margin of solvency	**74,901**	**94,384**
3. Guarantee fund (3,000,000 EUR)	**184,444**	**184,534**
4. Surplus of equity over margin of solvency	**244,023**	**189,142**
5. Surplus of equity over Guarantee fund	**134,480**	**98,992**

The required level of margin of solvency is calculated according to the two methods prescribed by the Law for Supervision of Insurance, amounting to 74,901 thousands of MKD according the method of premium rate, while according the method of claim rate it amounts to 52,927 thousands of MKD. The higher amount of both is used.

The Guarantee fund amounts to 1/3 of the margin of solvency, but not less than the amount for which the Company has received its work license, amounting to 3,000,000 EUR.

6.6. Insurance risk management

Purposes of insurance risk management

The management of the insurance and the finance risk is critical for the Company's activities. The purpose of the general insurance contracts is to choose assets which due date and the amount matured are complied with the expected cash outflows from incurred claims from those contracts.

The main insurance activity of the Company represents risk from loss of individuals or organizations, directly exposed to the risk. Such risks may refer to property, liabilities, health, accident or other risks which may arise from the insured events. The Company is exposed to the uncertainty of the time of occurrence, frequency and the severity of the claims which arise from these contracts. The Company is also exposed to equity price risk through insurance and investing activities.

The Company manages insurance risks by establishing limits of insurance, procedures for approval of transactions with new products or transactions with which the limits are exceeded, pricing tariffs, centralized management of reinsurance and follow up of extraordinary events.

6. Financial instruments (Continued)

6.6. Insurance risk management (continued)

Strategy for enrollment of insurance policies

The Company's strategy for enrollment of insurance policies is to achieve dispersion which would provide balanced portfolio and is based on considerable portfolio with similar risks during several years, achieving decrease of variability of the result.

Reinsurance strategy

The Company reinsures part of the insurance risks in order to control its exposure to losses and in order to protect capital funds. The Company concludes a combination of proportional and disproportional reinsurance contracts in order to decrease the net exposure, such as claims excess, quo reinsurance and excess risk. The Company also, in certain cases, purchases facultative reinsurance.

Compliance of assets and liabilities

The Law for Supervision of Insurance requires certain limits related to the Company's policy for compliance of the assets and liabilities. The Company actively manages its financial assets considering the limits set down by law. The main purpose is to reconcile the cash flows from the assets and liabilities.

The table below shows the calculation of the investments of assets covering the Company's technical reserves at 31 December 2014 and 2013 in accordance with the regulations.

	2014 (000) MKD	2013 (000) MKD
1. Investmens of assets		
a) Cash in hand and accounts (maximum to 3% of technical reserves)	17,421	16,147
b) Bank deposits (maximum to 60% of technical reserves)	335,360	305,642
c) Securities issued by RM (maximum to 80% of technical reserves)	204,117	211,786
d) Shares at regulated market of securities (maximum to 25% of technical reserves)	23,835	21,657
e) Non-matured premium receivables (maximum to 10% of unearned premium reserve)	-	-
Total assets	**580,733**	**555,232**
2. Net technical reserve		
a) Unearned premium reserve	249,512	247,127
b) Reserves for bonuses and discounts	7,978	6,588
c) Reserves for claims	323,243	285,397
d) Mathematical reserve	-	-
Total technical reserves	**580,733**	**539,112**
3. Difference	**-**	**16,120**

7. Segment reporting

Due to its specific activities and size, the Company is not organized in separate segments, business or geographical segments.

Because of the previous the Company is not presenting any segment information.

8. EARNED PREMIUMS, NET

	2014 (000) MKD	2013 (000) MKD
Gross written premium income	611,660	582,584
Changes in reserves for unearned premium	(2,006)	387
	609,654	**582,971**
Gross premium ceded to reinsurance	(81,859)	(68,779)
Changes in Premium ceded to reinsurance	(378)	(2,949)
	(82,237)	**(71,728)**
Total earned premiums, net	**527,417**	**511,243**

8.1. EARNED PREMIUM INCOME PER CLASS OF INSURANCE BUSINESS

Class of insurance:	Unearned premium 2014 (000) MKD	Current premium 2014 (000) MKD	Unearned premium 2013 (000) MKD	Current premium 2013 (000) MKD
01. Accidental insurance	15,927	30,387	14,793	26,388
02. Health insurance	15	65	18	32
03. Motor hull	29,769	29,387	33,034	32,322
07. Cargo	22	1,222	15	717
08 and 09. Property	25,363	48,661	24,326	26,131
10. Motor liability	191,587	208,769	187,290	207,946
13. General liability	4,644	10,061	5,816	7,945
18. Tourist help	4,051	10,617	3,896	10,378
Other	551	562	735	802
Total	**271,929**	**339,731**	**269,923**	**312,661**
Total	**611,660**		**582,584**	

8.2. PREMIUM CEDED TO REINSURANCE

	2014 (000) MKD	2013 (000) MKD
Reinsurance premium		
Property, motor hull and liability	59,907	46,975
Green card and motor liability	21,442	21,490
Transport	510	314
Other	-	-
Total	**81,859**	**68,779**

9. INVESTMENT INCOME

	2014 (000) MKD	2013 (000) MKD
Interest income	34,282	30,441
Gains on exchange	513	19
Dividend income	-	819
Gain from disposal of investments available-for-sale	2,801	2,711
Other investment income	-	-
Total	**37,596**	**33,990**

9.1. INTEREST INCOME

	2014 (000) MKD	2013 (000) MKD
Interest income from bank accounts	101	1,142
Interest income from bank deposits	26,021	22,963
Interest income from investments	7,568	5,677
Interest income from loans given	592	659
Total	**34,282**	**30,441**

10. OTHER INSURANCE INCOME

	2014 (000) MKD	2013 (000) MKD
Commission income from reinsurance contracts	15,918	11,999
Income from compensations	486	597
Income from reinsurance part in claims	251	193
Income from previous year insurance policies	12,726	17,167
Total	**29,381**	**29,956**

11. OTHER INCOME

	2014 (000) MKD	2013 (000) MKD
Revenues from collection of bad and doubtful receivables	1,500	-
Interest income from litigations	7,149	11,059
Other income	784	813
Total	**9,433**	**11,872**

12.CLAIMS FOR DAMAGES, NET

	2014 (000) MKD	2013 (000) MKD
Claims for damages, gross	327,047	213,735
Gross collected receivables for compensations	(9,207)	(9,173)
Claims for damages, part of the reinsurer	(104,555)	(21,241)
Total claims for damages, net	**213,285**	**183,321**
Claims for paid damages per class of insurance:		
01. Accidental insurance	20,064	24,252
02. Health insurance	-	31
03. Motor hull	31,484	37,706
07. Cargo	-	-
08 and 09. Property	132,150	13,485
10. Motor liability	140,666	136,262
13. General liability	926	1,041
18. Tourist help	1,757	958
	327,047	**213,735**

13. CHANGES IN PROVISION FOR CLAMS, NET

	2014 (000) MKD	2013 (000) MKD
Changes in provision for incurred, reported claims	15,736	35,298
Changes in provision for incurred, but not reported claims	32,160	20,472
Changes in provision for bonuses	1,390	(53)
	49,286	**55,717**
Provision for reported claims - reinsurer portion	(7,698)	(4,442)
Provision for not reported claims - reinsurer portion	(2,352)	(680)
	(10,050)	**(5,122)**
Total	**39,236**	**50,595**

14. INSURANCE ACQUISITION COSTS

	2014 (000) MKD	2013 (000) MKD
Gross wages	74,200	70,061
Depreciation and amortization	8,206	7,417
Commission expenses	31,288	24,378
Expenses for promotion and advertising	13,862	10,396
Expenses for rents	5,590	5,349
Telephone expenses	4,662	4,470
Expenses for allowances of the members of the Board of Directors	4,832	4,086
Consumed materials and energy	9,352	10,141
Bank and membership fees	1,920	1,798
Other operating cost	48,082	46,654
Total	**201,994**	**184,750**

15. OTHER INSURANCE EXPENSES

	2014 (000) MKD	2013 (000) MKD
Expenses for contribution in damages of Guarantee Fund at National Bureau for insurance (NBO)	13,720	14,053
Anti-fire and traffic safety contribution	12,156	12,709
Expenses for financing of NBO and Agency for supervision	9,725	9,796
Bonuses expenses	6,416	6,174
Other	871	4,861
Total	**42,888**	**47,593**

16. INCOME TAX

	2014 (000) MKD	2013 (000) MKD
Profit (loss) before taxation	**95,764**	**95,865**
Exempts for profit before taxation	-	(95,865)
Unrecognized expenses:		
Representation and sponsorship	3,489	3,354
Provision and write - off of receivables and investments	-	368
Expenses for allowances of the members of the Board	4,459	3,715
Salary contributions (unrecognized)	1,140	1,453
Insurance premiums	226	357
Income tax credit for collected receivables	(319)	(189)
Tax base	**104,759**	**9,058**
Calculated income tax of 10%	**10,476**	**906**
Other deductions	(174)	-
Income tax from income statement	**10,302**	**906**
Profit (loss) before taxation	**95,764**	**95,865**
Effective tax rate	**10.76%**	**0.94%**

17. EARNINGS (LOSS) PER SHARE

	2014 (000) MKD	2013 (000) MKD
Net profit (loss) attributable to shareholders	85,462	94,959
	shares 2014	**shares 2013**
Weighted average number of outstanding ordinary shares		
Issued common shares at 1.January	**300,901**	**300,901**
Issued common shares	-	-
Weighted average number of outstanding ordinary shares at 31 December	**300,901**	**300,901**
Basic earnings (loss) per share (in MKD)	**284**	**316**

18. INTANGIBLE ASSETS

	2014 (000) MKD	2013 (000) MKD
Opening balance	**5,722**	**3,672**
Additions	944	2,050
Write-off of leasehold improvements	(1,585)	-
Total cost	**5,081**	**5,722**
Opening balance	**1,743**	**1,195**
Amortization for the year	585	534
Write-off of leasehold improvements	(1,585)	-
Correction	-	14
Total accumulated amortization	**743**	**1,743**
Carrying amount as at 31 December	**4,338**	**3,979**

Intangible assets consist of software supplied to an insurance operation, licenses and investments in leasehold improvements.

19. TANGIBLE ASSETS

	Computers (000) MKD	Equipment (000) MKD	Land and buildings (000) MKD	Build. under construction (000) MKD	Total (000) MKD
Cost					
Balance as at 1 January	**28,645**	**21,977**	**118,918**	**3,563**	**173,103**
Additions	1,225	2,243	-	14,310	17,778
Transfer from building under construction	3,981	-	2,143	(6,124)	-
Disposals	-	-	-	-	-
Balance as at 31 December	**33,851**	**24,220**	**121,061**	**11,749**	**190,881**
Accumulated depreciation					
Balance as at 1 January	**21,652**	**15,531**	**3,784**	**-**	**40,967**
Depreciation for the year	3,341	1,884	2,395	-	7,620
Disposals	-	-	-	-	-
Balance as at 31 December	**24,993**	**17,415**	**6,179**	**-**	**48,587**
Carrying amount:					
at 31.12.2013	**6,993**	**6,446**	**115,134**	**3,563**	**132,136**
at 31.12.2014	**8,858**	**6,805**	**114,882**	**11,749**	**142,294**

20. FINANCIAL ASSETS HELD TO MATURITY

	2014 (000) MKD	2013 (000) MKD
Investments in government bills - par value	71,000	34,000
Discount of government bills	-	-
Total financial assets held to maturity	**71,000**	**34,000**

As of 31 December 2014, the Company has investments in government bills in the amount of 71,000 thousands of MKD (2013: 34,000 thousands of MKD) which comprise of acquired 7,100 long-term government bills with a par value of 10,000 MKD (2013: 3,400 bills with a par value of 10,000 MKD), a maturity not later then October 2024 and interest rate of 4.5%- 5.7% per year.

21. FINANCIAL ASSETS AVAILABLE FOR SALE

	2014 (000) MKD	2013 (000) MKD
Investments in shares	28,310	28,310
Adjustment to fair value	(4,475)	(6,653)
	23,835	**21,657**
Investment in government bonds	125,934	172,526
Adjustment to fair value	7,183	5,258
	133,117	**177,784**
Total financial assets available-for-sale	**156,952**	**199,441**

As of 31 December 2014, the Company has investments in shares of domestic financial companies in amount of 23,835 thousands of MKD (2013: 21,657 thousands of MKD) and investments in government bonds in amount of 133,117 thousands of MKD (2013: 177,784 thousands of MKD). These investments are acquired at the Macedonian Stock Exchange and they are carried out at their last fair value at the date of reporting. The difference between the fair value is recognized in the equity as other comprehensive income.

22. DEPOSITS, LOANS AND OTHER

	2014 (000) MKD	2013 (000) MKD
Bank deposits:		
A-vista deposits	-	-
Time deposit up to 1 year	153,000	99,000
Time deposit more then 1 year	342,915	339,615
Total bank deposits	**495,915**	**438,615**
Guarantee deposit in NBO	20,692	21,366
Loans to others	6,752	7,609
Investments in private investment funds	3,000	3,000
	30,444	**31,975**
Impairment for bad investments	(3,000)	(3,000)
	27,444	**28,975**
Total	**523,359**	**467,590**

As at 31 December 2014, the Company has time deposits in banks in the amount of 495,915 thousands of MKD, with maturity of five years and interest rates that range from 3.3% to 6.8% per year (2013: from 5.7% to 6.6% per year). Company realized interest income from such deposits and they are presented as part of the income from investments

22. DEPOSITS, LOANS AND OTHER (Continues)

The Company's deposit in the guarantee fund of the National Insurance Bureau (NBO) in amount of 20,692 thousands of MKD (2013: 21,366 thousands of MKD) arise from participation in special fund in the NBO in total amount of 3,000,000 EUR, which has been established according to the Law for obligatory insurance and each insurance company in Republic of Macedonia is participating in it, proportionally to the written premium for motor liability insurance.

As at 31 December 2014, the Company has investment in shares of the Fisher private investment funds in the amount of 3,000 thousands of MKD (2013: 3,000 thousands of MKD). These investment is fully under the provision of value because the Fund is in a liquidity problems with the interruption in payment of the shares.

23. RECEIVABLES FROM INSURANCE

	2014 (000) MKD	2013 (000) MKD
Receivables for insurance premiums:		
Receivables from policyholders	233,356	222,061
	233,356	**222,061**
Impairment for bad and doubtful premium receivables	(117,524)	(109,923)
	115,832	**112,138**
Other receivables		
Receivables from reinsurance	86,987	-
Receivables from NBO for Guarantee fund participation	688	328
Compensation receivables	3	428
Interest receivables	15,729	13,510
Receivables for advances and other deposits	12	4
Other receivables	865	2,760
	104,284	**17,030**
Impairment for bad and doubtful other receivables	-	(1,500)
	104,284	**15,530**
Total receivables	**220,116**	**127,668**
Changing in the impairment for bad and doubtful receivables		
Balance as at 1 January	**109,923**	**109,340**
New bad receivables	7,601	950
Collection of bad receivables	-	-
Write-off of receivables	-	(367)
Balance as at 31 December	**117,524**	**109,923**
Maturity of receivables:		
Undue	70,877	67,975
Due in 30 days	15,223	14,338
Due in 60 days	8,480	9,601
Due in 120 days	15,942	15,657
Due in 270 days	20,915	19,382
Due in 365 days	2,938	4,315
Over 365 days	98,981	90,793
	233,356	**222,061**

24. PREPAID EXPENSES AND OTHER

	2014 (000) MKD	2013 (000) MKD
Prepaid expenses	-	-
Small inventory in use	6	6
Unearned income	1,292	205
Total	**1,298**	**211**

25. CASH AND CASH EQUIVALENTS

	2014 (000) MKD	2013 (000) MKD
Denar accounts in banks	22,213	21,950
Cash in hand	21	25
Foreign currency accounts	218	621
Other	-	-
Total	**22,452**	**22,596**

26. SHARE CAPITAL

	2014 Shares	2014 (000) MKD	2013 Shares	2013 (000) MKD
Ordinary shares	300,901	184,696	300,901	184,696
Total	**300,901**	**184,696**	**300,901**	**184,696**

The share capital of the Company consists of issued and fully paid 300,901 ordinary shares with a par value of EUR 10 or the total amount of 184,696 thousands of MKD.

	31-Dec-14		31-Dec-13	
Shareholders	**Number of shares**	**% of partic.**	**Number of shares**	**% of partic.**
Vasil Vlaski	50,180	16.68%	50,180	16.68%
Gligorie Gogovski	30,040	9.98%	30,040	9.98%
Ljubisav Ivanov -Zingo	30,000	9.97%	30,000	9.97%
Valentina Ivanovska	27,380	9.10%	27,380	9.10%
Valentina Gogovska	20,467	6.80%	20,467	6.80%
Done Tanevski	15,944	5.30%	15,944	5.30%
Borislav Trpovski	13,590	4.52%	13,590	4.52%
Bosna Re	13,363	4.44%	13,363	4.44%
Other shareholders	99,937	33.21%	99,937	33.21%
Total	**300,901**	**100%**	**300,901**	**100%**

27. PROVISIONS FOR CLAIMS AND BONUSES

	2014 (000) MKD	2013 (000) MKD
Provision for incurred and reported claims	243,212	227,849
Provision for incurred, but not reported claims (IBNR)	120,292	88,132
Provision for bonuses	7,978	6,588
Provision for indirect costs	3,128	2,754
Other provisions	-	-
Total	**374,610**	**325,323**

Provision per class of insurance

Class of insurance	Incurred reported (000) MKD	Incurred but not-reported (000) MKD	Bonuses (000) MKD	Other (000) MKD
01. Accidental insurance	4,831	8,007	7,978	110
02. Health insurance	-	-	-	-
3. Motor hull	10,870	652	-	99
07. Cargo	40	-	-	-
08 and 09. Property	24,140	1,603	-	222
10. Motor liability	193,287	104,649	-	2,564
11. Aircraft liability	740	-	-	6
13. General liability	5,594	5,381	-	95
18. Tourist help	3,710	-	-	32
Total	**243,212**	**120,292**	**7,978**	**3,128**

28. OTHER INSURANCE LIABILITIES

	2014 (000) MKD	2013 (000) MKD
Domestic payables	6,846	15,993
Net wages	4,284	4,334
Taxes and contributions on wages	2,280	2,352
Liabilities toward NBO	171	3,370
Liabilities for anti-fire and trafic safety contribution	2,254	1,849
Income tax payables (unrecognized expenses)	9,324	120
Liabilities for advances from premiums	1,398	-
Other	2,722	2,277
Total	**29,279**	**30,295**

29. CONTINGENCIES

a) Litigations

The Company is included in large number of court procedures for claims compensation in total amount of 218,506 thousands of MKD, out of which the amount of 204,886 thousands of MKD (2013: 182,923 thousands of MKD) represent injury compensation claims by the Company's clients and the amounts are based on their court requests. These procedures are still on-going, and the Company has made and record provision in amount of 110,884 thousands of MKD (2013: 109,270 thousands of MKD) for these claims. The previous amount is consist of large number of court claims which future outcome can not be determined with reasonable assurance at this moment due to the long period of the court processes and the significant uncertainty of the outcome.

Also, the Company is included in few court procedures which are not related to the activity (claims compensation) in amount of 20,300 thousands of MKD without calculated penalty interest. The Company has allocated provision for these court procedures in amount of 23,178 thousands of MKD (2013: 20,300 thousands of MKD), out of which the amount of 2,878 thousands of MKD are interest reserved in 2014.

b) guarantees to third parties

The Company has not given any guarantees to third parties.

c) Mortgages of property and equipment

The Company has not pledged as collateral its property and equipment as a guaranty of settlement to banks and to others companies.

30. POST BALANCE SHEET EVENTS

No material events after the balance sheet date have occurred which require disclosure in these financial statements.

31. RELATED PARTY TRANSACTIONS

The Company is related with its shareholders as well as with the members of the Board of Directors as key management of the Company.

Transactions with these related parties are as follows::

	2014 (000) MKD	2013 (000) MKD
Receivables from:		
Bosna reinsurance dd, Saraevo	86,987	-
Payables to:		
Bosna reinsurance dd, Saraevo	6,180	7,663
Members of the Board of Directors (BD)	234	-
Total	**6,414**	**7,663**

Receivables from Bosna Re as one of the shareholders arise from compensation of reinsured claims. Liabilities to Bosna Re as one of the shareholders arise from unpaid reinsurance premiums. Liabilities to members of the Board of Directors arise from unpaid monthly allowances as at 31 December.

During 2014, the Company has recorded reinsurance expenses from Bosna Re in amount of 81,859 thousands of MKD (2013: 68,779 thousands of MKD), commission income from reinsurance in amount of 15,918 thousands of MKD (2013: 11,999 thousands of MKD) and income from reinsurance part in claims in amount of 104,555 thousands of MKD (2013: 21,241 thousands of MKD) and adjustments of commission for 2013 in amount of 8,027 thousands of MKD, or net income in amount of 46,641 thousands of MKD (2013: net expenses 35,539 thousands of MKD).

During 2014, the Company has recorded expenses for allowances of the members of the Board of Directors in total amount of 4,832 thousands of MKD (2013: 4,086 thousands of MKD).

The Company has no other transactions with its shareholders.