Stock Company for Insurance and Reinsurance Makedonija Skopje, Vienna Insurance Group

2015 Annual Report

March, 2016

INSURANCE MAKEDONIJA COMPANY PROFILE

Company name in full: Joint Stock Company for Insurance and Reinsurance Makedonija Skopje, Vienna Insurance Group

Abbreviated Company name: Insurance Makedonija a.d. Skopje, Vienna Insurance Group

Registered office address: 11 Oktomvri Street No. 25, 1000 Skopje

Internet: www.insumak.mk

Audit Company: KPMG Makedonija DOO

The Company underwrites insurance and reinsurance business including all classes of non-life insurance. The comprehensive diversity of products embraces different types of property insurance covers, motor insurance covers, personal accident covers, liability insurance covers and travel insurance covers.

Our Company provide a stable support to major economic industrial subjects as well as small and medium enterprises by delivering extensive range of products and services which reasonably satisfy the insurance market needs.

The insurance policies we sell provide perfect and secure protection including individual and family packages to physical entities and property covers for tangible and intangible assets.

Share Capital:

Class of shares: 717.462 ordinary shares (100%);

The total issued capital include 94,25% or 676.208 shares hold by VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE (Qualified Shareholder); The residual of 5.75% or 41.215 shares are hold by other personal or legal entities; Nominal value of a share: Euro 20,08.

Bodies of the Company

Pursuant to regulations and provision laid down by the Law on Trade Companies and the requirements set by the Law on Insurance Supervision, Joint Stock Company for Insurance and Reinsurance Makedonija Skopje, Vienna Insurance Group has changed its management system from one-tier system into two-tier system that is the Management Board and the Supervisory Board.

Supervisory Board

Mr. Peter Hofinger, President of the Supervisory Board
Mr. Andreja Josifovski, Member of Supervisory Board
Mr. Reinhard Gojer, Member of the Supervisory Board
Mr. Mihael MAG.Hag, Member of the Supervisory Board
Mr. Roumen Ivanov Yantchev, Member of the Supervisory Board

Management Board

Mr. Bosko Andov, President of the Management Board

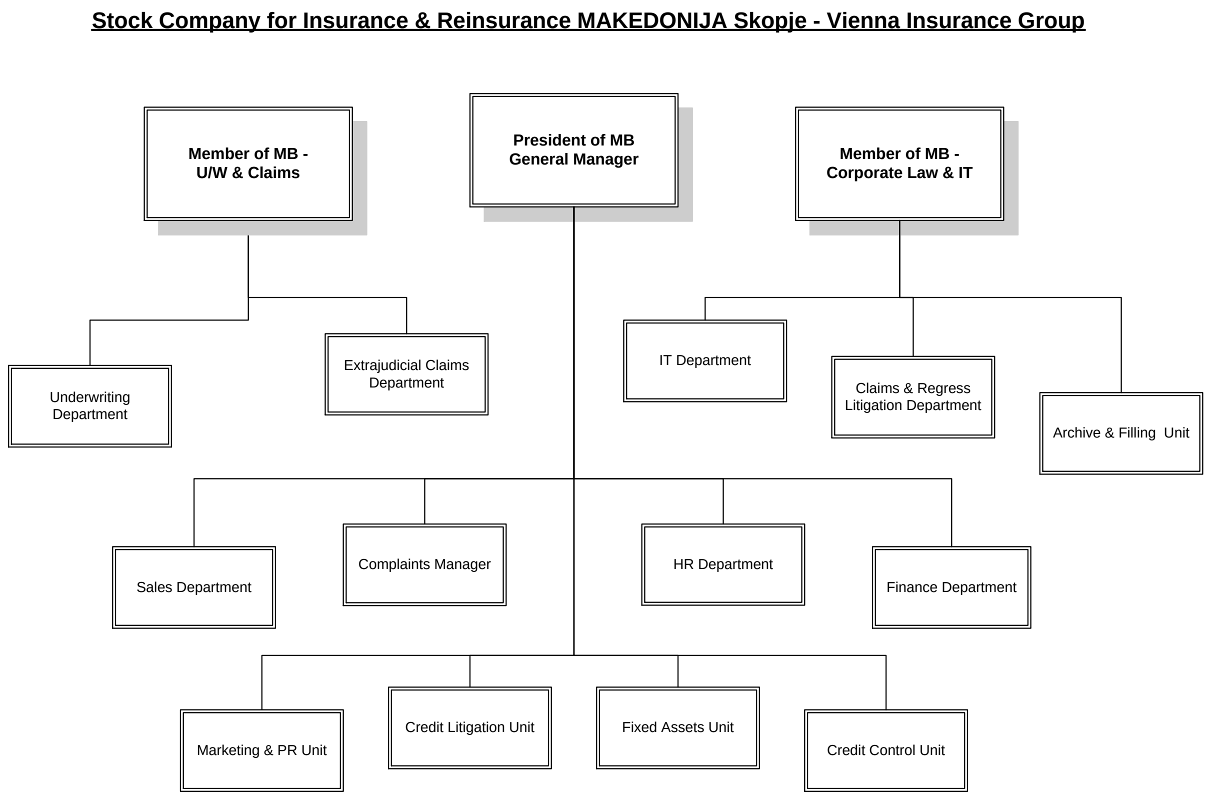
Mr. Risto Sekulovski, Member of the Management Board

Mrs. Vesna Gjorceva, Member of the Management Board

Company Organisation

The Company conduct its business through the following organisational parts: the Head Office and 14 Representative Offices throughout R. Macedonia.

These organisational parts are consisted of more departments and units, performing the key and other functions of the Company.



Key Company functions:

- Underwriting – function which include the following activities: underwriting, reinsurance, processing insurance policies and other;
- Sales – this core function includes the activities of insurance representatives and insurance intermediaries. The Company sell insurance policies through internal sales agents and through insurance representing companies and brokerage companies;
- Claims handling and settlement – fair, prompt and correct claim handling and settlement ensure that we meet our liabilities to our clients in terms of claims as their Insurer. This back office activities in fact strengthen the confidence and loyalty of our clients to our Company;
- Finance and Accounting – statutory regulations and requirements in terms of keeping business books, financial statements and other legal regulations in terms of prompt reporting are part of the duties and responsibilities of this function. Its activities also include managing the assets that cover technical reserves and the company capital;
- IT function is highly developed. This statement is supported by the fact that we have in house developed software solutions and internal IT application that covers every

segment of our business, like finance, human resource, electronic archive and other applications. Our Company created Business Continuity Plan 10 years ago and Disaster Recovery Plan is part of the BCP. We have equipped another BCP location in one of our buildings away from Skopje following the legal standards on implementation of business continuity plans;

- Legal protection – as we deal with large number of clients it is normal that we engage legal experts. We need legal protection in out-of-court cases – when we manage complains, credit control, and collection of receivables, and recourses in terms of claims. When all mechanisms for out-of-court settlement are exhausted we engage our internal lawyers who represent our interests at courts or sometimes the external lawyers;
- Human Resource – our liabilities towards employees, their rights under employment agreements, education and training of staff are activities of this function;
- Actuary – actuaries check the correct calculations of technical reserves and other reserves the Company made, the proper application of certain methodology including optimum scope and quality of processed data;
- Compliance – continuous and regular monitoring and managing the compliance of the Company with the legally required regulations governed by applied laws and acts and estimating the impact of the changes in the statutory regulations on the operation of the Company and determining any possible risks;
- Internal Audit – the Internal Audit reports for the last 13 years have always proven that the Company operate in compliance with the legal regulations and internal by-laws, and that the implemented control system ensure that the operating processes are properly secured and adequate reporting system is put in place;
- Marketing, Fixed Assets Management, Archive Management and other functions that are not mentioned hereto create the whole structure of the Company and contribute to the overall successful operation of the Company.

The number of employees in all organisation parts of the Company as per December 31st, 2015 was 181, out of which 56 engaged in Sales function and 125 engaged in the remaining Company functions.

Business policy

The main long-term objective of the Company is to obtain insurance net profit and other gains from investment assets.

The achievement of this objective includes the following:

- Maximum presence on the insurance market, money market and capital market;
- Diversify insurance portfolio and increase in the quality of the portfolio;
- Increase the quality of insurance service delivery;
- Relative decrease in the operating expenses;
- Optimal placement of risks with co-insurers and reinsurers for the purpose of preserving portfolio stability;
- Effective accumulation, usage and placement and investment of financial funds, optimal securisation thereof and adequate record keeping;
- Sustain over 10% market share in terms of gross written premium and share increase in the total net written premium;
- Achieve optimal total income by employee;
- Organization and modus of work.

Strategic developments

Continuous development of the usage of insurance assets in an efficient and rational manner, improvement of the organisation of work, eliminations of the obstacles to insurance growth and development within Company, based on the economic principles of insurance supported by consistent fulfilment of liabilities to any management body or employees in their performing of insurance activities.

Make continuous endeavours for the purpose of insurance needs and their determination and consideration under the circumstances of technical and scientific developments and standard of living movements.

Develop and improve the quality of work in insurance industry based on the existing material conditions and possibilities and by implementing the technical and technological equipment and investing in new labour facilities which will significantly affect the level of efficiency and effectiveness.
Continuous development of competence, work habits and creativity among the employees whereby the impact on quality work improvement will be obtained.

Successful performance

Considering the objectives and strategic developments, we are particularly concerned about achieving the following successful performance criteria:

- Optimal positive financial results in terms of total income and particularly in relation to insurance premium;

- Obtain balanced combined operating ratio whereby the positive financial result will be achieved and profitable underwriting result for shareholders as stimulating profit, and achieve optimal claim ratio (proportion of claims to premium);
- Efficient claims handling and settlement as a proportion of settled claims to reported claims;
- Relative decrease of operating costs in terms of total income;
- Premium income increase by employee of the Joint Stock Company;
- Interest increase of available investment assets;
- Increase of collected premium;

Stable solvency and liquidity

The Company is responsible to ensure that at any time the Company may operate and meet its liabilities to third parties which prove the high liquidity ratio of the Company. It should ensure that the funds which are used to cover technical reserves are legally invested. The Company should exceed the statutory minimum of guarantee capital and ensure legally approved coverage thereof. The Company should carry out insurance and co-insurance and reinsurance policy in a way that the achieved operating results will guarantee stability, solvency and liquidity at any time.

Risk Management Measures

The Company undertakes continuous activities for identification, assessment and evaluation of risks that the Company is exposed to in the course of its operation and manages those risks in such a manner that permanent sustainability of exposure level is obtained to avoid any risk to Company's capital and its operation, that is to protect the interests of shareholders, Insureds, damaged Third Parties and other trustees to Company all in compliance with legal acts and other statutory regulations and following bylaws and internal policies and procedures.

As a part of the business policy, several important risks have been identified together with controlling and management measures thereof that Company applies.

For this purpose the Company has prepared a special Risk Management Program including many different risks identified therein and controlling measures thereof. Moreover, this Program provides activities and procedures in details on risk control and management.

Operating Performance for 2015

In 2015 Osiguruvanje Makedonija a.d. Skopje - Vienna Insurance Group produced positive financial result and achieved profit before tax of MKD 268 million and profit after tax of MKD 240 million.

The key financial factors remained unchanged as good as they were previous years.

For 2015 the gross written premium of non-life business increased by 6% or MKD 54 million, comparing with 2014. We state increase in property insurances, general liability, cargo and travel assistance, whereas decrease in gross written premium for 2015 in terms of Casco insurance and motor insurance.

We record increase in incurred claims of 28.1% or in absolute figure it is MKD 86.6 million.

The operating cost in aggregate value increased by 9.3% or for total amount of MKD 34 million. It is natural that the increase in premium will reflect the increase in paid commission for insurance representatives and insurance intermediaries which amounted at MKD 31 million.

For insurance portfolio of the Company, the Property businesses take the largest share of 45.9%, and then follow the motor vehicle insurance (MTPL) of 26.1% and the Accident insurance of 10.7% and Casco insurance of 8.8%. All other classes of business take 8.5% of the total portfolio or below 5% respectively.

The combined ratio for 2015 is 89% which is positive (in comparison with 95% of the last year and 93% in 2013). The combined ratio is the key indicator that the Company is making underwriting profit.

During 2015 the Company received 495 complaints in terms of claims indemnities which record a slight increase of 6% if compared to the last year and follow the trend of increase in the total n umber of the insurance policies and insured persons. All complaints with no exceptions were handled within statutory stipulated term.

Net investment income from rental property is by 8.6% or for MKD 3.2 million higher if compared to 2014.

For 2015 we managed to obtain capital gains by disposals of property at the amount of MKD 2.7 million and capital loss of MKD 3.8 million which is a net loss of MKD 1.1 million.

Net investment income earned from government bonds and bank deposits decreased by 8.8% and the interest rates decreased by 0.5% point index or for almost 18% during the year. The proportion resulted from the large investments we made this year.

The market condition in terms of number of insurers operating on the Macedonian market remains unchanged. There are 11 insurance market participants underwriting non-life businesses and 4 underwriting life businesses.

At the moment when we prepare and review our annual accounts and financial statements the data on the Macedonian insurance market key figures movement have not been officially published but significant increase in gross written premium is expected in terms of non-life insurance lines which may reach about 6% whereas the percentage of increase in premium for life insurance lines is expected to exceed 20% whereby the total increase on the market may reach about 8 to 9%. This year it is expected from number of insurance companies to record profit after tax. We expect the combined ratio on a global market level to be about 97-98%.

Following the 2016 Business Plan we forecast 3% increase in gross written premium in comparison to obtained result for 2015. The estimated profit after tax we expect to slightly exceed the level of this year.

The operating activities of our Company always target the same objectives that are keeping the good clients on one hand and targeting prospects which shall further increase the number of clients on the other for those types of insurance products which bring profitable results.

Further on it is certain that we expect to settle out the old court cases for claims the result of which may lead to reduction of claims reserves. Faced with the deteriorated market liquidity we do not expect tectonic movements in terms of premium collection capacity whereas we forecast the increase in collection of outstanding premium and settlement of old court cases which will further improve our liquidity besides the general market circumstances. Considering this segment we are proud to say that we perform well in long-term perspective and the collection of accounts receivable reaches about 98,5% to the gross written premium which is an excellent achievement.

The interest rates on deposits and other securities (government bonds) are expected to keep the same level as that reached in 2015.

In 2016 we will continue with the disposals of property which is not used for the purpose of the business of the Company or property hardly used for that purpose.

The number of staff by the year end 2015 reduces by 8 persons in comparison with 2014 and now the Company employs 183 people. By the end of 2016 we estimate further reduction in staff for the final number to be 180.

We wish to thank the management team and all staff for their work and engagement and for their contribution in accomplishing the strategic goals of the Company. We also want to thank the two insurance representative companies, their staff and their clients. Without them and without our successful cooperation with brokerage companies under business agreements we could have not achieved these results and had successful business year.

Notwithstanding the difficulties of the economic environment in which we operate we do wish and believe that we will have prosperous and successful 2016 year and therefore we invite all our staff and business partners by taking professional approach to achieve the set targets.

President of the Management Board - General manager

Mr Boshko Andov

Corporate Governance

It is always challenging to work in industry which operates in regulated environment and continuously grows at high rate from year to year. The regular amending and modifying the current statutory regulations by the legal authorities requires our consistent endeavours to ensure satisfactory operation of the Company. In 2015 the managing bodies of the Company stayed committed to the principles of the adequate corporate governance and therefore account for proper compliance and risk control and management. Hereto I would like to point out that during 2015 the hard and devoted work of all our staff ensured the required compliance and protection of the shareholders' interests and wealth and the enjoyment of rights of the employees, and satisfaction of liabilities towards policyholders and claimants and other interested parties.

In 2015 the Management Board at their regular meetings adopted a number of resolutions which fell within its duties and obligations as defined and prescribed by the statutory regulations. As before the decisions were made and put in place to ensure profitable operation of the Company and protection of Company liquidity and solvency margin, risk control and management and meeting our liabilities to employees which arise out of employment agreements, personal data protection, meeting our liabilities to clients and entities with which the Company has established business and administrative relations. The decisions made by the Management Board which reflect necessary duties and responsibilities as categorised important by the legal regulations have been reported in compliance with the Rules governing the listing of securities on the Macedonian Stock Exchange, whereas all interested parties are promptly and properly notified thereon. The Management Board undertakes all necessary activities in relation to internal audit function and the supervisory function. The prompt and timely reports to the Supervisory Board ensure its functional operation which then warrants effective supervision on the performance of the Management Board.

During the last year we strongly supported the organisational units and their staff in their engagements in different procedures or execution of official and private documents, and interpreted many statutory regulations and ensured successful communication with state authorities, public administration bodies and local self-government. Regularly and daily we notify all interested parties on the amendments and alternations in the legislation and we try to anticipate the requirements arising there from in an adequate manner. During 2015 our Company as a member country of Vienna Insurance Group have implemented new compliance policies which are in line with the directives of the European Union in terms of insurance.

Osiguruvanje MAKEDONIJA s.c. Skopje – Vienna Insurance Group has its own information and communication technology systems which set the IT standards in the insurance industry in R. Macedonia, and ensure strong support and guarantee efficient and effective everyday operation of the Company. Following up the contemporary developments and improvements we continued to develop and improve our ICT systems to ensure its compliance with the requirements of the shareholder with qualifying interest.

I sincerely thank all my colleagues for their unreserved support during 2015.

Risto Sekulovski
Member of the Management Board
Corporate Governance and Information Technology

Distribution

Distribution – Sales - Channels

The sales force network of the Company is organised in a way that it provides availability of the insurance products to clients through various distribution channels for the purpose that the market needs will always be met. Our sales agent network for direct sale and the insurance representative agencies which only sell our policies are the mostly exposed distribution channel which makes our insurance covers available to clients. It is composed of well experienced and trained sales agents and also functions as another source for recruiting new insurance representatives, which will result in increase of our market share. Informally it is organised in West and East Region teams within Sales Agents Unit.

Non-Agent sales cover the market need of clients which request comparative insurance covers offered by insurance brokers, banks, travel agencies and other partners.

Compared with the preceding year a significant growth in terms of written premium was achieved by the sales agents by 4.5% whereas the non-agent sales force recorded increase by 14%.

Sales Agents – Western and Eastern Region

The Long-term sales development strategy defines the key targets for 2015. The achievement of the sale targets, premium collection, increase in number of insurance representatives and strengthening the sales network were the main objectives in this period.

Considering the direct sales and activities of insurance agents and representative agencies the sales results show 81% for the premium written for 2015.

As for the 2014 and in the 2015 as well the East Sales Region followed the increasing trend in sales volume and successfully accomplished the planned budget.

The planned sales volume of MKD 429 million was outperformed so the result achieved for 2015 is MKD 430.3 million. The written premium compared with the result of MKD 417.9 million reported for 2014 shows that the achievement in terms of written premium for 2015 differ for the amount of MKD 12.4 million which is an increase of 3% in comparison to 2014.

The largest increase of sale was reported in terms of property insurance – industry which is from MKD 191.6 million to MKD 201 million whereas the reported increase of policies written for MTPL and Green Card total over MKD 6 million or for 1.615 more policies than in 2014. The increase is of 9.5%.

Regarding other classes of business we managed to sustain the achievements of the previous year.

We opened and equipped two new sales offices and deepened our cooperation with Aktiva Osiguruvanje AD Skopje, the insurance agency which represents us and we feel free to say that the largest part of the premium has been written by this channel of distribution.

For 2016 we forecast increase in premium and sales network and ensure additional training and education to insurance representatives and sales agents.

The overall situation in the country and the economic environment affected the insurance industry which resulted in a relatively positive year for the West Sales Region although we were not successful enough to reach the estimated operating results.

The West Region completed the 2015 obtaining gross written premium of MKD 215 million which is by 7% less than for 2014.
This result was due to the transfer of a part of the portfolio at the amount of MKD 15 million to the brokerage unit.

The dissatisfying outcome was created by a significant number of external factors which affected the financial result:

- Uncompetitive prices for insurance products;
- No renewal of insurance contracts with clients with negative technical results and outstanding premium;
- Anti-competitive practise in terms of tenders;
- Decreased purchasing power of our clients due to overall situation in the country;
- Bad economic and financial conditions restricted the insurance market;
- Decrease in sale of new vehicles and strong competition in MTPL segment resulted in premium decrease;

- General trend of restrictive policy applied by banks and leasing companies in terms of loans.

Operating in highly competitive insurance market with aggressive competitors the sales team of the West Region takes number of measures and activities necessary to mitigate the negative effects of the unfavourable economic trends:

- Sales network improvement and development;
- Increase the number of new clients;
- Open new points of sale – newly opened in Demir Hisar

It is the compulsory motor insurance which still keeps the leading position among other classes of business in the portfolio structure and takes over 34%.

During 2015 we focused again on building strong sales network and active sales structure to increase our selling potential through following activities:

- Open new points of sale;
- Continue process of education;
- Continue process of supervision over the external insurance representatives under direct monitoring by internal coordinators.

It is the compulsory insurance which still keeps the leading position among other classes of business in the portfolio structure and takes over 28%.

The budgeted targets were achieved by the sales force including two (2) teams and one (1) insurance representative agency.

For 2015 the share of the insurance representative agency is significant and account for over 65% of the total portfolio.

Despite the continuous increase in competition among insurers we are proud to say that in 2015 we managed to retain all our major and important clients. We signed new insurance contract with Komercijalna Banka for the 5-year period of insurance.

West Sales Region will maintain their efforts to make their position stable in the market.
We believe that the so determined 2016 operating strategy will ensure successful achievement of set goals and targets.

For 2015 Non-Agent Sales covered almost 20% of the Company portfolio and its results were achieved by writing insurance businesses through several distribution channels:

- Insurance brokerage companies;
- Banks;
- Travel agencies.

The successful business cooperation with brokers and brokerage companies sustained its intensity even in 2015. It is the Promoter who is responsible to cooperate with the brokerage companies. The Promoter offers them insurance proposals and policies with the most convenient insurance covers for their clients for all lines of business underwritten by Osiguruvanje MAKEDONIJA.

During 2015 the sales of insurance policies through brokerage companies intensified which resulted in the increased sales of policies. The 2015 total insurance premium written by Brokers reached MKD 161 million out of which MKD 44.3 million refers to MTPL and Green Card policies.
The sales of MTPL policies show increase by 3% or MKD 1.3 million in comparison to the previous year.

Beside MTPL and Green Card policies in terms of other lines of business we reported increase of total 20% or the amount of MKD 23 million compared to 2014.
This great increase partly results from the transfer of one segment of an insurance representative agency's portfolio to a brokerage company. We have also underwritten several insurance businesses with clients through brokerage companies with which we have already entered into business agreements. Four (4) brokerage companies reported significant increase in sales for 2015 compared to 2014.

During the year we have entered into business agreement with one new brokerage company whereby the number of brokerage companies we cooperate with has increased to 25.

The sale of Household and Casco policies through banks is coordinated by the Promoter responsible for this channel of distribution. Our Company entered into agreement with 3 banks for these classes of business:

- Stopanska Bank;
- Prokredit Bank, and
- Ohridska Bank.

For 2015 the loan lines for buying homes and motor vehicles showed fall and followed the last year trend. As for the last year, most of the concluded mortgage guarantee agreements have already terminated as their period of 10 years or even more also expired. As soon as the loan agreement expired the liability for mortgage guarantee also terminated. On the other hand, the sales of insurance policies through one bank recently entered into agreement with have shown significant increase. Therefore the Household and Casco businesses placed by this distribution channel showed a significant fall from 15% of the last year to 8% for this year. Banks managed to write insurance premium of MKD 12.9 million for 2015.

The established cooperation between Travel Insurance Promoter and travel agencies continued to function in 2015, and the Promoter was also responsible for selling travel insurance policies through brokers. During the year the Company entered into agreement with several new travel agencies and one brokerage company. The trend of increasing selling volume of travel insurance policies continued in 2015. Therefore, for 2015 the sale of travel insurance policies increased by 6% compared to 2014 and amounted to MKD 5 million.

Underwriting and Claims

For 2015 the analyses of the insurance market show that the trend of growth continues. Looking at the details it is more than evident that the property insurances show greatest growth mainly because of coverages on investments in terms of construction industry and major corporate systems. Compulsory insurances remain dominant with their market volume and together with the growth of the subsidized insurance products prove the habit of our people to buy an insurance policy when “it is a must” and this habit has not changed so far.

Consistently implementing our policy on control system practise in underwriting insurance policy and monitoring the underwriting processes from several levels, our Company prove that any reasonable solution and satisfaction to market demands and needs may ensure profitable operation of the company and market leadership in the second most important market segment – that is the property insurances. We have to point out here that we managed to renew insurance contracts with our major clients or large industrial companies, our traditional clients from non-manufacturing industry including banks, with most of SME and the percentage of renewed insurance contracts with physical entities as our insured persons is extremely high. Consequently we prove that we deliver high quality service to our local clients. But not less important is the service we deliver to our new clients and to those clients who trusted us for the first time last year and with those clients who will decide to deliver their trust in our hands this year.

We were successful for 2015 in terms of product management. For the purpose that we ensure our sales force and brokers approach clients more easily and promptly we continued to design and put in place several web applications for different products including household insurance, CMR insurance and we work hard to put in place similar solutions for casco insurance and accident insurance.

The insurance market in Macedonia is still significantly undeveloped for certain classes of business, still unbalanced in terms of price/quality ratio and highly competitive which reflects the limited capacity and poor knowledge and awareness among people of the necessity for insurance of their health and property and where insurance companies offer fronting insurances within their insurance portfolios. The amendments and alternations we introduced in the CMR and Carrier Liability insurances ensured that the newly created products would satisfy the demands of the market and the needs of our most valuable clients – our sales force. We do not stop here. Targeting the same goal for the next year we plan to update the current products and introduce new product to ensure better quality for our insurance coverage's.

On the very top of our priority list is the claim handling management. During the last year we continued to apply the same effective and efficient claim handling philosophy trying to increase the percentage of satisfied clients as much as possible. Our team has excellent technical capacity and business knowledge for all insurance products. We have implemented several innovative solutions and signed agreement with AUDATEX on motor and motorcycle claims assessment whereby we tried to sustain the quality service delivery on one hand and the transparent claim handling processes on the other. During 2015 as well we were at disposal of our clients and tried to provide solutions to their claims related problems in most favourable manner.

In 2015 we applied the same Reinsurance Program we created in 2014 - Surplus Reinsurance Treaty that covers property risks and which ensure homogenisation of the property insurance portfolio and excess of loss reinsurance treaties providing cover against our exposure in relation to retention on each loss under the Surplus Reinsurance Treaty. The Company also entered into excess of loss reinsurance treaties that cover the risks against MTPL, personal accident and travel insurance as well as the quota share reinsurance treaties. Another excess of loss reinsurance treaties which cover the risks of goods in transit and third party liability were also concluded. This reinsurance program which continues the underwriting ensures complete protection over the results achieved in terms of all classes of business and profitable operation of the Company.

Vesna Gjorceva

Member of the Management Board – Underwriting and Claims

Underwriting

During 2015 the Underwriting staff actively contributed to the implementation of the sound policy on business conduct and remained devoted to controlled underwriting approach which resulted in achieving positive gross technical results for almost all classes of business.

Even for 2015, we followed the trend of a significant increase in the property premium (11% increase if compared with 2014) and substantially increased the technical result (increase in gross technical result by 33% for Class 8 and by 49% in terms of Class 9), as well as the liability insurances (37% increase if compared with 2014) and we managed to keep good technical result below 15%). The analysis of the reported results achieved in motor vehicle insurance (Class 3 – 50.1% and Class 10 – 46.3%) show that we keep positive gross technical result compared with two previous years which is a significant achievement as these two classes of business reach their largest market share and are subject to the strongest competition.

During 2015 the underwriters committed most of their time to create and develop new products and optimise the current products, offer products tailor-made to satisfy needs of specific clients, perform comprehensive risk survey before acceptance to insurance and make profound and thorough analysis of the results by different insurance portfolios. The complete support to the sales agents and the positive technical results reflect the successful outcomes from the activities of underwriters.

The Sales Support Centre continues to perform its activities during 2015 as well for the purpose of ensuring complete and prompt administration of insurance policies and provides full support to sales force by operating under applicable system solutions and processes. The SSC managed to process more than 70,000 cases. Most of these cases referred to motor vehicle policies, but no less significant engagement was made in processing the cases in relation to other classes of business, especially property insurance. Additionally, the tariff control is a significant ring in the risk management and control chain and therefore immensely contributes to profitable operation of our Company.

Extrajudicial Claims Department

The claims handling services are provided by the team of highly skilled professionals in terms of claims management who ensure efficient and fair claim service delivery accompanied by prompt payment. All claims are handled in close cooperation with the underwriting teams by utilising the database provided by the IT department.

The claims team enjoys the reputation of being highly professional within its scope of activities and is well known in terms of its technical skills and capacity to meet client's needs regarding different classes of insurance, including accident, property and motor vehicles. The custom-made solutions to meet the client's needs underlie the innovative and transparent approach to claims handling processes. The claim team of Osiguruvanje Makedonija – VIG possesses unusually rich set of professional qualifications within the relevant business domains such as legal, insurance, medicine, engineering and machinery.

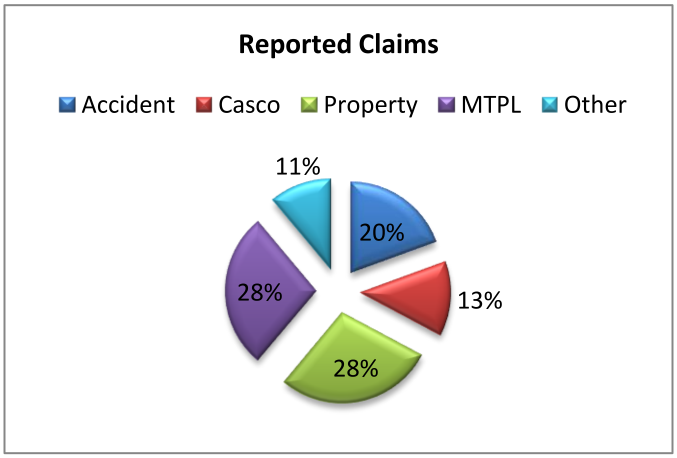
The Claims Department of Osiguruvanje Makedonija employs 36 claims handling professionals and is the largest of this kind. The department has full capacity and competence to meet the needs of clients and brokers.

The clients of Osiguruvanje Makedonija – VIG want to communicate directly to the decision makers in the Company who are assigned delegated authority to handle their cases. Therefore we encourage our teams to think commercially and rely on their professional competence and knowledge of the environment in providing flexible solutions to claims and satisfying professional needs.

Reported Claims

Number of reported claims

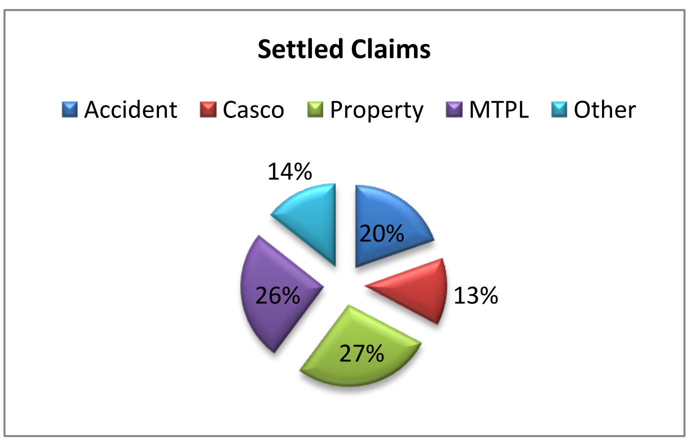
Accident	Casco	Property	MTPL	Other
1158	792	1690	1657	658



Settled Claims

Number of settled claims

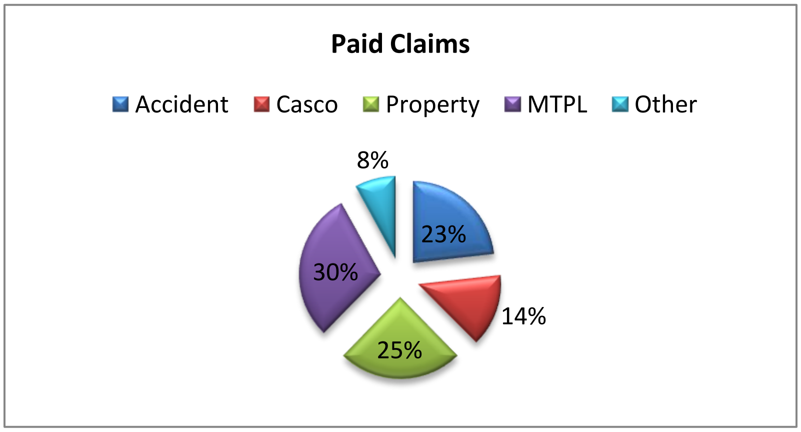
Accident	Casco	Property	MTPL	Other
1244	827	1741	1615	907



Paid Claims

Number of paid claims

Accident	Casco	Property	MTPL	Other
1246	773	1322	1592	430



For 2016 we will continue to develop the professional competence and capacity of the claims staff to ensure that all needs of our clients are successfully met.

Department for Disputed Claims and Recoveries' Report

The Department for disputed claims and recoveries is responsible for litigations involving claims related disputes of any class of insurance or claims for breach of contract, or disputes concerning collection of recourse receivables, employment related lawsuits or other lawsuits in which the Company may be the party that is being sued (the defendant) or the plaintiff.

The Department for disputed claims and recoveries manages the litigations by virtue of the proxies which are delegated authorities by the legal representative. The Department employs 5 people and outsources 13 external lawyers. They represent the Company in the courts and any other legal institutions throughout the country. The Department also supervises and coordinates the lawsuits brought in the courts in other countries which are run by the corresponding agency. The Department also controls and approves any agreement where the Company acts as a contracting party to third parties. The control in fact will ensure that the agreements have been made in compliance with the statutory regulations and applicable legislation in the Republic of Macedonia and in line with the business policy of the Company.

The proxies are obliged to protect the interests of the Company during legal proceedings and avoid any unnecessary exposure of the Company to legal costs and levies and act within legally determined terms and periods of time. They should work in a professional and conscientious manner when representing the interests of the Company before the competent courts and treat colleagues of the opposite party fairly and act lawfully and with honesty in courts and other government institutions. The external lawyers of the Department for disputed claims and recoveries act on behalf of the Company and represent its interests before the competent legal institutions so they should avoid any conflict of interest, any unethical conduct or any behaviour which may jeopardy the image of the Company.

The basic code of behaviour for proxies includes professionalism, honesty and integrity, team work and quality work improvement and development.

In the beginning of 2015, the Department has 143 still open court cases in terms of legal actions brought against the Company. During 2015, the total number of 147 litigations including claims related disputes brought against the Company by classes of business refers to the following:

- 72 disputes refer to MTPL
- 17 disputes refer to uninsured vehicles;
- 31 disputes refer to foreign vehicles under Green Card policy;
- 17 refer to personal accident claims;
- 9 refer to property claims.

During 2015 there were no employment related lawsuits brought against the Company. The Department still run 2 cases initiated in the years before and still pending the court decision.

During 2015 there were no lawsuits involving breach of contacts against the Company. The Department still run 1 case initiated in the previous years and still pending the court decision.

For 2015 the Department for disputed claims and recoveries stated their work with 790 pending cases in regard to uncollected recourse receivables. The Department brought 128 lawsuits against recourse debtors.

Human Resource

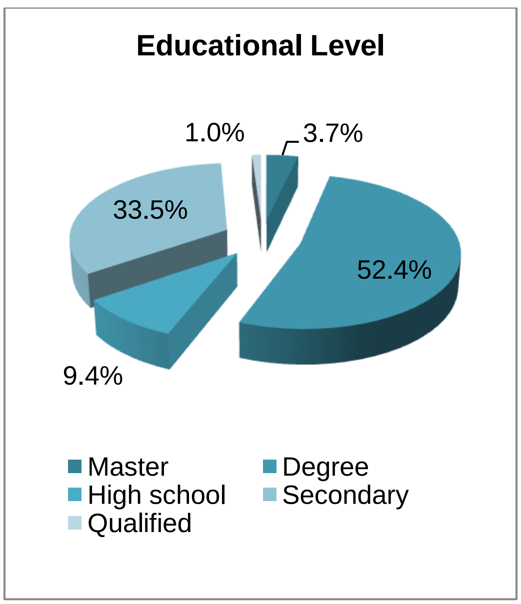
For 2015 HR function continued to meet their regular activities and duties in terms of professional education and personal development of their staff.

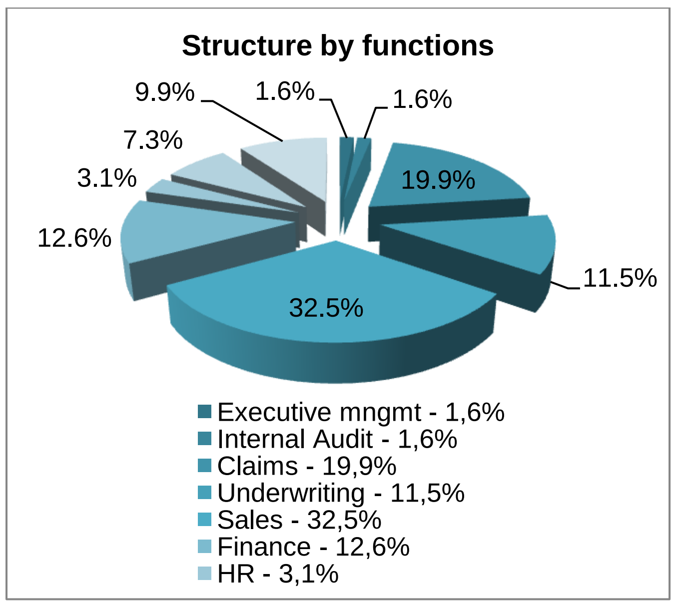
During 2015 our Company applied for the Mobility Program again where staff spend some time in their area of expertise in one or several Group companies. This year the Program was carried out by the Human Resource Department in VIG Holding. The participants were awarded the certificate for attendance and they showed excellent results whereas the exchange of experience and practices may significantly improve the cooperation between the two companies in future.

The staff participated in more than 50 training courses, seminars and conferences which ensure that the strategic goal of professional education and personal development of the Company staff has been satisfied.

Even after longer period, during 2015 the Company carried out a redundancy procedure and the number of employees was reduced as a consequence of normal outflow so that as of December 31, 2015 the total number of employees in our Company was 181, whereof 56 in sales and 125 in other functions of the Company.

The workforce structure in terms of education and distribution by functions of the Company is the following:





In 2015 the Company celebrated its 70th anniversary. We organised many activities to celebrate our jubilee including social corporate responsibility events wherein the participants were the Company staff. We helped socially vulnerable families, families suffering consequences of the natural disasters, and we arranged a nice playground for small children.

Financial Results

For 2015 the Joint Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje – Vienna Insurance Group operated according to the strategic goals and priority targets defined by the Financial Plan and the Business Policy.

During the period from 01.01.2015 to 31.12.2015 the total gross written premium increased by 6% in comparison with 2014. This increase resulted from the sale of property and of general liability insurance policies.

In the reporting year the Non-Life insurance demonstrates positive financial result reaching the amount of MKD 267.6 million. This positive result refers to extraordinary item.

Summary income statement and detailed description of the income items and expenses recognised in the income statement which incurred during the reporting period are given below.

Earned premium income for non-life insurance is MKD 550.5 million which is by 11% less that the outcome reported for 2014. The total written premium for non-life insurance is MKD 921.4 million which is by 6% more than the result reported in 2014. It was corrected by the amount of unearned premium for 2014 reported as the income item and the amount of unearned premium for 2015 reported as liability. Additionally the gross premium income is decreased for the earned premium placed in reinsurance. The earned premium, investment income and other income amount to total income of the Joint Stock Company of MKD 1.0 billion. Total income achieved by the Company in 2015 shows an increase of 15% in comparison with 2014.

During the period from 01.01.2014 to 31.12.2014 the Life insurance demonstrates positive financial result at the amount of MKD 380,147. This positive outcome was affected by the decreased scope of life insurance portfolio, and the insurance contracts and the claims (different positions are stated below). For the same period in 2013 as an outcome of the completion of the process of calculated adjustments and corrected values of receivables the collection of which has been uncertain and dubious the Company reported negative financial result of MKD 3,040,705.

Claims expenses of MKD 221,239,850 and the underwriting expenses of MKD 398.4 million account for almost 80% of the total expenses. The investment expenses of MKD 57.3 million and other operating costs compose the total operating expenses at the amount of MKD 742.4 million.

The determined income and expenses as stated above show that the Company report positive financial result of MKD 267.6 million.

2015 income tax calculated on the achieved profit increased for the amount of non-deductible expenses and understated revenues and additionally decreased for tax deduction amount to MKD 27.7 million.

For 2015 the consent issued by the Insurance Supervision Agency on the Company to transfer the life insurance portfolio to Joint Stock Company WINNER LIFE – Vienna Insurance Group was executed.
According to the Agreement for the transfer of insurance contracts the Transferor Company may exercise all rights and meet liabilities which arise out of this agreement subject to transfer until 31.12.2014 inclusive.

Internal Audit

During 2015 the Internal Audit of the Company in accordance with the Annual Plan, carried out 7 internal audits covering all key operational functions of the Company.

The Internal Audit report states 15 findings, 12 of which were ranged as low risk and only 3 findings were ranged as average risk.

The opinion of the Internal Audit was “Excellent” for reviewed functions of the Company and only two cases were “Satisfactory”, which means that the functioning of the implemented internal controls over the reviewed functions was assessed as effective and efficient from all material aspects.

The activities agreed with the Management team to eliminate the determined findings were completed in defined manner and within set deadlines.

During 2015 as requested by the Directorate for Personal Data Protection the Internal Audit function carried out complete supervision on the personal data protection system and the video surveillance system in the Company. Hereafter these two systems will be subject to regular supervision annually. The findings reported were ranged as low risk.
Tatjana Ansarova – Jovanovska
Internal Audit Manager

Information Technology

The IT Department of Osiguruvanje Makedonija a.d. – Vienna Insurance Group is designed in accordance with the necessities of business processes to ensure prompt and complete data processing and availability of documented information used in their operation.

IT Department employs 13 professionals with excellent business knowledge, good range of technology competence and computer skills and they constantly improve their knowledge following the latest developments in the field of information and communication technology.

The main function of the IT Department of Osiguruvanje Makedonija a.d. – Vienna Insurance Group is proving support to the Company business and ensuring effective and efficient operation:

- Provide and participate in the achievement of targets set by the Company business plan and strategy;
- Carry out corporate and local processes and procedures.

IT function actively operates in many different fields:

- Access to IT services of 100% for 2015;
- Development and maintenance of application software;
- DB administration, development and maintenance of system software, hardware, email and network;
- Application of VIG IT Strategy and Security Policy;
- IT management including monitoring of IT projects and resources and functioning of Steering Committee;
- Compliance of the IT activities with the local statutory regulations and requirements;
- Development and maintenance of SW solutions, hosting and technical support to QBE Ukraine;
- IT cost savings by 2,56% compared to 2014 or 89% of the targeted IT cost savings were achieved for 2015 with 87,41%.

Some of the more important IT projects in 2015 are:

- Web application (Household, CMR, Accident insurance-personal and collective basis)
- E-pay for web application
- E-pay system -administration of user/passwords
- Training evidence application
- Web service implementation for NBO
- Implementation of manual for payment
- Data migration of QBE Ukraine from v.10 to v.11
- Rebranding Ukraine

Classes of Business

In compliance with the Article 5 of the Insurance Supervision Law the Company has been licensed to underwrite the following 17 classes of businesses for 2015:

1) Personal accident

3) Casco insurance of motor vehicles;

4) Casco insurance of railway vehicles;

5) Casco insurance of airplanes;

6) Casco insurance of sailing objects;

7) Cargo insurance;

8) Property insurance from fire and another natural perils;

9) Other property insurance;

10) Motor Third Party Liability;

11) Aircraft Third Party Liability;

12) Sailing objects Third Party Liability;

13) General Liability;

14) Credit insurance;

15) Insurance of guaranties;

16) Insurance against financial losses;

17) Insurance against legal protection;

18) Travel Insurance

Numbers of classes are given according to the Insurance Supervision Law.

STOCK COMPANY FOR INSURANCE AND REINSURANCE MAKEDONIJA SKOPJE- VIENNA INSURANCE GROUP MAKEDONIJA

Financial statements

With Report of the Auditors thereon

Annual report

For the year ended 31 December 2015

Content

Statement of comprehensive income (Income Statement) – Non-Life insurance

	Note	Amount in MKD thousands 2015	2014
A. OPERATING INCOME		**1.010.066**	**878.736**
I. NET INSURANCE PREMIUM REVENUE	**6**	**550.590**	**617.095**
1. Gross written premium from insurance		921.427	867.762
2. Gross written premium from co-insurance			
3. Gross written premium for reinsurance / retrocession		2.006	
4. Gross written premium delivered in co-insurance			
5. Written premium ceded to reinsurers		(364.725)	(252.519)
6. Change in the gross provision from unearned premium		(41.829)	1.734
7. Change in the gross provision from unearned premium – co-insurance share			
8. Change in gross reserve for unearned premium – reinsurance share		33.711	118
II. Investment income		**86.639**	**87.840**
1. Income from subsidiaries, associates and jointly controlled entities			**-**
2. Income from investments in land and buildings		**42.598**	**52.006**
2.1 Rent income		39.910	36.736
2.2 Income from increasing of the land and buildings value			
2.3 Income from sale of land and buildings		2.688	15.270
3. Interest income		**27.315**	**29.944**
4. Positive foreign exchange differences		**15.603**	**5.380**
5. Impairment (unrealised gains, measurement of fair value)			
6. Realised gains from sale of financial assets – capital gain		**995**	**412**
6.1 Financial assets available for sale		995	412
6.2 Financial assets held for trading (with fair value)			
6.3 Other financial asset			
7. Other investment income		**128**	**98**
III. REINSURANCE COMMISSION RECOVERIES INCOME		**117.228**	**94.110**
IV. OTHER INSURANCE TECHNICAL INCOME, NET OF REINSURANCE	**7**	**60.802**	**63.894**
V. OTHER INCOME	**8**	**194.807**	**15.797**

(All amounts in MKD thousands unless otherwise stated)

Statement of comprehensive income (Income Statement) – Non-Life insurance (continued)

	Note	Amount in MKD thousands	
		2015	2014
B. OPERATING EXPENSES		**742.438**	**780.460**
I. NET INSURANCE CLAIMS AND BENEFITS INCURRED	**9**	**221.240**	**271.011**
1. Gross claims paid		395.263	308.641
2. Decrease for the income from gross realized receivables from recourse		(11.525)	(5.447)
3. Gross claims paid – co-insurance share			
4. Gross claims paid – reinsurance share		(132.071)	(53.101)
5. Change in gross reserves for claims		(55.250)	121.437
6. Change in gross reserves for claims - part for co-insurance			
7. Change in gross reserves for claims – part for reinsurance		24.823	(100.519)
II. CHANGES IN OTHER TECHNICAL RESERVES, NET OF REINSURANCE			
1. Changes in the mathematical reserve, net of reinsurance			
1.1 Change in gross mathematical reserve			
1.2 Change in gross mathematical reserve – part for co-insurance/ reinsurance			
2. Changes in equalization reserve, net of reinsurance			
2.1. Changes in gross equalization reserve			
2.2 Changes in gross equalization reserve – part for co-insurance/reinsurance			
3. Changes in other technical reserves, net of reinsurance			
3.1 Changes in other gross technical reserves			
3.2 Changes in other gross technical reserves – part for co-insurance and reinsurance			
III. CHANGE IN GROSS MATHEMATICAL RESERVE FOR LIFE INSURANCE WHERE INVESTMENT RISK IS BORNE BY INSURED, NET OF REINSURANCE			
1. Changes in gross mathematical reserve for life insurance where the investment risk is borne by insured, net of reinsurance			
2. Changes in gross mathematical reserve for life insurance where the investment risk is borne by insured, net of reinsurance – part for co-insurance and reinsurance			
IV. EXPENSES FOR BONUS AND DISCOUNTS, NET OF REINSURANCE		**21.158**	**20.154**
1. Expenses for bonus (depending from the profit)		6.483	2.612
2. Expenses for discounts (not depending from profit)		14.675	17.542
V. NET EXPENSES FOR INSURANCE EXPENSES	**10**	**398.466**	**364.436**
1. Acquisition costs		**201.245**	**156.917**
1.1 Commission		127.388	96.204
1.2 Gross salary for sale network		62.214	59.186
1.3 Other acquisition costs		15.537	8.091
1.4 Movement in DAC		(3.894)	(6.564)
2. Administrative expenses		**197.221**	**207.519**
2.1 Depreciation of tangible assets used for operating purposes		17.638	17818
2.2 Staff costs		**101.465**	**105.274**
2.2.1 Salaries and contributions		62.686	66.819
2.2.2 Salary taxes		5.977	6.401
2.2.3 Contributions for obligatory social insurance		24.238	24.289
2.2.4 Expences for pension insurance			-
2.2.5 Other expences for employees		8.565	7.765
2.3 Expenses for services from individuals		**5.455**	**6.437**
2.4 Other administrative expenses		**72.662**	**77.990**
2.4.1 Other administrative expences		39.643	40.165
2.4.2 Material expences		22.624	24.909
2.4.3 Provisioning expences and other expences		10.395	12.916

Statement of comprehensive income (Income Statement) – Non-Life insurance (continued)

	Note	Amount in MKD thousands 2015	2014
VI. INVESTMENT COSTS		**57.377**	**46.428**
1. Depreciation and impairment for tangible assets not used for operating purposes		**23.298**	**22.877**
2. Interest expenses			
3. Negative foreign exchange differences		**29.960**	**20.110**
4. Value adjustment (non-realised loss, measurement with fair value)			
5. Realized loss from sale of financial assets – capital loss		**3.822**	**2.636**
5.1 Financial assets available for sale		3.822	2.636
5.2 Financial assets held for trading (fair value)			
5.3 Other financial assets			
6. Other investment costs		**297**	**805**
VII. OTHER INSURANCE TECHNICAL EXPENSES, NET OF REINSURANCE	**11**	**26.784**	**27.701**
1. Prevention costs			
2. Other insurance technical expenses, net of reinsurance		26.784	27.701
VIII. IMPAIRMENT OF INSURANCE PREMIUM RECEIVABLES		**1.119**	**32.421**
IX. OTHER EXPENSES INCLUDING OTHER IMPAIRMENT	**12**	**16.294**	**18.309**
X. PROFIT BEFORE TAX		**267.628**	**98.276**
XI. LOSS BEFORE TAX			
XII. INCOME TAX	**13**	**27.720**	**10.605**
XIII. DEFERRED TAX			
XIV. PROFIT FOR THE YEAR		**239.908**	**87.671**
XV. LOSS FOR THE YEAR			

(All amounts are in MKD thousands unless otherwise stated)

Statement of comprehensive income (Income Statement) - Life insurance

	Note	Amounts are in MKD thousands	
		2015	2014
A. OPERATING INCOME			**4.107**
I. NET INSURANCE PREMIUM REVENUE			**2.119**
1. Gross written premium from insurance			2.118
2. Gross written premium from co-insurance			
3. Gross written premium for reinsurance / retrocession			
4. Gross written premium delivered in co-insurance			
5. Written premium ceded to reinsurers			
6. Change in the gross provision from unearned premium			1
7. Change in the gross provision from unearned premium – co-insurance share			
8. Change in gross provision for unearned premium – reinsurance share			
II. INVESTMENT INCOME			**1.812**
1. Income from subsidiaries, associates and jointly controlled entities			
2. Income from investments in land and buildings			
2.1 Rent income			
2.2 Income from increasing of the land and buildings value			
2.3 Income from sale of land and buildings			
3. Interest income			1.670
4. Positive foreign exchange differences			**131**
5. Impairment (unrealised gains, measurement of fair value)			
6. Realised gains from sale of financial assets – capital gain			
6.1 Financial assets available for sale			
6.2 Financial assets held for trading (with fair value)			
6.3 Other financial asset			
7. **Other investment income**			11
III. OTHER INSURANCE TECHNICAL INCOME, NET OF REINSURANCE			**175**
IV. OTHER INCOME			**-**

(All amounts are in MKD thousands unless otherwise stated)

Statement of comprehensive income (Income Statement) - Life insurance (continued)

	Note	Amount in MKD thousand	
		2015	**2014**
B. OPERATING EXPENSES			**3.727**
I. NET INSURANCE CLAIMS AND BENEFITS INCURRED			**21.281**
1. Gross claims paid			22.096
2. Decrease for the income from gross realized recourse receivables			
3. Gross claims paid – co-insurance share			
4. Gross claims paid – reinsurance share			
5. Change in gross reserves for claims			(814)
6. Change in gross reserves for claims - part for co-insurance			
7. Change in gross reserves for claims – part for reinsurance			
II. CHANGES IN OTHER TECHNICAL RESERVES, NET OF REINSURANCE			**(18.210)**
1. Changes in the mathematical reserve, net of reinsurance			**(18.210)**
1.1 Change in gross mathematical reserve			(18.210)
1.2 Change in gross mathematical reserve – part for co-insurance/ reinsurance			
2. Changes in equalization reserve, net of reinsurance			
2.1. Changes in gross equalization reserve			
2.2 Changes in gross equalization reserve – part for co-insurance/reinsurance			
3. Changes in other technical reserves, net of reinsurance			
3.1 Changes in other gross technical reserves			
3.2 Changes in other gross technical reserves – part for co-insurance and reinsurance			
III. CHANGE IN GROSS MATHEMATICAL RESERVE FOR LIFE INSURANCE WHERE INVESTMENT RISK IS BORNE BY INSURED, NET OF REINSURANCE			
1. Changes in gross mathematical reserve for life insurance where the investment risk is borne by insured, net of reinsurance			
2. Changes in gross mathematical reserve for life insurance where the investment risk is borne by insured, net of reinsurance – part for co-insurance and reinsurance			
IV. EXPENSES FOR BONUSES AND DISCOUNTS, NET OF REINSURANCE			
1. Expenses for bonuses (depending from the profit)			
2. Expenses for discounts (not depending from profit)			
V. NET EXPENSES FOR INSURANCE EXPENSES	**27**		**475**
1. Acquisition costs			
1.1 Commission			
1.2 Gross salaries for employees in sale network			
1.3 Other acquisition costs			
1.4 Movement in DAC			
2. Administrative expenses			**475**
2.1 Depreciation of tangible assets used for operating purposes			
2.2 Staff costs			
2.2.1 Salaries and contributions			
2.2.2 Salary taxes			
2.2.3 Contributions for obligatory social insurance			
2.2.4 Expences for pension insurance			
2.2.5 Other expences for employees			
2.3 Expenses for services from individuals			
2.4 Other administrative expenses			475
2.4.1 Other administrative expences			40
2.4.2 Material expences			
2.4.3 Provisioning expences and other expences			435

Statement of comprehensive income (Income Statement) - Life insurance (continued)

	Note	Amounts are in MKD thousands	
		2015	2014
VI. INVESTMENT COSTS			**142**
1. Depreciation and impairment for tangible assets not used for operating purposes			
2. Interest expenses			
3. Negative foreign exchange differences			**141**
4. Value adjustment (non-realised loss, measurement with fair value)			
5. Realized loss from sale of financial assets – capital loss			
5.1 Financial assets available for sale			
5.2 Financial assets held for trading (fair value)			
5.3 Other financial assets			
6. Other investment costs			
VII. OTHER INSURANCE TECHNICAL EXPENSES, NET OF REINSURANCE			
1. Costs of prevention			
2. Other insurance technical expenses, net of reinsurance			
VIII. IMPAIRMENT OF INSURANCE PREMIUM RECEIVABLES			
IX. OTHER EXPENSES INCLUDING OTHER IMPAIRMENT			**39**
X. PROFIT BEFORE TAX			**380**
XI. LOSS BEFORE TAX			
XII. INCOME TAX			**38**
XIII. DEFERRED TAX			
XIV. PROFIT FOR THE YEAR			**342**
XV. LOSS FOR THE YEAR			

(All amounts are in MKD thousands unless otherwise stated)

Statement of financial position (Balance sheet) – Non-Life insurance

	Note	Amount in MKD thousands 2015	2014
ASSETS			
A. INTANGIBLE ASSETS	**14**	**2.975**	**2.031**
1. Goodwill			
2. Other immaterial assets		2.975	2.031
B. INVESTMENTS		**1.794.360**	**1.761.835**
I. LAND, BUILDINGS AND OTHER TANGIBLE ASSETS		**793.866**	**831.724**
1. Land and buildings for operating activities		**238.639**	**244.539**
1.1 Land		6.186	6.207
1.2 Buildings	16	232.453	238.332
2. Land and buildings not for operating activities	**15**	**555.227**	**587.185**
2.1 Land			
2.2 Buildings		555.227	587.185
2.3 Other tangible assets			
II. FINANCIAL INVESTMENTS IN GROUP ENTITIES, SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES		**11.797**	**12.264**
1. Stocks, shares and other equities securities in companies in a group – subsidiaries			
2. Debt securities issued from group entities, subsidiaries and loans of group entities - subsidiaries			
3. Stocks, shares and other equities in associates			
4. Debt securities issued from associates and loans of associates			
5. Other financial investments in group entities - subsidiaries			
6. Other financial investments in associates			
7. Investments in National Insurance Bureau		11.797	12.264
III. OTHER FINANCIAL INVESTMENTS	**17**	**988.697**	**917.848**
1. Financial assets held to maturity		**51.256**	**35.700**
1.1 Debt securities with maturity less than one year		51.256	35.700
1.2 Debt securities with maturity more than one year			
2. Financial assets available for sale		**235.271**	**171.947**
2.1 Debt securities with maturity less than one year			
2.2 Debt securities with maturity more than one year		215.067	150.046
2.3 Stocks, shares and other equities		20.204	21.901
2.4 Stocks and shares in investment funds			
3. Financial assets held for trading			
3.1 Debt securities with maturity less than one year			
3.2 Debt securities with maturity more than one year			
3.3 Stocks, shares and other equities			
3.4 Stocks and shares in investment funds			
4. Deposits loans and other placements		**702.169**	**710.200**
4.1 Deposits		702.169	710.200
4.2 Collateralized loans			
4.3 Other loans			
4.4 Other placements			
5. Derivative financial instruments			

Statement of financial position (Balance sheet) – Non-Life insurance (continued)

	Note	Amounts in MKD thousands 2015	2014
IV. DEPOSITS IN ASSIGNORS OF REINSURANCE ENTITIES, BASED ON REINSURANCE CONTRACTS			
C. CO-INSURANCE AND REINSURANCE SHARE IN GROSS TECHNICAL RESERVES		**119.293**	**110.013**
1. Co-insurance and reinsurance share in the gross reserve of unearned premium		42.688	8.585
2. Co-insurance and reinsurance share in the gross mathematical reserve			
3. Co-insurance and reinsurance share in gross claims reserves		76.605	101.428
4. Co-insurance and reinsurance share in gross reserves for bonus and discounts			
5. Co-insurance and reinsurance share in gross equalization reserve			
6. Co-insurance and reinsurance share in other technical reserve			
7. Co-insurance and reinsurance share in gross technical reserve for life insurance where the investment risk is borne by the insured			
D. FINANCIAL INVESTMENT IN WHICH INSURED ASSUMES THE INVESTMENT RISK (INSURANCE CONTRACT)			
E. DEFERRED AND CURRENT TAX ASSETS			
1. Deferred tax assets			
2. Current tax assets			
F. RECEIVABLES		**319.606**	**310.591**
I. RECEIVABLES FROM DIRECT INSURANCE	**18**	**268.808**	**266.150**
1. Insurance receivables		268.808	264.650
2. Receivables from brokers			
3. Other receivables from insurance			1.500
II. REINSURANCE AND CO-INSURANCE RECEIVABLES			
1. Premium receivables from co-insurance and reinsurance			
2. Receivables from claims paid for co-insurance and reinsurance			
3. Other receivables for co-insurance and reinsurance			
III. OTHER RECEIVABLES		**50.798**	**44.441**
1. Other receivables from direct insurance	19	23.515	22.228
2. Receivables from financial investments	20	26.035	20.526
3. Other receivables	21	1.248	1.687
IV. RECEIVABLES FROM CALLED NOT PAID CAPITAL			
G. OTHER ASSETS		**162.309**	**108.836**
I. TANGIBLE ASSETS FOR OPERATIONS		**21.369**	**21.216**
1. Equipment	16	18.896	19.551
2. Other tangible assets	16	2.473	1.665
II. CASH AND CASH EQUIVALENTS	**22**	**140.411**	**86.832**
1. Cash at banks		140.390	86.815
2. Cash on hand		21	17
3. Cash for mathematical reserve coverage			
4. Other cash and cash equivalents			
III. INVENTORIES		**529**	**787**

Statement of financial position (Balance sheet) – Non-Life insurance (continued)

	Note	Amount in MKD thousand	
		2015	2014
H. ACCRUALS AND PREPAID EXPENSES		**78.880**	**71.447**
1. Accrued interest income and rent s			
2. Deferred acquisition costs		39.123	35.229
3. Other prepayments and deferrals		39.757	36.218
3. NON CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUING OPERATIONS			
I. TOTAL ASSETS		**2.477.422**	**2.364.753**
J. OFF BALANCE SHEET ITEMS - ASSETS		**24.523**	**23.624**
LIABILITIES AND EQUITY		**1.507.969**	**1.280.718**
A. EQUITY AND RESERVES	**26**	**888.308**	**860.796**
I. SHARED CAPITAL		888.308	860.796
1. Shared capital from ordinary shares			
2. Shared capital from preference shares			
3. Called but not paid capital			
II. PREMIUM FOR ISSUED SHARES		**256.499**	**258.356**
III. REVALORISATION RESERVE		262.550	262.549
1. Tangible assets		(5.933)	(4.193)
2. Financial investments		(118)	
3. Other revalorisation reserves		**59.486**	**73.894**
IV. RESERVES		59.486	30.262
1. Legal reserves			
2. Statutory reserves			
3. Reserves for equity shares			
4. Repurchased equity shares			43.632
5. Other reserves		**63.768**	
V. UNDISTRIBUTED NET PROFIT			
VI. ACCUMULATED LOSS		**239.908**	**87.672**
VII. PROFIT FROM THE YEAR			
VIII. LOSS FROM THE YEAR			
B. SUBORDINATED LIABILITIES		**644.456**	**657.877**
C. GROSS TECHNICAL RESERVES	**23**	337.388	295.558
I. Gross reserves for unearned premium			
II. Gross mathematical reserve		277.146	346.819
III. Gross claims reserve		29.922	15.500
IV. Gross reserve for bonus and discounts			
V. Gross equalization reserve			
VI. Gross other technical reserves			
D. GROSS TECHNICAL RESERVES FOR CONTRACTS IN WHICH THE INSURED BORNE THE INVESTMENT RISK		**3.724**	**3.297**
E. OTHER RESERVES		3.724	3.297
1. Employment benefits			
2. Other reserves		**23.045**	**3.749**
F. DEFERRED AND CURRENT TAX LIABILITIES		4.442	
1. Deferred tax liabilities		18.603	**3.749**
2. Current tax liabilities			**-**
G. LIABILITIES FROM REINSURANCE ENTITY DEPOSITS IN ASSIGNOR, BASED ON REINSURANCE CONTRACTS			

Statement of financial position (Balance sheet) – Non-Life insurance (continued)

	Note	Amount in MKD thousands	
		2015	2014
H. LIABILITIES		**161.629**	**288.014**
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS		**1.283**	**700**
1. Claims payable		1.283	700
2. Liabilities to agents and dealers			
3. Other liabilities from direct insurance operations			
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE		**49.892**	**29.672**
1. Reinsurance premium payable		49.278	28.844
2. Liabilities for participation in claims paid			
3. Other liabilities from co-insurance and reinsurance		614	828
III. OTHER LIABILITIES	**24**	**110.454**	**257.642**
1. Other liabilities from direct insurance operations		76.673	226.126
2. Liabilities from financial investments		1.849	850
3. Other liabilities		31.932	30.666
3. ACCRUALS AND PREPAID REVENUES	**25**	**136.600**	**131.098**
S. NON CURRENT LIABILITIES FOR NON CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUING OPERATIONS		**0**	**0**
K. TOTAL LIABILITIES AND EQUITY		**2.477.422**	**2.364.753**
L. OFF BALANCE SHEET ITEMS – LIABILITIES AND EQUITY	**29**	**24.523**	**23.624**

Statement of financial position (Balance sheet) – Life insurance

	Note	Amount in MKD thousand	
		2015	2014
ASSETS			
A. INTANGIBLE ASSETS			
1. Goodwill			
2. Other immaterial assets			
B. INVESTMENTS			**44.934**
I. LAND, BUILDINGS AND OTHER TANGIBLE ASSETS			
1. Land and buildings for operating activities			
1.1 Land			
1.2 Buildings			
2. Land and buildings not for operating activities			
2.1 Land			
2.2 Buildings			
2.3 Other tangible assets			
II. FINANCIAL INVESTMENTS IN GROUP ENTITIES, SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES			
1. Stocks, shares and other equities securities in companies in a group – subsidiaries			
2. Debt securities issued from group entities, subsidiaries and loans of group entities - subsidiaries			
3. Stocks, shares and other equities in associates			
4. Debt securities issued from associates and loans of associates			
5. Other financial investments in group entities - subsidiaries			
6. Other financial investments in associates			
7. Investments in National Insurance Bureau			
III. OTHER FINANCIAL INVESTMENTS			**44.934**
1. Financial assets held to maturity			
1.1 Debt securities with maturity less than one year			
1.2 Debt securities with maturity more than one year			
2. Financial assets available for sale			**19.934**
2.1 Debt securities with maturity less than one year			
2.2 Debt securities with maturity more than one year			19.934
2.3 Stocks, shares and other equities			
2.4 Stocks and shares in investment funds			
3. Financial assets held for trading			
3.1 Debt securities with maturity less than one year			
3.2 Debt securities with maturity more than one year			
3.3 Stocks, shares and other equities			
3.4 Stocks and shares in investment funds			
4. Deposits loans and other placements			**25.000**
4.1 Deposits			25.000
4.2 Collateralized loans			
4.3 Other loans			
4.4 Other placements			
5. Derivative financial instruments			

Statement of financial position (Balance sheet) – Life insurance (continued)

	Note	Amount in MKD thousand 2015	2014
IV. DEPOSITS IN ASSIGNORS OF REINSURANCE ENTITIES, BASED ON REINSURANCE CONTRACTS			
C. CO-INSURANCE AND REINSURANCE SHARE IN GROSS TECHNICAL RESERVES			
1. Co-insurance and reinsurance share in the gross reserve of unearned premium			
2. Co-insurance and reinsurance share in the gross mathematical reserve			
3. Co-insurance and reinsurance share in gross claims reserves			
4. Co-insurance and reinsurance share in gross reserves for bonus and discounts			
5. Co-insurance and reinsurance share in gross equalization reserve			
6. Co-insurance and reinsurance share in other technical reserve			
7. Co-insurance and reinsurance share in gross technical reserve for life insurance where the investment risk is borne by the insured			
D. FINANCIAL INVESTMENT IN WHICH INSURED ASSUMES THE INVESTMENT RISK (INSURANCE CONTRACT)			
E. DEFERRED AND CURRENT TAX ASSETS			**6.134**
1. Deferred tax assets			
2. Current tax assets			6.134
F. RECEIVABLES			**790**
I. RECEIVABLES FROM DIRECT INSURANCE			
1. Insurance receivables			
2. Receivables from brokers			
3. Other receivables from insurance			
II. REINSURANCE AND CO-INSURANCE RECEIVABLES			
1. Premium receivables from co-insurance and reinsurance			
2. Receivables from claims paid for co-insurance and reinsurance			
3. Other receivables for co-insurance and reinsurance			
III. OTHER RECEIVABLES	**28**		**790**
1. Other receivables from direct insurance			
2. Receivables from financial investments			760
3. Other receivables			30
IV. RECEIVABLES FROM CALLED NOT PAID CAPITAL			
G. OTHER ASSETS			**27**
I. TANGIBLE ASSETS FOR OPERATIONS			
1. Equipment			
2. Other tangible assets			
II. CASH AND CASH EQUIVALENTS			**27**
1. Cash at banks			
2. Cash on hand			
3. Cash for mathematical reserve coverage			27
4. Other cash and cash equivalents			
III. INVENTORY AND CONSUMABLE STORES			

Statement of financial position (Balance sheet) – Life (continued)

	Note	Amount in MKD thousand 2015	Amount in MKD thousand 2014
H. PREPAYMENTS AND ACCRUED INCOME			**67**
1. Accrued interest and rent			67
2. Deferred acquisition costs			
3. Other prepayments and deferrals			
I. NON-CURRENT ASSETS HELD FOR TRADING AND DISCONTINUED OPERATIONS			
J. TOTAL ASSETS			**51.953**
K. OFF BALANCE SHEET ASSETS			

Statement of financial position (Balance sheet) – Life (continued)

	Note	Amount in MKD thousand 2015	2014
LIABILITIES AND EQUITY			
A. LIABILITIES AND EQUITY			**24.357**
I. SHARED CAPITAL			**27.512**
1. Shared capital from ordinary shares			27.512
2. Shared capital from preference shares			
3. Called but not paid capital			
II. PREMIUM FOR ISSUED SHARES			
III. REVALORISATION RESERVE			
1. Tangible assets			
2. Financial investments			
3. Other revalorisation reserves			
IV. RESERVES			
1. Legal reserves			
2. Statutory reserves			
3. Reserves for equity shares			
4. Repurchased equity shares			
5 Other reserves			
V. UNDISTRIBUTED NET PROFIT			
VI. ACCUMULATED LOSS			**(3.497)**
VII. PROFIT FROM THE YEAR			**342**
VIII. LOSS FROM THE YEAR			
B. SUBORDINATED LIABILITIES			
C. GROSS TECHNICAL RESERVES			**27.179**
I. Gross reserves for unearned premium			
II. Gross mathematical reserve			25.691
III. Gross claims reserve			1.487
IV. Gross reserve for bonus and discounts			
V. Gross equalization reserve			
VI. Gross other technical reserves			
D. GROSS TECHNICAL RESERVES FOR CONTRACTS IN WHICH THE INVESTMENT RISK IS BORNEED BY THE INSURED			
E. OTHER RESERVES			
1. Employment benefits			
2. Other reserves			
F. DEFERRED AND CURRENT TAX LIABILITIES			
1. Deferred tax liabilities			
2. Current tax liabilities			
G. LIABILITIES FROM REINSURANCE ENTITY DEPOSITS IN ASSIGNOR, BASED ON REINSURANCE CONTRACTS			
H. LIABILITIES			**3**
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS			
1. Claims payable			
2. Liabilities to agents and dealers			
3. Other liabilities from direct insurance operations			
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE			
1. Reinsurance premium payable			
2. Liabilities for participation in claims paid			
3. Other liabilities from co-insurance and reinsurance			
III. OTHER LIABILITIES			**3**
1. Other liabilities from direct insurance operations			3
2. Liabilities from financial investments			
3. Liabilities from financial investments			
I. ACCRUALS AND PREPAID REVENUES			**414**
J. NON CURRENT LIABILITIES FOR NON CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUING OPERATIONS			
K. TOTAL LIABILITIES AND EQUITY			**51.953**
L. OFF BALANCE SHEET ITEMS – LIABILITIES AND EQUITY			

Statement of changes in equity – Non-Life insurance

	Note	Share capital	Share premium	Reserves					Treasury shares	Revaluation reserves	Accumulated loss	Profit for the year	Total capital and reserves
				Legal reserves	Statutory reserves	Reserves for treasury shares	Other reserves	Total reserves					
Balance as at 1 January 2014		**860.796**	**-**	**30.262**	**-**	**-**	**-**	**-**	**-**	**272.446**	**-**	**90.785**	**1.224.027**
Change in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-
Prior period correction		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 January 2014 corrected		**860.796**	-	-	-	-	-	-	-	**272.446**	**-**	**90.785**	**1.224.027**
Profit or loss for 2014												87.672	87.672
Transfer of profit to legal reserve		-	-	30.262	-	-	-	30.262	-	-		(30.262)	-
Transfer of legal reserves to accumulated loss		-	-	-	-	-	-	-	-	-	-	-	-
Transfer of profit accumulated gain													
Non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Un-realized gains/losses from tangible assets		-	-	-	-	-	-	-	-	(17.387)	17.387	-	-
Un-realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	-	-	-	-
Realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	3.297	-	-	3.297
Other non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Shareholders changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Increase/Decrease of share capital		-	-	-	-	-	-	-	-	-	-	-	-
Other payment by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends		-	-	-	-	-	-	-	-	-	-	(30.851)	(30.851)
Dividend tax		-	-	-	-	-	-	-	-	-	-	(3.428)	(3.428)
Transfer to unallocated profit		-	-	-	-	-	-	-	-	-	26.245	(26.245)	-
Other transfers to shareholders													
Balance as at 31 December 2014	**26**	**860.796**	**0**	**30.262**	**0**	**0**	**0**	**30.262**	**0**	**258.356**	**43.632**	**87.671**	**1.280.717**

Statement of changes in equity – Non-Life insurance (continued)

	Note	Share capital	Share premium	Reserves: Legal reserves	Reserves: Statutory reserves	Reserves: Reserves for treasury shares	Reserves: Other reserves	Reserves: Total reserves	Treasury shares	Revaluation reserves	Accumulated loss	Profit for the year	Total capital and reserves
Balance as at 1 January 2015		**860.796**	**-**	**30.262**	**-**	**-**	**-**	**30.262**	**-**	**258.356**	**43.632**	**87.672**	**1.280.717**
Change in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-
Transfer on life portfolio		27.512	-	-	-	-	-	-	-	-	(3.155)	-	24.357
Balance as at 1 January 2015 corrected		**888.308**	**0**	**30.262**	**0**	**0**	**0**	**30.262**	**0**	**258.356**	**40.477**	**87.672**	**1.305.074**
Profit or loss for 2015												239.908	239.908
Transfer of profit to legal reserve		-	-	29.224	-	-	-	29.224	-	-		(29.224)	-
Transfer of legal reserves to accumulated loss		-	-	-	-	-	-	-	-	-	-	-	-
Transfer of profit accumulated gain		-	-	-	-	-	-	-	-	-	23.292	(23.292)	-
Non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Un-realized gains/losses from tangible assets		-	-	-	-	-	-	-	-	-	-	-	-
Un-realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	-	-	-	-
Realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	-	-	-	-
Other non ownership changes in equity		-	-	-	-	-	-	-	-	(1.857)	-	-	(1.857)
Shareholders changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Increase/Decrease of share capital		-	-	-	-	-	-	-	-	-	-	-	-
Other payment by shareholders		-	-	-	-	-	-	-	-	-	-	-	
Paid dividends		-	-	-	-	-	-	-	-	-	-	(35.156)	(35.156)
Dividend tax		-	-	-	-	-	-	-	-	-	-	-	
Transfer to unallocated profit													
Other transfers by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2015	**26**	**888.308**	**0**	**59.486**	**0**	**0**	**0**	**59.486**	**0**	**256.499**	**63.769**	**239.908**	**1.507.969**

(All amounts are in MKD thousands unless otherwise stated)

Statement of changes in equity – Life insurance

	Note	Share capital	Share premium	Reserves					Treasury shares	Revaluation reserves	Accumulated loss	Profit for the year	Total capital and reserves
				Legal reserves	Statutory reserves	Reserves for treasury shares	Other reserves	Total reserves					
Balance as at 1 January 2014		**27.512**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3.497)**	**24.015**
Change in accounting policies		-											
Prior period correction													
Balance as at 1 January 2014 corrected		**27.512**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3.497)**	**24.015**
Profit or loss for 2014												342	342
Transfer of legal reserves to accumulated loss		-	-	-	-	-	-	-	-	-	-		-
Non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Un-realized gains/losses from tangible assets		-	-	-	-	-	-	-	-	-	-	-	-
Un-realized gains/losses from available for sale financial assets		-	-	-	-	-	-	-	-	-	-	-	-
Realized gains/losses from available for sale financial assets		-	-	-	-	-	-	-	-	-	-	-	-
Other non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Shareholders changes in equity		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase/Decrease of share capital		-	-	-	-	-	-	-	-	-	-	-	-
Other payment by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends		-	-	-	-	-	-	-	-	-	-	-	-
Other transfers by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Transfer to unallocated loss		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2014		-	-	-	-	-	-	-	-	-	(3.497)	3.497	-
Balance as at 1 January 2014	**26**	**27.512**	-	-	-	-	-	-	-	-	**(3.497)**	**342**	**24.357**

Statement of changes in equity – Life insurance (continued)

	Note	Share capital	Share premium	Reserves					Treasury shares	Revaluation reserves	Accumulated loss	Profit for the year	Total capital and reserves
				Legal reserves	Statutory reserves	Reserves for treasury shares	Other reserves	Total reserves					
Balance as at 1 January 2015		**27.512**	-	-	-	-	-	-	-	-	**(3.497)**	**342**	**24.357**
Change in accounting policies		-											
Transfer in non life portfolio		(27.512)	-	-	-	-	-	-	-	-	3.497	(342)	(24.357)
Balance as at 1 January 2015 corrected		-	-	-	-	-	-	-	-	-	-	-	-
Profit or loss for 2015		-	-	-	-	-	-	-	-	-	-	-	-
Transfer of legal reserves to accumulated loss		-	-	-	-	-	-	-	-	-	-	-	-
Non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Un-realized gains/losses from tangible assets		-	-	-	-	-	-	-	-	-	-	-	-
Un-realized gains/losses from available for sale financial assets		-	-	-	-	-	-	-	-	-	-	-	-
Realized gains/losses from available for sale financial assets		-	-	-	-	-	-	-	-	-	-	-	-
Other non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Shareholders changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Increase/Decrease of share capital		-	-	-	-	-	-	-	-	-	-	-	-
Other payment by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends		-	-	-	-	-	-	-	-	-	-	-	-
Other transfers by shareholders													
Transfer of Unallocated loss		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2015		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 January 2015	26	-	-	-	-	-	-	-	-	-	-	-	-

Share capital represents nominal capital of the Company formed with issue of shares to shareholders. It may be used to cover loss after utilisation on Reserve.

The Company's Reserves represent additional untitled capital increased by allocation of net profit. The Reserves are used to cover losses and are not distributable to shareholders except at Company liquidation.

During 2012 the Company reconciled difference between nominal value of shares and its book value. The difference originates from 1998 when privatization process was processed in accordance with Law for supervision on insurance companies and Law for transformation on State capital. Transformation process in accordance with above stipulated legislative was processed on the bases of Company valuation using discounted cash flows methodology.

Transformation process is in accordance with all current effective legislation which is supported with all necessary Decisions and Confirmations from Government of RM, Ministry of Finance, Agency for transformation on state owned companies and respective courts. Estimated value on company was 71.729.594 DEM i.e. 2.223.617.000 MKD. This value in accordance with Law for transformation on State capital was determined as capital amount of Company and in accordance with it 717.296 shares were issued. Share holder capital in accounting books was 1.046.332.690 MKD i.e. estimated value of Company was not presented in accounting evidence.

It is fact that in process of transformation on capital and during Company's current operations, the difference between capital amount written in Company's statute and Register of Companies and share holders capital in the accounting books was not obstacle for Company's solvency and liquidity as well as for Company's daily activities. In order to prevent future unpredicted circumstances and to protect Company and Share holders' interests from risk management aspect reconciliation between Share capital in Register of Companies and Share Capital in accounting books was processed by accepting value of Capital in Register of Companies. Reconciliation was done by increase of Share Capital in total amount of 1.173.755 thousand MKD and negative value of retained unallocated profit, non life 1.114.043 thousand and life 59.712 thousand MKD, that did not affect movement in total capital and total assets and liability in the Company's books. This reconciliation was approved and reviewed for its objectivity by Company's authorized auditor. Issued report for capital change was approved by Shareholders Assembly.

Reconciliation of the capital, non-distributed profit posted as negative amount, reported loss during 2012 and carried forward losses from previous years during 2014 have required necessity of covering overall amount of loss. On Shareholders assembly which was held on 30.04.2014 decision was made to cover the loss according to article 449 from Trade Law i.e. simplified capital reduction. According to the decision - decrease of the nominal amount of ordinary shares issued by the Company was performed, the number of shares outstanding remains unchanged, i.e. 717,462 ordinary shares.
After decrease of nominal value by share, the price of one share was determined on 20.084 Euros. The company's equity after decrease of the value of the share was determine in whole amount of 14,409,474,26 Euros (717,462 shares * 20,084 Euros) according to the average exchange rate of the National Bank of RM on 30.04.2014 (1euro = 61.6475 denars). Application for registration of reduced amount of company's equity in the Central Registry was approved on 26.08.2014.

Cash flow statement – Non-Life insurance

	Note	Amounts in MKD thousands	
		2015	**2014**
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. CASH INFLOWS FROM OPERATING ACTIVITIES		**1.300.167**	**1.043.280**
1. Re-insurance and co-insurance premium and prepayments received		925.997	773.394
2. Re-insurance premium and retrocession		2.006	2.281
3. Inflows from share in paid claims		132.072	53.852
4. Received interest from insurance operations		25.023	27.619
5. Other inflows from operating activities		215.069	186.134
II. CASH OUTFLOWS FROM OPERATING ACTIVITIES		**1.162.825**	**845.132**
1. Claims paid, contractual insurance amounts, share in paid claims from co-insurance and prepayments		385.063	299.845
2. Claims paid and share in share in claims paid from reinsurance and retrocession			
3. Co-insurance, reinsurance and retrocession premiums		324.824	205.170
4. Other personal expenses		163.253	155.375
5. Other insurance expenses		128.024	96.115
6. Interest paid			
7. Income tax and other tax payables		18.189	17.641
8. Other outflows from operating activities		143.472	70.986
III. NET CASH INFLOWS FROM OPERATING ACTIVITIES		**137.342**	**198.148**
IV. NET CASH OUTFLOWS FROM OPERATING ACTIVITIES			
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. CASH INFLOWS FROM INVESTING ACTIVITIES		**97.257**	**103.258**
1. Inflows from intangible assets		3.491	2.659
2. Inflows from material assets		28.559	45.959
3. Inflows from material assets not used for main activities (Investment property)		52.374	47.182
4. Inflows from investments in associates, subsidiaries and joint ventures			
5. Inflows from Investments in available for sale assets (AFS)			
6. Inflows from other financial investments		12.118	6.764
7. Dividends received and other share in profit		127	98
8. Interest received		588	596

Cash flow statement – Non-Life insurance (continued)

	Note	Amounts in MKD thousands 2015	2014
II. CASH OUTFLOWS FROM INVESTING ACTIVITIES		**148.584**	**252.072**
1. Outflow from intangible assets		3.974	3.227
2. Outflow from material assets		114.076	109.699
3. Outflows from material assets not used for main activities (Investment property)			
4. Outflows from investments in associates, subsidiaries and joint ventures			
5. Outflows from Investments in available for sale assets (AFS)		30.534	139.146
6. Outflows from other financial investments			
7. Dividends paid and other share in profit			
8. Interest paid			
III. NET CASH INFLOWS FROM INVESTING ACTIVITIES			
IV. NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		**51.327**	**148.814**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. CASH INFLOWS FROM FINANCING ACTIVITIES		**2.120**	**1.606**
1. Inflows from increase in share capital			
2. Inflows from received long term and short term borrowed funds			
3. Inflows from other long term and short term liabilities		2.120	1.606
II. CASH OUTFLOWS FROM FINANCING ACTIVITIES		**34.556**	**33.593**
1. Outflows from repayment of short term and long term borrowed funds and other liabilities			
2. Outflows from repurchase of own shares			
3. Dividends paid		34.556	33.593
III. NET CASH INFLOWS FORM FINANCING ACTIVITIES			
IV. NET CASH OUTFLOWS FROM FINANCING ACTIVITIES		**32.436**	**33.593**
D. TOTAL CASH INFLOWS		**1.399.544**	**1.148.144**
E. TOTAL CASH OUTFLOWS		**1.345.965**	**1.130.797**
F. NET CASH INFLOWS		**53.579**	**17.347**
G. NET CASH OUTFLOWS			
H. CASH AND CASH EQUIVALENTS AT 1 JANUARY		**86.832**	**69.485**
I. EFFECT ON CASH AND CASH EQUIVALENTS FROM CHANGES IN FOREIGN EXCHANGE RATES			
J. CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**22**	**140.411**	**86.832**

Cash flow statement – Life Insurance

	Note	Amounts in MKD thousands	
		2015	2014
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. CASH INFLOWS FROM OPERATING ACTIVITIES			**3,028**
1. Re-insurance and co-insurance premium and prepayments received			2,119
2. Re-insurance premium and retrocession			
3. Inflows from share in paid claims			
4. Interest received from insurance operations			909
5. Other inflows from operating activities			
II. CASH OUTFLOWS FROM OPERATING ACTIVITIES			**23,451**
1. Claims paid, contractual insurance amounts, share in paid claims from co-insurance and prepayments			22,095
2. Claims paid and share in share in claims paid from reinsurance and retrocession			
3. Co-insurance, reinsurance and retrocession premiums			
4. Other personal expenses			
5. Other insurance expenses			141
6. Interest paid			
7. Income tax and other tax payables			1,138
8. Other outflows from operating activities			77
III. NET CASH INFLOWS FROM OPERATING ACTIVITIES			
IV. NET CASH OUTFLOWS FROM OPERATING ACTIVITIES			**20.423**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. CASH INFLOWS FROM INVESTING ACTIVITIES			**20.066**
1. Inflows from intangible assets			
2. Inflows from material assets			
3. Inflows from material assets not used for main activities (Investment property)			
4. Inflows from investments in associates, subsidiaries and joint ventures			
5. Inflows from Investments in available for sale assets (AFS)			20.066
6. Inflows from other financial investments			
7. Dividends received and other share in profit			
8. Interest received			

Cash flow statement – Life Insurance (continued)

	Note	Amounts in MKD thousands 2015	2014
II. CASH OUTFLOWS FROM INVESTING ACTIVITIES			
1. Outflow from intangible assets			
2. Outflow from material assets			
3. Outflows from material assets not used for main activities (Investment property)			
4. Outflows from investments in associates, subsidiaries and joint ventures			
5. Outflows from Investments in available for sale assets (AFS)			
6. Outflows from other financial investments			
7. Dividends paid and other share in profit			
8. Interest paid			
III. NET CASH INFLOWS FROM INVESTING ACTIVITIES			**20,066**
IV. NET CASH OUTFLOWS FROM INVESTING ACTIVITIES			
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. CASH INFLOWS FROM FINANCING ACTIVITIES			
1. Inflows from increase in share capital			
2. Inflows from received long term and short term borrowed funds			
3. Inflows from other long term and short term liabilities			
II. CASH OUTFLOWS FROM FINANCING ACTIVITIES			
1. Outflows from repayment of short term and long term borrowed funds and other liabilities			
2. Outflows from repurchase of own shares			
3. Dividends paid			
III. NET CASH INFLOWS FORM FINANCING ACTIVITIES			
IV. NET CASH OUTFLOWS FROM FINANCING ACTIVITIES			
D. TOTAL CASH INFLOWS			**23,094**
E. TOTAL CASH OUTFLOWS			**23.451**
F. NET CASH INFLOWS			
G. NET CASH OUTFLOWS			**357**
H. CASH AND CASH EQUIVALENTS AT 1 JANUARY			**384**
I. EFFECT ON CASH AND CASH EQUIVALENTS FROM CHANGES IN FOREIGN EXCHANGE RATES			
J. CASH AND CASH EQUIVALENTS AT 31 DECEMBER			**27**

Financial statements shown on page 1 to 23 are approved by the Menagment board on 26.02.2016 and are signed on their behalf from:

Mr. Bosko Andov

General Manger

1. General Information

Insurance MAKEDONIJA S.C. Skopje- Vienna Insurance Group (thereon the Company) is Joint Stock Company incorporated in Republic of Macedonia. Operating activities of the Company include: Personal Accident Insurance, Medical Insurance, Land vehicle casco insurance, Rail vehicle insurance, Aircraft insurance, Sea, Lake & river shipping insurance, Transport insurance, Fire explosion & other natural risks insurance, Other property insurance, Land vehicle MTPL insurance, Aircraft liability insurance, Sea, Lake & river shipping liability insurance, General liability insurance, Credit insurance, Guarantee insurance, Several financial losses insurance, Legal expenses insurance and Assistance insurance, Travel health insurance.

Up to 31.12.2014 Company was servicing outstanding Life Insurance Policies that were signed up to September 2014. Council of Experts of Insurance Supervision Agency (ISA) on its session held on 20.01.2015 passed decision that allows transfer of life portfolio from Insurance MAKEDONIJA S.C. Skopje - Vienna Insurance Group to WINNER Life S.C. Skopje - Vienna Insurance Group.

Transfer of life portfolio was in accordance with Agreement for transfer on insurance portfolio No. 0307-7602/1 and 0302-701 signed on 30.10.2014.

This agreement regulate rights and liabilities from previously signed life policies as well as transfer of funds that covers technical and mathematical reserve for these policies. Accodring to agreement transferee has all rights and liabilities latest up to 31.12.2014 00.00h.

Qualified Shareholder participation in Insurance MAKEDONIJA SC Skopje- Vienna Insurance Group is Austrian Insurance Company Vienna Insurance Group Wiener Versicherung Gruppe (VIG).

VIG have announced on 01.03.2013 in Official Gazette of RM No. 33 take over bid for all shares issued by the Company. After expiration of the period provided in the bid the Commission for Securities (on assembly held on 29.03.2013) passed a decision by which bid takeover is successful (VIG bought 92.9% of shares with voting rights in the Company). In accordance with the Law on Takeover of Joint Stock Companies and the Law on Securities, after payment for shares sold, subsequently entry of VIG as a new shareholder in the Company shareholders book was performed - which is kept in the Central Depository for Securities.

Regarding the procedure for taking the Company, the Board of directors has taken any binding action.

The Company has operations in one Head office and 14 representative offices within the country. As of 31 December 2015 the company employed 125 administrative staff and 56 sales agents (2014: 129 administrative staff and 62 sales agents).

The address of its registered office is as follows:

Str.11 Oktomvri No. 25
1000 – Skopje
Republic of Macedonia

2. Basis of preparations

(a) Statement of compliance

The financial statements have been prepared in accordance with accepted accounting standards in the Republic of Macedonia published in " Rules for accounting " and " Rules on the method for valuation of the items of the balance sheet and preparation of business accounts ", and are presented in accordance with the" Regulation on the form and content of financial statements and detailed content of the annual report of the insurance and / or reinsurance ".

Accounting legislation dated from 2011. The Company applies all relevant standards, amendments and interpretations which were published in the Official Gazette.

Financial statements for year end 31 December 2015 were approved for publishing by Company's Management Board on 26.02.2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and reporting currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (‘the functional currency’). The financial statements are presented in MKD, which is the Company's functional and presentation currency, rounded to the nearest thousand.

(d) Use of estimates and judgement

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The preparation of financial statement requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. They are used in determination of accounting value of assets and liabilities when it can't be determined otherwise.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimate is changed, if the change affects only that year, or in the year of the change and future years, if the change affects both current and future periods.

Judgment made by Management in the application of accounting policies that have significant effect on the financial statement and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

2. Basis of preparations (continues)

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates valid at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate at that date.
The foreign currency gain or loss on monetary items is the difference between amortized cost in denars at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into Macedonian denars at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss for the differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translates by using the exchange rate at the date of the transaction.

Foreign currency that Company deals with is predominantly Euro (EUR) based. The exchange rates used for translation as at 31 December 2015 and 2014 were as follows:

	2015 MKD	**2014 MKD**
USD	56.37	50.56
EUR	61.59	61.48
AUD	41.09	41.32
GBP	83.46	78.59

3. Significant accounting policies

Significant accounting policies used for preparation of the financial statements for the year ended 31 December 2015, are used consistently for all periods and are presented below:

3.1 Contracts for insurance and reinsurance

(i) Insurance

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts.

In the Financial statements, are presented informations that identifies and explains the amounts that arise from insurance contracts.

On the reporting date it will be assessed whether the recognised insurance liabilities are adequate.

On the date of acquisition of the insurance assets and liabilities the Company will measure them at fair value.

In the Financial statements are disclosed informations which will enable:

- To assess the nature and extent of risk arising from insurance contracts, goals, policies and processes for risk management arising from insurance contracts and methods used for management of those risks, like credit risk, liquidity and market risk.

The Insurer presents information through sensitivity analysis which shows the impact on the profit/loss and equity if there is a significant risk change.

(ii) Reinsurance

Reinsurance contract is a contract for insurance issued by one Insurer (Reinsurer) to offset the losses of another Insurer (Cadent) occurred on a basis of a one or more contracts issued by the cedent.

Reinsurer is a party with an obligation according to the reinsurance contract to compensate the cedent if an insured event takes place.

Reinsurance premiums are recognised as an expense in the income statement on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. Reinsurance recoveries are recognised as an income in the profit and loss statement. If the value of the reinsurance asset is decreased due to impairment the reinsurer will decrease its value and it will recognise loss due to impairment in the profit and loss statement. An asset is impaired if there is objective evidence, that the Company may not recover all amounts under the contract for reinsurance.

3. Significant accounting policies (continued)

(ii) Reinsurance

Because the Company carries out international transactions related to reinsurance it is exposed to market risk arising from fluctuations in exchange rates. The Company does not use financial instruments to reduce these risks.

3.1.1 Recognition and measurements

Premiums

Gross premiums written reflect businesses written during the year, and exclude any taxes or duties based on premiums.
The earned part of premiums is recognised as revenue. Premiums are earned from the inception date, over the indemnity period, based on the pattern of the risks underwritten. The share from written premium which matures in the year that follows is allocated in the following accounting periods as unearned premium.

In short-term insurance contracts with a single payment, the gross written premium is recognised at the moment of payment, and it is reduced for the amount of unexpected risk in the contract.

Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received in the same accounting period as the premiums for the related direct insurance business. A portion of outward reinsurance premium is treated as an expense and it reduces the premium income.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following financial year, computed separately for each insurance contract using the daily pro rate method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

3. Significant accounting policies (continued)

Claims

Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims provisions, but do not includes the expenses for appraisal of claims made by employed appraisers within the Company.

Claims paid are recorded in the moment of processing the claim and are recognised (determined) as the amount to be paid to settle the claim. Claims paid in non-life business are increased by claims handling costs.

Collected claims recoverable from third parties and claims recoverable from third parties that are anticipated to be collected are deducted from claims settled.

Claims outstanding comprise provision 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, and related internal handling expenses and appropriate prudential margin.

Liability adequacy test

Liability adequacy tests are performed to determine if the insurance contract provisions, less deferred acquisition costs and any related intangible assets, such as those acquired in a business combination or portfolio transfer are adequate. If a shortfall is identified the related deferred acquisition cost and related intangible assets are written off and if necessary, an additional provision (reserve) is established. The deficiency is recognised in profit or loss for the year.

At each balance sheet date, an assumption is made that claims development in the remaining term of portfolio at the balance sheet date will be the same as the claims development during the respective year on this portfolio. For the purposes of this analysis the amount of claims incurred in each year under insurance contracts valid at the balance sheet date is compared to the amount of unearned premium reserve at the balance sheet date.

Insurance receivables and payables

Amounts due to and from policyholders, agents and other receivables are financial instruments and are included in insurance receivables and payables.

3. Significant accounting policies (continued)

3.2 Revenue

Revenues are measured at fair value of the consideration received or are required. Revenue is recognised if assets are increased or liabilities are decreased.

Revenue is recognised only when it is probable that economic benefits from a transaction will represent an inflow for the Company. When there is uncertainty referred to the chargeability of an amount already included in revenue, the unchangeable amount or amount for which the compensation is unlikely is recognised as an expense, and not as an adjustment to the amount already recognised as inflow.

3.2.1 Underwriting result

The underwriting result of the non-life insurance has been determined on an annual basis.

Premiums written are stated as income for the year when matured.

The share of the income from the premiums that matures in the year that follows is deferred in the forthcoming periods as unearned premium reserve.

If at the time of occurrence of the event it is assessed that collection is not probable, revenue is deferred. Provisioning of receivables is performed for the realisation from the previous accounting periods and for the current accounting period and expenses are increased.

3.2.2 Investment income

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within ‘interest income’ and ‘interest expense’ in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

3.2.3 Fee and commission income

Fees and commission income includes fees received on the basis of passive reinsurance as well as on the basis of assessed and paid out claims.

3. Significant accounting policies (continued)

3.3 Expenses

In recognition of expenses the Company applies the following principles:

- Expenses can result in reduction of assets or increase of liabilities and it can be measured with certainty;
- Expenses have a direct connection with the incurred costs and special items of revenue;
- When the expected realisation of revenue is in the following accounting periods, then the recognition of expenses is performed with a procedure of reasonable allocation in accounting periods;
- The expense is recognised in the accounting period when no future economic benefits from it are expected, and there are no conditions for it to be recognised as an item in the balance sheet;
- The expense is recognised in the accounting period when the liability for it occurred, and there are no conditions to be recognised as an item in the balance sheet.

All costs and expenses that refer to the accounting period must be included in the financial statements.

The company must disclose the information to identify and explain the amounts in the financial statements arising from insurance contracts in the area of harmonization of changes in insurance liabilities related to defer acquisition costs.

The company needs to determine the value of insurance liabilities in respect of the acquisition costs. It should correct for deferred acquisition costs. The calculation for determining the deferred acquisition costs will be performed by the accounting department in accordance with actuaries.

Deferred acquisition costs covers direct expenses (such us commission and gross salaries on sales channels) and indirect expenses (expenses related to processing and issuing on policies).

Deferred acquisition costs are proportion between UPR and collected premium applied on gross salaries on sale channels and other acquisition expences.

Movement in deferred acquisition costs will be recognized through the income statement.

3.4 Employee benefits

Employee benefits are all forms of compensation provided by the Company in exchange of services rendered by employees as short term benefits, termination benefits.
Contributions based on salaries, are made to the pension and health funds, contributions for employment and personal tax and are calculated on gross bases in accordance with legislation in force.
The Company does not operate with pension schemes and has no liability in respect of pensions.

3. Significant accounting policies (continued)

3.4 Employee benefits (continued)

The Company is not obliged to provide further benefits for current and former employees.

The Company also performs payment of allowances for employees in accordance with the local regulations.

The Company calculates employee benefits that are paid when entity terminates business relation with certein employeed, usually that date is date of retirement.

3.5 Income Tax

In 2014 there was a change in the way of determining the income tax, by abandoning the concept of taxation of non-deductible expenses, applicable until 2013, and moving to taxation of the accounting profit. The calculation and payment of the income tax is in accordance with the changes introduced in 2014. The change is implemented prospectively.

According to the tax legislation applicable for 2013, companies were obligated to calculate and pay tax on non-deductible expenses, and income tax paid on dividends and other payments from profit. The income tax rate was 10%.

Income tax expense in 2015 comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, and the corresponding income tax expense is recognised in equity.

Current tax is expected tax liability on profit before tax, on the reporting date, applying tax rate of 10% and correction on tax liability that refers to previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized for unused tax losses, unused tax credit and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improve.

Not recognised deferred tax assets is reviewed at each reporting period and is recognised up to amount of future probable taxable profits that can be used for this asset.

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Income tax paid on dividends and other payments from profit

Basis for calculation of income tax was the amount of paid dividend and other payments from profit made in the current year. Taxation of dividends paid in cash, was carried out on the day on which the dividend is paid.

3. Significant accounting policies (continued)

3.6 Intangible assets

a) Classification

Intangible assets include patents and licences, brands, royalties, expenses for research and development, computer software, marketing rights and goodwill.

b) Initial recognition

Intangible assets are recognized only if it is probable that future economic benefits, attributable to the asset will flow to the company and if the cost of the asset can be measured reliably. If an intangible asset does not meet the criteria for recognition, the expense incurred should be recognized as an expense when incurred.

Research expenses cannot be recognised as an asset.

Costs incurred in acquiring a license for software as well as other long-term rights are amortized by straight-line method over the expected or contractual life, but not longer than 5 years.

Cost that significantly improves and extends the benefits of the software in terms of their original value is recognized as an additional investment and increase the initial cost of the software. Smaller improvements are regarded as costs of maintenance and are considered expenses in the current period.

The basis for recognition of intangible assets includes: 1) manner of acquisition, 2) the expected period of economic benefit and 3) ability to sell. Intangible asset are initially measured by cost. The cost includes all costs of purchase and any other intangible asset costs necessary to put into operation.

c) Measurement after initial recognition

After initial recognition the asset is measured by cost less accumulated amortization and impairment loss.

d) Useful life

Intangible assets are amortized according to their expected useful life, but no longer than 5 years.

Intangible assets are written off at the moment of sale or when they are no longer in use, and no economic benefits are expected.

Gains or losses resulting from the withdrawal from use of the assets is determined as the difference between the estimated net gain/loss from sale of the asset and its carrying amount and is recognised as income or expense for the period in which it incurred.

3. Significant accounting policies (continued)

3.7 Property, plant and equipment

a) Classification

Land

Land and buildings are stated at historical cost. After initial recognition the Company does not perform valuation of the land and land is not depreciated.

Tangible assets are consisted out of property, plant and equipment, furniture, vehicles, construction in progress and other tangible assets.

Tangible assets are assets that:

- Are kept for providing products and services, for rental to others or for administrative purposes
- Is expected to be used for more than one period.

b) Initial recognition and useful life

Tangible assets are recognized at purchase cost, if it is probable that the future economic benefits from use of the assets will flow to the company and if it can be reliably measured. The purchase value of the asset, which is depreciated during the useful life of the asset, is the amount of paid cash or cash equivalents, to acquire the tangible asset at the time of its acquisition or construction. Cost of the assets includes the purchase price, including import duties and non-refundable taxes, and all expenses that can be directly attributed to bringing the asset in condition to be use. All trade discounts and rebates are deducted to arrive at the purchase price.
Maintaining expenses of the assets are not recognised in the carrying amount of the asset, but as an expense in the income statement.
Useful life is the period over which is expected that the Company will use the asset.

The useful life is determined as follows:

- Buildings	40 years
- Furniture and equipment	5-20 years
- Computers	4 years
- Vehicles	4 years

3. Significant accounting policies (continued)

c) Measurement subsequent to initial recognition

For measurement after initial recognition the revaluation model is applied (fair value model), in accordance with IAS 16.
After the initial recognition, property whose value can be reliably determined, are measured at revalue amount which is the fair value at revaluation date, less subsequent accumulated depreciation and subsequent accumulated impairment losses.
Revaluation is carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.

When the property is revaluated accumulated depreciation at the date of revaluation is proportional to the transformed gross carrying amount of the asset.

The fair value of assets is determined by an evaluation by a qualified, certified appraiser. In some cases the assessment may be conducted by a committee which will be assigned by Management of the Company.

Properties up to 2004 were re valued at the end of the year by using the coefficients of price increase for industrial products of their cost or revaluated amount, and their impairment, so that an approximate amount would be calculated for the replacement of the cost. The effect from revalorisation is presented in the revalorisation reserve. From this moment and in the next years for buildings, depreciation has been calculated on the revaluated amount, which is the fair value after the date of revalorisation with determined rates and with proportional method.

For all other tangible assets (furniture, equipment, computers and vehicles), the cost model is used for subsequent valuation. The asset is recognised at cost less accumulated depreciation and accumulated loss due to impairment.
Depreciation of other material investments is calculated with the proportional method and with the determined depreciation rates.
Construction is progress is recognised by cost for construction including costs for expenses for third persons. For construction in progress depreciation is not calculated.
At the end of the process, all accumulated expenses are transferred to the appropriate material asset and equipment with appropriate depreciation rate.

Depreciation is calculated separately for each asset within the group according annual depreciation rates of assets until the value of assets is fully depreciated. The applied annual depreciation rates are as follows:

Buildings	2,5%
Furniture and equipment	5-20%
Computers	25%
Vehicles	25%

When the value of the asset used as basis for calculation of depreciation is offset, depreciation is no longer calculated even though the asset is still in use.

Depreciation ceases for assets from property, plant and equipment when they are written off or reclassified as an asset held for sale.

3. Significant accounting policies (continued)

d) Leasehold improvements

Leasehold improvements are recognised as separate items of non-current assets and these kinds of investments are undertaken by the Company in its own name and for its own purposes in accordance with the contract for lease with the owner of the leased asset.

Depreciation of leased assets is calculated on a systematic basis over the estimated useful life of the asset, which can be equal or shorter than the contract for lease.

3. Significant accounting policies (continued)

3.8 Investment property

Investment property is property (land and buildings or part of building or both) held by the Company to earn rentals or for capital appreciation or both. Property used by the company in operational activities is not part from investment property.

Investment property is initially measured at cost and subsequently at cost less depreciation. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditures includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

Depreciation of investment property is calculated by using the straight line method and with the determined depreciation rates.
The useful life of building is estimated at 40 years at an annual rate of depreciation 2.5%.

Investments in property generate cash inflows independently from the other assets possessed by the Company.

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The criterion to distinguish investment property that is used for insurance operations and real estate that is not used to perform the activity will be calculated as split of net usable area of property according to the used space and available space for rent. Review of percentages will be performed annually.

The criteria used to distinguish between investment property and owner-occupied property is based on information from the income statement, more exactly rent income from investment property.

After initial recognition the Company uses the cost model for valuation of investment property. The company values its investments in accordance with IAS 16.

Subsequent to initial recognition as an asset item of property should be recorded at its historical cost less accumulated depreciation and accumulated impairment losses.

Company reports as special category of investment properties those acquired trough collection on old receivables. Assets are recognised when there is legal rigth to entitel property. These assets are not for renting.

Initial estimate is done by certified appraiser. For measurement after initial recognition the purchase model is applied, in accordance with IAS 16.

Depreciation is calculated with proportional method and depreciation rates in order assets to be written of during its useful life. Useful life is estimated on 5 years, with depreciation rate of 20%.

3. Significant accounting policies (continued)

3.9 Financial instruments

The Company classifies its financial investments as assets held to maturity, assets held for sale and deposits, loans and other receivables.

a) Assets held to maturity

The Company qualifies assets as held to maturity if the:

- asset has fixed or determinable payments;
- assets has a fixed date of maturity ;
- assets for which the Company has a positive intention and ability to keep them to maturity;
- asset which at initial recognition is not recognised at fair value through the profit or loss;
- assets that are not recognised as available for sale;
- assets that are not classified as loans and receivables.

Assets held to maturity include government bills issued by the Ministry of Finance.

The Company will recognise the asset as held to maturity in the statement of financial position on the day of trading. At initial recognition of assets held to maturity, the Company values it at its fair value plus transaction costs that are directly attributable to the acquisition of the asset.
Subsequently assets held to maturity are measured at amortised cost by using the effective interest method.

Gain or loss from subsequent measurement is recognised in profit or loss when the asset is derecognised or impaired.

b) Assets available for sale

The Company will classify as available for sale:

- non-derivative financial instruments that are designated as available for sale;
- assets which are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss;
- any other financial asset classified in this category at initial recognition.

3. Significant accounting policies (continued)

The Company initially recognises assets available for sale in the balance sheet at the trading date, at fair value, which is the cash consideration including any transaction costs. As available for sale assets the company has equity instruments.

After the initial recognition financial assets are measured at their fair value, without any deduction for transaction costs it may incur on sale or other disposal.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity (revaluation reserve), until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity, as well as the difference between carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed), is recognised in profit or loss.

The fair values of quoted investments in active markets are based on current bid prices, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, less impairment losses.

The Company measures investments in securities which are not quoted on an active market and whose maturity is not significant, by using individual assessment of the financial position of the issuer. The financial position is determined based on the following criteria, whose importance decreases subsequently:

- Solvency of the issuer;
- Liquidity of the issuer;
- Previous period cash flow and expected future cash flows;
- Profitability of the issuer;
- General market conditions and future perspectives of the issuer, as its market position;
- Timely settlement of the due liabilities as per contract;
- Management quality and expertise.

The Company should write off the financial asset when and only when:

a) The cash flows from the financial asset and contractual rights are expired;
b) When the financial asset is transferred.

c) Deposits, loans and other receivables

Deposits, loans and other receivables are presented in the balance sheet in amount of principal and interest less impairment for bad and doubtful debt. Impairment of receivables is determined by Management when there is evidence that the Company will not be able to collect all amounts due under previously established conditions.

3. Significant accounting policies (continued)

d) Impairment of financial assets

i) Assets carried at amortised cost

At each balance sheet date the Company assesses whether there is objective evidence that a financial asset or group of financial assets which are not measured at fair value are impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The Company assesses whether objective evidence of impairment exists of individually significant financial assets or collectively for financial assets that are not individually significant. All individually significant assets which are assessed on an individual basis for impairment. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are not individually significant are collectively assessed for impairment based on polls according to similar credit risk characteristics.

Objective evidence that financial assets are impaired may include delinquency in contractual payments, restructuring of receivables by the Company under conditions otherwise not considered, initiation of bankruptcy proceedings, disappearance of an active market for the financial asset or other observable data for a group of assets like adverse changes in the payment status of the owner or issuer of the financial asset, or economic conditions that correlate with defaults on the assets in the group.

The amount of loss due to impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.
Losses for impairment are recognised in the income statement and are reflected in the accounts for allowance of loans, allowance of receivables based insurance and other receivables.
If in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed by adjusting the allowance account.

(ii) Assets classified as available for sale

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity – is removed from equity and recognised in the income statement a reclassification adjustment even though the financial asset has not been derecognised.

3. Significant accounting policies (continued)

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

e) Derecognition

The Company will derecognise an asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights over the cash flows from the asset with a transaction in which all risks and rewards from ownership of the asset are transferred to other.
Every part from the transferred financial assets which the Company will retain is recognised as a separate asset or liability.
The Company will derecognise the financial liabilities when the contractual liabilities are settled, cancelled or expired.

3.10 Short term receivables

Receivables, receivables from customers, receivables from employees, receivables from the government and other institutions, are stated at carrying value plus interest in accordance with the signed contract or payment decision.

The receivables amount is appropriately adjusted for the allowance for impairment of bad and doubtful receivables.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of highly liquid assets. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

Cash and cash equivalents of the Company comprise of:

a) Cash on giro accounts and in MKD and foreign currency in domestic banks;
b) Petty cash (in MKD and foreign currency).

Cash flows are inflows and outflows of cash and cash equivalents.

The Company reports from cash flows from operating activities by using the direct method.

3. Significant accounting policies (continued)

3.12 Prepaid expenses

Prepaid expenses are presented as expenses for goods or services that will be received in the near future and their values are expensed over time as the benefit is received through the income statement. The reason for deferral of the expense and the amounts that refer to future periods must be appropriately accounted for.

3.13 Equity

a) Equity

The equity of the Company is comprises of share capital and additional capital.

Subscribed share capital is stated on a separate account in amount that is written in the central registry during the founding of the Company, or during change of the value of the shared capital.

The acquired own shares do not reduce the number of issued shares, but only decrease the number of shares in circulation.

The equity of the Company comprises of:

- Share capital which is equal to the nominal value of issued shares (subscribed and paid-up capital)
- A capital increase based on realized difference between the nominal value of shares and the amounts for which they are sold (share premium).
- A capital increase based on distributed revaluation reserve, (accounted for revalorisation reserve from previous years) and
- Retained earnings/losses from previous years.

Share capital of the Company is consisted out of ordinary and preference shares, with nominal value of 20.084 EUR by share. All issued shares are paid in total.

An ordinary share gives the right to its owner a share in distributed dividends of the Company and voting rights at shareholders meetings (one share, one vote).

3. Significant accounting policies (continued)

b) Reserves

According to statutory regulation, the Company is obliged to crease statutory reserve. Statutory reserves are intended to cover the liabilities from the insurance contracts for a longer period of time. The Company is required to set aside at least 1/3 of the net profit for the year presented in the financial statement, if the profit is not used to cover losses from past years.

A Company that has set aside a safety reserve in the amount of at least 50% from the average earned insurance premium in the last two years, and these insurance premiums from past years are increased for the index of growth of retail prices, taking into account also the year in which the profit is distributed, is not obliged to allocate amounts from the profit to the safety reserve.

For Insurance Companies article No.485 from the Trading Law, considering the mandatory reserves is not applied.

In revalorisation reserve gains and losses from changes in the fair value of assets available for sale and noncurrent assets is presented, and it results in increase or decrease of equity (except for losses due to impairment and gains and losses from exchange differences, which are presented in the income statement).

Transfer of revaluation reserve to retained earning

The revaluation reserve which arises based on revaluation of certain classes tangible assets (such as properly) is transferred to retained earnings in the year when the asset is derecognised. However the transfer of revaluation reserve to retained earnings could be made while the asset is still in use. In that case, the amount of realised revaluation reserve which is transferred to retained earnings represents difference between the amount of depreciation calculated on the revaluated amount of the asset and the depreciation that would have been calculated if the asset has been measured under the cost method.

c) Profit or loss

Profit or loss for the current year is determined in accordance with statutory regulations. The realised profit for the period is transferred and allocated in the next one in accordance with a decision from the Shareholders Assembly.

(i) Recognition of retained earnings/losses

Retained earnings are presented separately from retained losses loss.

The loss from operational activities may be covered with the retained gains only with a decision from the Board of Directors and in accordance with the Law on trading companies.
If loss has incurred, it is covered from all positions from the equity. Shareholders are not bound by statute to cover losses with additional investments.

Dividend is paid out based on a decision from the Shareholders Assembly and in accordance with the Law on trading companies.

3. Significant accounting policies (continued)

(ii) Recognition of profit or loss for the current year

Profit or loss for the year is determined and presented in the income statement as profit/loss before tax.

In determining the profit or loss for the year, all items from the income and expenses must be included, with an exception of adjustments and changes in accounting policies.

Profit or loss from operational activities is presented from operational and non-operational activities.

3.14 Reserves

3.14.1Technical reserves

In order to enable permanent settlement of liabilities arising from insurance contracts, the insurance company creates technical reserves which are consisted of:

1) Unearned premium reserves (UPR);
2) Reserve for bonuses and discounts;
3) Claims reserve;
4) Other technical reserve.

(i) Unearned premiums reserves

Unearned premiums reserves are allocated for the portion of premium that is going to be earned in the following accounting period, in proportion between the expired insurance period and the remaining period to expiry of the insurance contract.
The unearned premium is calculated based on a pro rata temporise for the calendar year with 360 days.

3. Significant accounting policies (continued)

3.14 Reserves

3.14.1Technical reserves (continued)

(ii) Reserves for bonuses and discounts

Reserves for bonuses and discounts are allocated in the amount that is equal to the amount that insurers are entitled to receive based on:

1) The rights of share of profit and other rights arising from insurance contracts (bonuses);
2) Right for partially reducing the premium (discounts);
3) Right of return of a portion of the premium that refers to the unused period of insurance due to premature termination of the insurance contract (cancellation).

(iii) Claims reserves

Claim reserves are allocated in the amount of estimated liabilities that the insurance company is obliged to pay, based on insurance contracts where the insured event occurred at the end of the accounting period, whether the event is reported or not, including all costs that will result from untimely settlement of liabilities by the insurance company for the request based on a completed claim.

The claim reserves, besides the estimated liabilities for reported but not settled claims (IBNS), include estimated liabilities for incurred, but not reported claims (IBNR).

The reserve for claims handling costs, include reserve for direct and indirect expenses.

(iv) Other technical reserves

The Company will allocate the technical reserves for unexpired risks.
The calculation of other technical reserves is performed in accordance with the Rulebook for minimum standards for calculation of technical reserves.

3. Significant accounting policies (continued)

3.14.2 Special reserve

Due to real assessment of the receivables based on insurance premium and interest, and receivables based on recourse and assessment of the risk of the un collectability thereof, the Company creates a special reserve.

Special reserve is created based on the matured unpaid premium receivables, interest and reprogrammed receivables. Maturity refers to the last day on which the client was supposed to pay a certain amount of money, in accordance with the insurance contract. At the date of maturity, on the outstanding balance of the receivables a special reserve is calculated.
Reprogrammed receivables in agreement with the debtor are classified according to the original due date.
Reprogrammed receivables with new debtors are classified in accordance with the due date of the new contract.
For clients that are bankrupted or in a process of liquidation, a 100% of reservation is allocated.
Special reserve is determined in accordance with the classification of due preium receivables categorised in different categories:

- A Category - Premium receivables and interest with maturity from 0 to 30 days;
- B Category - Premium receivables and interest with maturity from 31 to 60 days;
- C Category - Premium receivables and interest with maturity from 61 to 120 days;
- D Category - Premium receivables and interest with maturity from 121 to 270 days;
- E Category - Premium receivables and interest with maturity from 271 to 365 days;
- F Category - Premium receivables and interest with maturity longer than 365 days.

3. Significant accounting policies (continued)

3.14.2 Special reserve (continued)

Reserve for insurance premiums, interest and receivables based on recourse are formed by using the following percentages:

Category	Days in arrears	Impairment(in % from the total value of the individual receivable)
A	up to 30 days	0%
B	from 31 to 60 days	10%-30%
C	from 61 to 120 days	31%-50%
D	from 121 to 270 days	51%-70%
E	from 271 to 365 days	71%-90%
F	longer than 365 days	100%

The determined special reserve which is formed due to the outstanding receivables for insurance premium and interest is recognised through the income statement, and is presented in the balance sheet on a special account.
For all other receivables a reserve is determined based on the Rulebook for valuation of assets from the balance sheet and preparation of the business accounts. The determined amounts of reserve are recognised in the income statement.
In December 2015 Company changed impairment provisions in following categories: B - 35% (up to 30.09.2015 31%); D - 55% (up to 30.09.2015 51%) and E - 75% (up to 30.09.2015 71%). Effect of these cahnges as at 31.12.2015 is larger amount of provision for MDK 4.234k.

3.15 Accrued expenses

In the current accounting period accrued expenses are calculated as expenses for which appropriate supporting documentation does not exist so that they could be recognised as a liability, and for which with certainty can be determined that they refer to the current accounting period. When documents will be obtained for recognition of the liability, an adjustment will be made for the accrued expense.

4. Accounting estimates

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Technical reserve for contracts from non-life insurance

The assumptions used in the estimation of insurance assets and liabilities are intended to result in reserves which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

However, given the uncertainty in establishing a reserve for outstanding claims, it is likely that the final outcome will prove to be different from the original liability established.

Reserve is made at the balance sheet date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The reserve for claims is not discounted for the time value of money.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available. IBNR claims may often not be apparent to the Company until several years after the occurrence of the event giving rise to the claim.

Reserves for claims include:

- estimated liabilities for reported but not settled claims (IBNS);
- estimated liabilities for incurred but not reported claims (IBNR);
- Estimated liabilities for claims handling cost.

(a) Reserves for incurred but not settled (IBNS)

The reserve amount for reported but not settled amounts is based on the expect amount that will be paid, for each claim individually in accordance with available documentation for the claim.
The reserve is calculated permanently with inventory count of all claims for all types of insurance.
In determining the reserved amount the following calculations are used from:

4. Accounting estimates (continued)

- Claims adjusters for all types of claims; and
- When a non-material damage is in question, the liquidator will determine the amount of reserve based on the available medical documentation. If the documentation is not considered as sufficient an opinion will be requested from a censor or another expert whose specialties are derived from the nature of the work, and are correlated with the insurance and judicial practice.

In determining the reserve amount for other material damages arising from non-material damages (life-long instalments, lost earnings, benefits for social insurance, etc), opinions from doctors, lawyers, actuaries and other persons with specialties in the domain will be used.

Reported but not settled claims which are paid out in a form of life-long instalments are provisioned and capitalised with the following amounts:

- current value; and
- estimate of future rents to be paid.

In calculation of reserves for claims with life-long instalments, the use of tables for determining the liabilities for payment of life-long instalments is compulsory and it can be used for calculation of reserves for life-long instalments.

The calculation of the reserved amount for life-long instalments is calculated by determining the yearly amount of instalment and it is multiplied by the appropriate factor from the Table of factors for determining of reserve and the liability for the genre and the age for the time in which the conditions for payment exist.

Claims that were reported and reserved at the end of the year, and were not liquidated or totally liquidated in the next year, will be reserved for the unpaid amount.

The amount of reserve is determined on the following basis:

1. Determination of the amount of reserve for claims at the end of the year;
2. Determination of the amount of reserve for claims at the end of the accounting period shorter than one year.

(b) Reserve for Incurred but not reported (IBNR)

Reserve for incurred but not reported claims is calculated on the basis of statistical data for the number and amount of incurred and reported claims, with technology for processing and payment of claims, and with other available data.

The reserve for incurred but not reported claims depending from the class of insurance and insurance portfolio will be calculated by using one of the following actuarial methods:

4. Accounting estimates (continued)

- Triangulation of claims (Basic Chain Ladder);
- Triangulation of claims adjusted for inflation (Chain Ladder adjusted for triangulation);
- Method of average value of the claim- provision in accordance with this method is calculated as a product of projected average amount of claim and projected expected number of claims;
- Method of expected claim coefficient – expected claim coefficient is determined by the Agency;
- Bornhuetter – Ferguson method, and
- Other actuarial methods.

The Company in calculation of the reserve for incurred but not reported claims uses the method of triangulation (basic or adjusted for inflation) as a primary method, except in cases when no historical data is available. Historical data needed includes data about the number and amount of incurred and reported, respectively liquidated claims on a yearly basis, at least for five previous years.

An exception can be applied for risk with a shorter tail and historical data needed could include data about the number and amount of incurred and reported, respectively liquidated claims on a yearly basis, at least for three previous years.

(c) Reserve for claims handling costs

Claims handling costs reserves includes reserve for direct and indirect costs.

Reserve for direct costs for claims handling costs are an integral part from the from the reserve for incurred and reported claims, and for incurred but not reported claims.

Reserve for indirect costs is created as coverage for expenses for claims handling in case of termination of Company operations.

The minimal coefficient for its calculation is 1.5% from the sum of the reserves for incurred and reported claims, reserves for incurred but not reported and reserves for direct expenses.

The amount of minimal coefficient for calculation of the reserves for indirect expenses for claims handling, will be determined with a decision from the Management Board of the Company.

4. Accounting estimates (continued)

d) Sensitivity analyses

The Company has estimated the impact on profit for the year, equity and the coverage coefficient at the end of the year of changes in key variables that have a material effect on them.

In line for current equity position the current result for the profit for the period, equity, coverage coefficient and coefficient of solvency with own capital as at 31 December 2015 and 31 December 2014 are shown in the tables below:

31 December 2015	Profit for the period	Equity	Required level of margin of solvency	Coverage coefficient	Change in coverage coefficient
Current equity position	239.908	1.507.969	106.584	1415%	-
Investment yield (+1000 b.p.)	248.572	1.516.633	106.584	1423%	8%
Investment yield (-1000 b.p.)	231.244	1.499.305	106.584	1407%	(8%)
10% increase in claims incurred	238.279	1.506.340	106.584	1413%	(2%)
10% decrease in claims incurred	241.537	1.509.598	106.584	1416%	2%
10% increase in total expenses	217.784	1.485.845	106.584	1394%	(21%)
10% decrease in total expenses	262.032	1.530.093	106.584	1436%	21%

31 December 2014	Profit for the period	Equity	Required level of margin of solvency	Coverage ratio	Change in coverage ratio
Current equity position	88,014	1.305.087	125.135	1043%	-
Investment yield (+200 b.p.)	89,774	1.306.880	125.135	1044%	1%
Investment yield (-200 b.p.)	86,253	1.303.294	125.135	1042%	(1%)
2% increase in claims incurred	87,647	1.304.720	125.135	1043%	0%
2% decrease in claims incurred	88,381	1.305.454	125.135	1043%	0%
2% increase in total expenses	82,168	1.299.334	125.135	1038%	(5%)
2% decrease in total expenses	93,859	1.310.839	125.135	1048%	5%

5. Insurance and financial risk management

The Company is exposed to a variety of financial risks. The Company's risk management approach is focused on unpredictability of the financial market and seeks to minimise potential adverse effects. Risk management is carried out under policies approved by the Management Board.

5.1 Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Risk management objectives and policies for mitigating insurance risk

This control ensures effective risk management in the underwriting process and ensuring adequate premium. Through formal procedures, which are well known by each employee, the Company underwrites premiums with clients that are going to ensure maintaining of the business profitability, and in the same time providing quality service to them.

The Company has implemented formal procedures and protocols for insurance risk management. Also there are implemented levels of authorisation for all employees in the Underwriting department and for all agents. The profitability is monitored continuously for each product individually, through detecting segments that could negatively impact on the result. The integrated system and data processing enables monitoring of the results for each client individually, which on other hand enables selection of clients with high quality and creating client portfolios for individual type of insurance that will provide positive results in accordance with Company's policies. In line with the day to day activities, based on analysis, if necessary, changes are made to the current terms, conditions and insurance tariffs.

5. Insurance and financial risk management (continued)

Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. Also the company buys, facultative reinsurance in certain specified circumstances, which is subject to pre-approval and the total expenditure on facultative reinsurance is regularly monitored.

Ceded reinsurance contains credit risk, and such reinsurance recoverable is reported after impairment provisions as a result of occurred recognition asset.

The Company continuously monitors the reinsurance programme and its ongoing adequacy.

The company concludes reinsurance agreement with the parent company and non-affiliated reinsurers in order to control its exposure to losses resulting from one occurrence.

5.1.1 *Concentrations of insurance risks*

The risk of concentration may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes. Therefore, the Company puts special emphasis on the importance on management of the concentration risk, through diversification of the portfolio in terms of concentration of types of insurance contracts, geographical and industry sector concentration

Important aspect of concentration risk is that it may arise through risk accumulation of more separate classes of insurance.

Concentrations of risk can also arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography.

5. Insurance and financial risk management (continued)

(a) Geographic and industry sector concentration

The majority of the risk to which the Company is exposed is located in Republic of Macedonia. Never the less there is diversification of the risk in different region and cities though the country and diversification in terms of different types of insurance contracts. The company closely monitors the risk arising from geographic concentration and accordingly and timely undertakes appropriate strategy of issuing or not insurance contracts, in cases where the risk is low, i.e. high respectively.

The management believes that the Company does not have significant exposure to concentration risk to any group of policy holders measured by social, professional, age or similar criteria.

(b) High-severity, low-frequency concentrations

By their nature, the timing and frequency of these events are uncertain. They represent a significant risk to the Company because the occurrence of an event, while unlikely in any given accounting period, would have a significantly adverse effect on the Company’s cash flows.

The Company has special strategy for insurance and reinsurance of such risk, according to which in order to issue insurance or reinsurance contract, among other procedures, a special approval from the Management is necessary.

The Company continuously monitors the reinsurance program, as well as the expenses related to the same.

5.2 Financial risk management

The Company is exposed to financial risk through its financial assets, financial liabilities, its reinsurance assets, insurance liabilities and reinsurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The financial risk comprises of interest rate risk, currency risk, liquidity risk and credit risk.

The Company’s objective is to match insurance contract liabilities with assets subject to identical or similar risks. This policy ensures that the Company is able to meet its obligations under its contractual liabilities as they fall due.

5.2.1 Credit risk

The company is exposed to credit risk, which represents the risk of client’s inability to settle its contractual obligations towards the Company, when they fall due.

Credit exposures of the company are composed of Loans and deposits in banks, Securities, Premium receivables and claims recoveries. This risk is defined as the potential loss in market value resulting from adverse charges in a borrower’s ability to repay the debt.

5. Insurance and financial risk management (continued)

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Primarily, INSURANCE MAKEDONIJA S.C. SKOPJE- VIENNA INSURANCE GROUP Macedonia manages the credit risk through analysing client's solvency before it is accepted as such. Premium receivables are monitored regularly on a monthly basis. Based on established condition of the clients an appropriate provisioning level is determined and relevant measures for collection of receivables are undertaken by the control receivables department.

In accordance with the Law on Insurance Supervision, especially limits as regard to investment which covers the Mathematical reserves, Technical reserves and capital. INSURANCE MAKEDONIJA S.C. SKOPJE- VIENNA INSURANCE GROUP Macedonia is diversifying the risk with placing deposits in various banks.

The active market of Securities is regularly monitored and the investments are properly measured in accordance with the changes in the market.

Maximum exposure to credit risk before collateral held or other credit enhancement

	2015	2014
Financial assets		
- Debt securities - held to maturity	51.256	35.700
- Debt securities -available for sale	215.067	150.046
- Equity instruments –available for sale	20.204	21.901
- Term deposits	702.169	710.200
Reinsurance assets	119.293	110.013
Insurance receivables	268.808	266.150
Other receivables	50.798	44.441
Cash and cash equivalents	140.411	86.832
Total	**1.568.006**	**1.425.283**

The above table presents a worst case scenario of credit risk exposure to the company as at 31 December 2015 and 2014, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet items, the exposure set out above are based on net carrying amounts as reported in the balance sheet.

5. Insurance and financial risk management (continued)

As shown above, 20.38 % (2014: , 18.09%) of the total maximum exposure is derived from premium receivables from non-life insurance, 44.78% (2014: 49.98%) represents Term deposits.

The investments securities comprise of financial instruments that are available for sale and debt securities that are held to maturity, i.e. government bonds / bills issued by R.Macedonia. The company has invested its term deposits from non-life insurance in big banks 597.200 thousands in Macedonia on one hand and MKD 104.969 thousands are in middle banks in R.Macedonia. The bank classification is in accordance with statutory regulation as defined by NBRM. The reinsurance assets are receivables from reinsurance companies with credit rating A+ assigned by Standard and Poor's.

Management is confident that in its ability to continue to control and sustain minimum exposure to credit risk to the company resulting from premium receivables, receivables from claims and deposits in banks.

Aging analysis of the premium insurance receivable and recourse receivables (regress) is presented in the table below:

5. Insurance and financial risk management (continued)

Description	Undue	0-30 days			31 - 60 days			61 - 120 days			121 - 270 days			271 - 365			over 365 days			Total overdue receivables			Write off	Total
		Total rec.	Impa.	Carring amount	Total rec.	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount	Total rec.	Impairment	Carrying amount		
Premium receivables	152.017	48.755	-	48.755	18.741	1.874	16.867	35.139	12.299	22.841	53.248	29.286	23.962	17.471	13.103	4.368	211.766	112.937	98.828	**385.119**	**169.500**	**215.619**	98.828	268.808
accident	28.093	5.597	-	5.597	3.817	382	3.435	2.372	830	1.542	2.840	1.562	1.278	1.267	950	317	18.462	8.020	10.442	**34.355**	**11.745**	**22.611**	10.442	40.262
medical	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**	-	-
Casco motor vehicles	3.895	4.633	-	4.633	1.191	119	1.072	1.710	598	1.111	3.714	2.043	1.671	1.782	1.336	445	23.646	14.323	9.323	**36.676**	**18.420**	**18.256**	9.323	12.828
Casco railway vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**	-	-
Casco aircrafts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.872	-	4.872	**4.872**	**-**	**4.872**	4.872	-
Casco vessels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54	43	11	**54**	**43**	**11**	11	-
cargo	175	192	-	192	264	26	237	258	90	168	560	308	252	170	128	43	6.803	730	6.073	**8.247**	**1.283**	**6.964**	6.073	1.066
property fire and other ins.ev	46.839	5.472	-	5.472	1.458	146	1.312	6.499	2.275	4.224	6.006	3.303	2.703	1.833	1.374	458	60.731	40.541	20.190	**81.999**	**47.639**	**34.360**	20.190	61.008
properly other	34.047	20.945	-	20.945	2.284	228	2.055	7.376	2.582	4.794	11.968	6.583	5.386	2.741	2.056	685	34.466	22.198	12.268	**79.780**	**33.647**	**46.134**	12.268	67.912
Motor TPL(total)	29.429	10.609	-	10.609	8.642	864	7.777	15.008	5.253	9.755	23.073	12.690	10.383	9.038	6.779	2.260	40.754	24.836	15.917	**107.124**	**50.422**	**56.702**	15.917	70.213
aircrafts TPL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19.535	-	19.535	**19.535**	**-**	**19.535**	19.535	-
vessels TPL	-	-	-	-	-	-	-	-	-	-	9	5	4	-	-	-	3	2	2	**12**	**7**	**6**	2	4
General TPL	8.815	835	-	835	892	89	803	1.370	480	891	4.207	2.314	1.893	399	299	100	1.567	1.543	24	**9.270**	**4.724**	**4.545**	24	13.337
loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**	-	-
guaranties	-	-	-	-	-	-	-	6	2	4	12	7	6	6	5	2	28	12	16	**53**	**26**	**27**	16	11
financial loss	591	98	-	98	100	10	90	201	70	130	199	109	89	-	-	-	10	-	10	**608**	**190**	**418**	10	999
Legal protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**	-	-
Travel insurance	134	374	-	374	93	9	84	340	119	221	659	362	296	235	176	59	835	689	146	**2.535**	**1.355**	**1.180**	146	1.167
Regress receivables	-	494	-	494	546	55	491	267	93	173	2.733	1.503	1.230	2.415	1.811	604	25.519	25.010	510	**31.975**	**28.472**	**3.503**	510	2.993
TOTAL	**152.017**	**49.249**	**-**	**49.249**	**19.287**	**1.929**	**17.358**	**35.406**	**12.392**	**23.014**	**55.981**	**30.790**	**25.192**	**19.886**	**14.915**	**4.972**	**237.285**	**137.947**	**99.338**	**417.094**	**197.972**	**219.122**	**99.338**	**271.801**

5. Insurance and financial risk management (continued)

Receivables from claims recoveries – reinsurance

The reinsurance is used to decrease the risk from insurance.

In 2015 Company has reinsurance claims recoveries from VIG Holding / VIG and VIG Re zajistovna a.s..

5.2.2 Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, and foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

5.2.2. Interest rate risk

The Company's exposure in interest rates is concentrated in the investment portfolio.

According to the Management the insurance contracts concluded by the Company are mainly short term insurance contracts and the interest risk is mitigated by matching the insurance liabilities with a portfolio of debt securities. The debt securities are exposed to interest rate risk, though most of them are fixed interest bearing instruments (government bonds and term deposits).

Short-term insurance and reinsurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

Joint liability

The Company has a liability towards National Insurance Bureau in respect of the Company's share in MTPL claims arising from unknown or uninsured vehicles. Additionally, the Company, as well as other participants in MTPL business on the market, is liable for a share of unsettled MTPL claims in the event of the liquidation of any insurance company on the market, in accordance with the Insurance Law on insurance supervision.

5. Insurance and financial risk management (continued)

Interest rate gap analysis of financial assets and liabilities – Non-life insurance

31 December 2015			Fixed rate instruments					
	Total	**Floating rate instruments**	**Up to 1 month**	**1 Month to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**Over 5 Years**	**Noninterest bearing**
Assets								
Financial assets								
- Debt securities - held-to-maturity	**51.256**	-	-	9.937	41.319	-	-	**-**
- Debt securities - available for sale	**235.27**				119.096	65.971	30.00	**20.20**
- Term deposits	**702.169**	-	-	12.500	299.000	390.669	-	**-**
Reinsurance assets	**119.293**	-	-	-	-	-	-	**119.293**
Insurance receivables	**268.808**	-	-	-	-	-	-	**268.808**
Other receivables	**50.798**	-	-	-	-	-	-	**50.798**
Cash and cash equivalents	**140.411**	-	140.411	-	-	-	-	**-**
Liabilities								**-**
Gross technical reserves	**(644.456)**	-	-	-	-	-	-	**(644.456)**
Reinsurance payables	**(49.892)**	-	-	-	-	-	-	**(49.892)**
Insurance payables	**(1283)**	-	-	-	-	-	-	**(1283)**
Other payables	**(110.453)**	-	-	-	-	-	-	**(110.453)**
Net interest rate gap	**761.922**	**-**	**140.411**	**22.437**	**459.415**	**456.640**	**30.000**	**(346.980)**

5. Insurance and financial risk management (continued)

Interest rate gap analysis of financial assets and liabilities – Non-life insurance

31 December 2014			Fixed rate instruments					
	Total	Floating rate instruments	Up to 1 month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Noninterest bearing
Assets								
Financial assets								
- Debt securities - held-to-maturity	**35.700**	-	-	14.473	21.227	-	-	**-**
- Debt securities - available for sale	**171.947**				14.983	135.063		**21.901**
- Term deposits	**710.200**	-	70.000	18.000	274.200	348.000	-	**-**
Reinsurance assets	**110.013**	-	-	-	-	-	-	**110.013**
Insurance receivables	**266.150**	-	-	-	-	-	-	**266.150**
Other receivables	**44.441**	-	-	-	-	-	-	**44.441**
Cash and cash equivalents	**86.832**	-	86.832	-	-	-	-	**-**
Liabilities								**-**
Gross technical reserves	**(657.876)**	-	-	-	-	-	-	**(657.876)**
Reinsurance payables	**(29.673)**	-	-	-	-	-	-	**(29.673)**
Insurance payables	**(700)**	-	-	-	-	-	-	**(700)**
Other payables	**(257.643)**	-	-	-	-	-	-	**(257.643)**
Net interest rate gap	**479.391**	**-**	**156.832**	**32.473**	**310.410**	**483.063**	**-**	**(503.387)**

5. Insurance and financial risk management (continued)

Interest rates sensitivity analysis- Non-life insurance

As at 31 December 2015 the company has interest bearing term deposits in amount of MKD 702.169 thousands (2014: MKD 710.200 thousands) and MKD 51.256 thousands (2014: MKD 35.700 thousands) government bills and 215.066 thosands (2014: MKD 150.046 thousands) government bonds. The remaining balance sheet items are non-interest bearing.

Interest rate sensitivity analysis focuses on the exposure of the Company's financial instruments to movements in interest rates at the balance sheet date. In case interest rates on deposits were higher/lower 0.5%, and all the remaining variables stayed unchanged, the Company's loss before tax as for the year ended 31 December 2015 would be higher, i.e. lower by MKD 919 thousands (2014: the profit before tax would be higher/lower by MKD 1.101 thousands).

5. Insurance and financial risk management (continued)

5.2.2.2 *Foreign exchange risk*

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies.
For avoiding the losses from movements with negative impact from the exchange rate, the Company diversifies its risk by having assets and liabilities in EUR, USD,GBP and CHF. However mainly assets and liabilities are denominated in EUR. The Denar is pegged to the Euro and the monetary projections for 2015 form NBRM envisage stability of the exchange rate of the Denar against Euro.

The tables below summarise the Company's exposure to foreign currency exchange rate risk. The Company's assets and liabilities at carrying amounts are included in the table, categorised by currency at their carrying amount:

31 December 2015- Non-life	**MKD**	**EUR**	**GBP**	**Other**	**Total**
Debt securities - held to maturity	51.256	-	-	-	**51.256**
Debt securities - available for sale	139.345	95.926	-	-	**235.271**
Term deposits	642.200	59.969	-	-	**702.169**
Reinsurance assets	119.293		-	-	**119.293**
Insurance receivables	268.808		-	-	**268.808**
Other receivables	41.298	8.531	-	969	**50.798**
Cash and cash equivalents	130.157	9.198	-	1.056	**140.411**
Total assets	**1.392.357**	**173.625**	**0**	**2.025**	**1.568.006**
Gross technical reserves	644.456				**644.456**
Reinsurance payables		11.810		38.082	**49.892**
Insurance payables	1.283				**1283**
Other payables	50.531	12.995	-	46.927	**110.453**
Total liabilities	**696.270**	**24.805**	**0**	**85.009**	**806.084**
Net position	**696.087**	**148.820**	**0**	**(82.985)**	**761.922**

5. Insurance and financial risk management (continued)

31 December 2014- Non-life	MKD	EUR	GBP	Other	Total
Debt securities - held to maturity	35.700	-	-	-	**35.700**
Debt securities - available for sale	141.041	30.906	-	-	**171.947**
Term deposits	710.200	-	-	-	**710.200**
Reinsurance assets	110.013	-	-	-	**110.013**
Insurance receivables	266.150	-	-	-	**266.150**
Other receivables	29.610	14.520	-	244	**44.441**
Cash and cash equivalents	77.903	7.869	-	1.060	**86.832**
Total assets	**1.370.684**	**53.295**	**-**	**1.304**	**1.425.283**
Gross technical reserves	657.876	-	-	-	**657.876**
Reinsurance payables	-	26.419	-	3.254	**29.673**
Insurance payables	700	-	-	-	**700**
Other payables	50.800	13.834	150.921	42.088	**257.643**
Total liabilities	**709.376**	**40.253**	**150.921**	**45.342**	**945.892**
Net position	**661.308**	**13.042**	**(150.921)**	**(44.038)**	**479.391**

Sensitivity to foreign currency fluctuations- Non-life insurance

The Company's functional currency is the Macedonian Denar. The Company has foreign receivables and payables mainly in mostly EUR and GBP. The Company operates internationally in relation to reinsurance and mother company; hence the Company is exposed to foreign exchange risk arising from local currency exposure to various major foreign currencies.

The sensitivity analysis of fluctuation of foreign exchange rates of different currencies is base on statistical data which show stability of the foreign exchange rate of the EUR towards MKD. At 31 December 2015, had the exchange rate between the MKD and EUR and GBP increased or decreased by 0.5% the pre-tax profit for the twelve month period ended 31 December 2015 would have been approximately MKD 329 thousands higher or lower (2014: pre – tax profit – MKD 907 thousands).

5. Insurance and financial risk management (continued)

5.2.3 Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The primary exposure to equity prices arises from available for sale investments. The Company holds available for sale investments which are subject to equity price risk.
The Company manages equity price risk by a maintaining diversified portfolio of equity investments.

5.2.4 *Liquidity risk*

The liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments and obligations. Liquidity risk can result from unability to sell financial asstes on its fair value in shortess time period, unability to meet liability from agreements, liability due earlier than expected or unability to generate cash funds according to forcast.

Company mitigate liquidity risk by managing assets and liabilities in manner that will allow on time payments on liabilities in normal and extraordinary circumstances. According to Law for Insurance supervision Company is obliged to calculate liquidity ratio and minimum liquidity, that is proportion between liquid assets and due liabilities, i.e liabilities that will be matured.

Planning expected cash inflows and outflows is a continuous control for maintaining stabile liquidity. Based on this the Company undertakes measures for mitigating or removing the reasons for possible illiquidity.

The Company is obliged to maintain its liquidity in accordance with the Law for Insurance supervision, which requires that the required level of equity for insurance company that non-life insurance or reinsurance, in each moment has to be at least equal to the required limit of solvency, calculated using the premium method or claims method, depending on which gives the more favourable outcome.

The Company has cash in banks and other high liquid assets, at any moment, in order to protect itself from unnecessary risk concentration and to be able settle its liabilities that are due to payment, as well as contingent liabilities.

Maturities of the financial assets and liabilities

The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings based on the contractual maturity date:

5. Insurance and financial risk management (continued)

Maturity analysis – Non-life insurance

31 December 2015	Up to 1 month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Assets						
Financial assets						
- Debt securities - held-to-maturity	-	-	51.256	-	-	**51.256**
- Debt securities - available for sale		-	119.096	65.971	50.204	**235.271**
- Term deposits		74.500	287.000	340.669	-	**702.169**
Reinsurance assets	2.548	5.470	73.475	25.461	12.339	**119.293**
Insurance receivables	200.772	39.707	28.329	-	-	**268.808**
Other assets	9.628	18.185	16.192	6.793	-	**50.798**
Cash and cash equivalents	140.411	-	-	-	-	**140.411**
	353.359	**137.862**	**575.348**	**438.894**	**62.543**	**1.568.006**
Liabilities						
Gross technical reserves	10.458	58.996	430.635	99.722	44.645	**644.456**
Reinsurance payables	44.217	5.060	615	-	-	**49.892**
Insurance payables	1.182	101	-	-		**1.283**
Other payables	9.828	39.546	824	60.255	-	**110.453**
	65.685	**103.703**	**432.074**	**159.977**	**44.645**	**806.084**
Liquidity gap	**287.674**	**34.159**	**143.274**	**278.917**	**17.898**	**761.922**

5. Insurance and financial risk management (continued)

Maturity analysis – Non-life insurance (continued)

31 December 2014	Up to 1 month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Assets						
Financial assets						
- Debt securities - held-to-maturity	-	14.473	21.227	-	-	**35.700**
- Debt securities - available for sale	-	-	14.983	135.063	21.901	**171.947**
- Term deposits	70.000	18.000	274.200	348.000	-	**710.200**
Reinsurance assets	2.743	45.994	61.081	60	135	**110.013**
Insurance receivables	160.486	66.906	38.758	-	-	**266.150**
Other assets	4.677	13.524	13.773	12.467	-	**44.441**
Cash and cash equivalents	86.832	-	-	-	-	**86.832**
	324.738	**158.897**	**424.022**	**495.590**	**22.036**	**1.425.283**
Liabilities						
Gross technical reserves	56.493	159.567	310.550	84.781	46.485	**657.876**
Reinsurance payables	25.804	3.254	615	-	-	**29.673**
Insurance payables	478	53	-	169	-	**700**
Other payables	21.676	30.666	685	204.616	-	**257.643**
	104.451	**193.540**	**311.850**	**289.566**	**46.485**	**945.892**
Liquidity gap	**220.287**	**(34.643)**	**112.172**	**206.024**	**(24.449)**	**479.391**

5. Insurance and financial risk management (continued)

5.2.5 Fair value

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. As verifiable market prices are not available for a significant proportion of the Company's financial assets and liabilities, fair values have been based on management assumptions.

The fair value of quoted securities is measured at market price. The fair value of unlisted investment securities are based at the available financial statements.

Premium debts, loans and advances are shown net of specific and other provisions for impairment. The estimated fair value of premium debts, loans and advances represents the collectible amount derived by valuation of debtors' repayment history and capability as well as debtors' current financial position and status.

Fair values in respect of premium debts, loans and advances, as well as investments in shares and other securities approximate to their carrying amounts less impairment.

5. Insurance and financial risk management (continued)

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values for non-life insurance:

	Loans and receivables	Held-to-maturity	Available for sale	Other amortised cost	Total carrying amount	Fair value
31 December 2015						
Financial assets						
- Debt securities - held-to-maturity	-	51.256	-	-	51.256	51.256
- Equity securities available for sale	-	-	235.271	-	235.271	235.271
- Term deposits	702.169	-	-	-	702.169	702.169
Reinsurance assets	119.293.	-	-		119.293	119.293
Insurance receivables	268.808	-	-	-	268.808	268.808
Other assets	50.798	-	-	-	50.798	50.798
Cash and cash equivalents	140.411.	-	-	-	140.411	140.411
	1.281.479	**51.256**	**235.271.**	**-**	**1.568.006**	**1.568.006**
Gross technical reserves	-	-	-	**644.456**	**644.456**	**644.456**
Reinsurance payables	-	-	-	**49.892**	**49.892**	**49.892**
Insurance payables	-	-	-	**1283**	**1283**	**1283**
Other payables	-	-	-	**110.453**	**110.453**	**110.453**
	-	**-**	**-**	**806.084**	**806.084**	**806.084**
31 December 2014						
Financial assets						
- Debt securities - held-to-maturity	-	35.700	-	-	35.700	35.700
- Equity securities available for sale	-	-	171.947	-	171.947	171.947
- Term deposits	710.200	-	-	-	710.200	710.200
Reinsurance assets	110.013	-	-		110.013	110.013.
Insurance receivables	266.150	-	-	-	266.150	266.150.
Other assets	44.441	-	-	-	44.441	44.441
Cash and cash equivalents	86.832	-	-	-	86.832	86.832
	1.217.636	**35.700**	**171.947.**	**-**	**1.425.283**	**1.425.283**
Gross technical reserves	-	-	-	657.876	657.876	657.876
Reinsurance payables	-	-	-	29.673	29.673	29.673
Insurance payables	-	-	-	700	700	700
Other payables	-	-	-	257.643	257.643	257.643
	-	**-**	**-**	**945.892**	**945.892**	**945.892**

5. Insurance and financial risk management (continued)

5.2.6 Capital management

The company is obliged to hold at any time capital that is appropriate with the scope of its work and the classes in which it performs its insurance work as well as the risks on which the Company is exposed in performing such work.

The company's capital should at any time be at least equal to the necessary level of the solvency margin.

The Company's objectives regarding capital management are:

- To comply with the capital requirements according to the legislative regulation of the Ministry of Finance;
- To safeguard the Company's ability to provide dividends for the shareholders;
- To maintain a strong capital base to support the Company's development.

The Company is in compliance with the legislative regulation if the capital is adequate to the solvency margin. The solvency margin and the usage of the Company's own assets is regularly monitored by the company's management by using techniques prescribed by the Ministry of Finance and reports are issued on quarterly basis.

The Company's assets are comprised of the main capital which includes: ordinary and preference shares, reserves, revaluation reserves and retained earnings or accumulated losses.

According to the legislative regulation the Company's share capital should be at least as high as the Guarantee Fund. The above mentioned requirement does not apply for the life insurance since the Company does not own a life insurance licence and therefore in the table for life insurance real capital is presented instead of guaranteed capital.

According to the solvency margin calculations the minimum capital that INSURANCE MAKEDONIJA S.C. SKOPJE- VIENNA INSURANCE GROUP Macedonia needs to maintain as at 31 December 2015 is as following:

Solvency margin

	2015	**2014**	
		Non life	**Life**
Solvency margin	106.584	125.135	1.079
Guaranteed capital amount	277.176	276.666	27.512

5. Insurance and financial risk management (continued)

The Insurance Company's solvency margin is calculated by using the Premium Rate Method or the Claims Rate Method, depending on which method provides higher result.

- According to the premium rate method the total amount of gross written premium for insurance and reinsurance for the last business year is reduced for the amount of cancelled premium in the same year and the result is multiplied with specified coefficients.
- According to the claims rate method the total amount of gross paid claims for insurance and reinsurance in the last three business years is increased for the amount of gross claim reserves for insurance and reinsurance at the end of the last business year of the period and decreased for gross claim reserves for insurance and reinsurance at the beginning of that period and the result is divided by three and then multiplied with specified coefficients.

5. Insurance and financial risk management (continued)

5.2.6 A required level of solvency margin for non-life insurance

		Non-life insurance except medical insurance in MKD	
		Current year 2015	Previous year 2014
Gross written premium	1	923.433.291	867,761,797
Gross written premium < 10 million EUR x 0.18	2	110,870,460	110,666,520
Gross written premium > 10 million EUR x 0.16	3	49,197,807	40,471,648
Gross written premium < 10 million EUR x 18/300	4		
Gross written premium > 10 million EUR x 16/300	5		
Total Gross written premium ([6]=[2] + [3] or [6]=[4] + [5])	6	160.068.267	151,138,168
Gross claims paid	7	395.263.535	308.641.556
Net claims paid	8	263.192.154	255.540.040
Coefficient ([9]=[8]/[7] or 0.50, if smaller)	9	1.00	1.00
Solvency margin - Premium rate method ([10]= [6]*[9])	**10**	**106.583.856**	**125.134.974**
Reference period (in years)	11	3	3
Gross claims paid in the reference period	12	977.001.951	899.120.907
Gross claims reserves at the end of the reference period	13	277.145.521	346.818.513
Gross claims reserves at the beginning of the reference period	14	261.562.419	272.499.745
Gross incurred claims ([15]=[12] + [13] - [14])/[11])	15	330.861.684	324.47.892
Gross incurred claims < 7 million EUR x 0,26	16	86.024.038	84.370.277
Gross incurred claims > 7 million EUR x 0,23	17	-	-
Gross incurred claims < 7 million EUR x 26/300	18	-	-
Gross incurred claims > 7 million EUR x 23/300	19	-	-
Total Gross incurred claims ([20=[16] + [17] or [20]=[18] + [19]	20	**86.024.038**	**84.370.277**
Solvency margin – Claims rate method ([21]= [20]*[9])	**21**	**57.280.396**	**69.854.443**
Required level of solvency margin ([22]=max([10],[21]))	**22**	**106.583.856**	**125.134.974**

5. Insurance and financial risk management (continued)

5.2.7 *Asset/liability matching*

The Law on insurance supervision prescribes certain limits regarding Company's asset/liability matching policy, i.e. limits up to which the Company may invest the assets that are used as coverage for the technical reserves.

The Company manages its financial position using an approach that balances quality, liquidity and investment return, taking into consideration the limits prescribed by the Law on insurance supervision. The key goal is to match the timing of cash flows from the respective assets and liabilities.

In the schedule are presented technical reserves of the Company and whole assets which are used for coverage of Technical reserves and the equity:

Non-Life insurance	**2015**	**2014**
Assets		
Cash and cash	140.411	86.832
Government bills issued by R.Macedonia	51.256	35.700
Government bonds and other securities issued by R.Macedonia	215.067	150.047
Loans and advances to banks (deposits) which have licence from NBRM	702.169	710.200
Shares traded on a regulated market for securities in the RM	20.205	21.901
	1.129.108	**1.004.680**
Liabilities (Technical reserves)		
Gross insurance contract reserves	644.456	657.876
Unearned premium net of reinsurance (reinsurance share)	(119.293)	(110.013)
Total net technical reserves	**525.163**	**547.863**

5. Insurance and financial risk management (continued)

Investments that cover technical and mathematical reserves

In accordance with Rules on types and characteristics of assets that cover technical & mathematical reserve and detailed placement/restriction on those investments Company as at 31.12.2015 invested its assets as bellow sated:

Investments that covers technical reserves non life 2015	Allowed %	Amount	Realized in %
Cash in hand and at bank	3	15.135	2,9
Bank (licenced by the NBRM)	60	223.500	42,6
Securities issued by the the NBRM	80	51.256	9,8
Bonds and other debt securities	80	215.067	41
Shares traded on a regulated market	25	20.205	3,8
Total investments in admissible categories of assets		525.163	
Total net technical reserves		525.163	
Unearned premium reserves		294.700	
Provisions for bonuses and rebates		29.922	
Claims provisions		200.540	
Other technical provisions		-	
Equilization reserve		-	
Difference		-	

Investments that covers technical reserves non life 2014	Allowed %	Amount	Realized in %
Cash in hand and at bank	3	16.553	3
Bank (licenced by the NBRM)	60	328.000	59,4
Securities issued by the the NBRM	80	35.700	6,5
Bonds and other debt securities	80	150.046	27,2
Shares traded on a regulated market	25	21.901	4
Total investments in admissible categories of assets		552.201	
Total net technical reserves		547.863	
Unearned premium reserves		286.974	
Provisions for bonuses and rebates		15.499	
Claims provisions		245.390	
Other technical provisions		-	
Equilization reserve		-	
Difference		4.338	

5. Insurance and financial risk management (continued)

Investments that cover technical and mathematical reserves

As at 31.12.2014 Company had life portfolio. Investments that cover technical and mathematical reserves for life portfolio are bellow stated:

Investments that covers technical reserves life 2014	Allowed %	Amount	Realized in %
Bank (licenced by the NBRM)	60	2.000	7,2
Total investments in admissible categories of assets		2.000	
Total net technical reserves		1.487	
Claims provisions		1.487	
Difference		513	

Investments that covers mathematical reserves life 2014	Allowed %	Amount	Realized in %
Cash in hand and at bank	3	27	0,1
Bank (licenced by the NBRM)	60	6.000	21,5
Bonds and other debt securities guaranteed by the R.M	80	19.934	71,3
Total investments in admissible categories of assets		25.961	
Total net mathematical reserves		25.691	
Difference		270	

6. Net earned premium

	Gross written premium	Written premiums ceded to reinsurers	Change in the gross provision for unearned premiums	Reinsurers' share of change in the provision for unearned premiums	Net earned premium
2015					
Accident	98.971	(49.549)	(97)	48	49.373
Motor vehicles	81.079	(150)	2.597	0	83.526
Aircraft	-	-	-	-	-
Marine	47	-	22	-	69
Cargo	22.887	(2.375)	(247)	-	20.265
Property-fire	147.018	(72.007)	(34.837)	26.690	66.864
Property-other	276.759	(109.131)	(6.723)	4.277	165.182
Motor vehicle liability insurance	241.108	(112.244)	1.768	(440)	130.192
Aircraft liability insurance	-	-	-	-	-
Marine liability insurance	155	-	38	-	192
General liability insurance	37.082	(18.646)	(4.141)	3.168	17.463
Guarantees	89	-	(1)	-	88
Financial loss	2.453	(623)	46	(32)	1.844
Travel assistance	15.785	-	(253)	-	15.532
Total	**923.433**	**(364.725)**	**(41.829)**	**33.711**	**550.590**

6. Net earned premium (continued)

	Gross written premium	Written premiums ceded to reinsurers	Change in the gross provision for unearned premiums	Reinsurers' share of change in the provision for unearned premiums	Net earned premium
2014					
Accident	98.152	(49.148)	3.552	(1.762)	50.794
Motor vehicles	85.482	(193)	3.348	0	88.637
Aircraft	-	-	-	-	-
Marine	78	-	(1)	-	77
Cargo	20.785	(2.674)	(251)	-	17.859
Property-fire	107.312	(27.834)	1.795	(817)	80.457
Property-other	269.806	(46.065)	(1.809)	164	222.096
Motor vehicle liability insurance	241.804	(112.213)	(5.300)	2.644	126.935
Aircraft liability insurance	-	-	-	-	-
Marine liability insurance	224	-	(32)	-	192
General liability insurance	27.442	(11.668)	524	182	16.480
Guarantees	62	-	1	-	63
Financial loss	2.393	(565)	(224)	(294)	1.309
Travel assistance	14.222	(2.159)	132	-	12.195
Total	**867.762**	**(252.519)**	**1.734**	**118**	**617.095**

In the total amount of gross written premium of MKD 923.433 thousands is included gross written premium in amount of MKD 921.427 thousands and gross written premium for reinsurance in amount of MKD 2.006 thousands.

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7. Other insurance technical income net of reinsurance

	2015	2014
Collected written off receivables	41.523	46.853
Reinsurance commission		-
Income from guarantee fund for recourses	3.776	2.616
Income from guarantee fund for unknown and uninsured vehicle	633	692
Compensation for claims paid	4.973	5.353
Transferable bonus premium	5.175	5.993
Other (recourses from previous years)	4.722	2.387
Total	**60.802**	**63.894**

8. Other income

Other income	**2015**	**2014**
Collected court costs	2.773	1.768
Rent income	4.052	4.899
Other insurance related income		436
IT service income	3.489	3.389
Income from disposal of property		
Collected other income		329
Income from W/o Liabilities	160.296	
Income from W/o Liabilities - Reinsurance	23.617	1.514
Income from recourses provision from NB release		3.072
Other	580	390
Total	**194.807**	**15.797**

*In 2015 Company did writte off on old liabilities

9. Claims incurred

	2015		**2014**	
	Gross claims paid	**Change in gross reserve for claims**	**Gross claims paid**	**Change in gross reserve for claims**
Accident	59.434	(1.613)	54.142	(4.200)
Motor vehicles	41.691	212	45.297	(1.655)
Aircraft				
Marine	119			
Cargo	66		146	(99)
Property-fire	49.118	(19.401)	20.254	23.000
Property-other	126.492	(40.483)	60.354	96.874
Motor vehicles liability insurance	107.931	4.639	121.584	7.717
Aircraft liability insurance				
Marine liability insurance				
General liability	1.301	496	2.003	(1.286)
Guarantees		(30)		3
Financial loss	146		123	
Travel assistance	8.965	930	3.835	1.623
Claims from active insurance			903	(540)
Total	**395.263**	**(55.250)**	**308.641**	**121.437**
Decrease of income for recourses	**(11.525)**		**(5.447)**	
Change in gross reserves for claims - RI part	**(107.248)**		**(153.620)**	
Gross claims paid	**221.240**		**271.011**	

9. Claims incurred (continued)

Claims ratio, cost ration and combined ration-Non-life

	2015 Ratios			2014 Ratios		
Insurance class	**Claims**	**Cost**	**Combined**	**Claims**	**Cost**	**Combined**
Accident	58%	43%	101%	42%	44%	86%
Casco	45%	40%	85%	48%	47%	95%
Aircraft	172%	17%	190%	0%	39%	39%
Cargo	0%	47%	47%	0%	45%	45%
Property – fire	**32**%	64%	96%	48%	72%	120%
Property – other	45%	47%	91%	39%	43%	82%
MTPL т	37%	47%	84%	58%	56%	114%
Marine liability insurance	0%	30%	30%	0%	54%	54%
General liability insurance	10%	79%	89%	4%	73%	77%
Guarantees	0%	50%	50%	0%	0%	0%
Financial loss	8%	44%	52%	9%	73%	82%
Travel assistance	64%	59%	122%	45%	69%	114%
Total	**40%**	**48%**	**89%**	**44%**	**51%**	**95%**

10. Net expenses for insurance

	2015	2014
Broker's fee	30.390	28.861
Advocacy agency's fee	96.697	67.343
RI commission	301	-
Salaries for agents	62.214	59.186
Marketing	13.426	6.747
Representation	4.501	2.633
Deferred acquisition cost	(3.894)	(6.564)
Salaries for administration	92.900	97.509
Other employee benefits	8.758	11.062
Expenses for individuals	5.455	6.437
Heat and electrical energy	15.928	16.202
Mailing costs	2.769	2.886
Mobile phone and internet	3.847	3.857
Utility costs	5.851	5.621
Current and investment maintenance	8.837	9.300
Security	5.629	5.937
Administrative court expenses	3.119	3.476
Insurance premium	1.573	1.701
VIG	2.557	2.228
Depreciation	17.638	17.819
Other administrative expenses	19.970	22.195
Total	**398.466**	**364.436**

Durring year 2014 expenses of the company were corrected for Defered Aquisition costs.

11. Other insurance technical expenses

	2015	2014
Expenses for claims payment of uninsured and unknown vehicles	7.245	8.020
Contribution for fire prevention	8.083	8.494
Health contribution	2.338	2.350
Expenses for Supervisory Authority	5.600	5.643
National Biro for insurance financing	3.029	2.310
Other	489	884
Total	**26.784**	**27.701**

12. Other expenses including other impairment

	2015	2014
Impairment of recourse debts	1.408	
Impairment of other receivables	(566)	2.760
Regresses expenses	2.199	724
Other expenses	13.253	14.825
Total	**16.294**	**18.309**

13. Income Tax

	2015	2014
Income tax	27.720	10.605
Total	**27.720**	**10.605**

Reconciliation of effective tax rate

	2015	2014
Profit before tax	267.628	98.277
Loss before tax	-	-
Income tax using the domestic corporation tax rate	26.763	9.827
Non-deductable expenses	1.075	879
Tax credit	(118)	(101)
Income tax	**27.720**	**10.605**

Ttax authorities may at any time inspect the books and records within 5 to 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

14. Investment in intangible assets

	2015	**2014**
Balance at 1 January		
Cost	18.579	17.977
Accumulated depreciation	(16.548)	(15.441)
Net book amount		
At 31 December	**2.031**	**2.536**
Opening net book amount	2.031	2.536
Additions	1.863	602
Depreciation charge	919	(1.107)
Closing net book amount at 31 December	2.975	2.031
Cost	20.442	18.579
Accumulated depreciation	(17.467)	(16.548)
Net carrying amount	**2.975**	**2.031**

15. Investment property

	2015	2014
At 1 January		
Cost	901.377	927.762
Accumulated depreciation	(314.192)	(299.370)
Net book amount	**587.185**	**628.392**
Year ended 31 December		
Opening net book amount	587.185	628.392
Additions	15.196	4.517
Disposals and write-off	(33.048)	(30,902)
Transfer from property and equipment book value		
Transfer from property and equipment accumulated depreciation		
Correction		
Depreciation charge	(14.106)	(14.822)
Closing net book amount	**555.227**	**587.185**
At 31 December		
Cost	883.525	901.377
Accumulated depreciation	(328.298)	(314.192)
Net book amount	**555.227**	**587.185**

* During 2013 Company did valuation on properties. Fair value of property is in the amount of MKD 727.475 thousand.

*The line item computers, furniture and equipment, motor vehicles and assets in course of construction equipment are presented on total in the balance sheet in Equipment.

16. Property and equipment

	Buildings	Computer	Furniture & Equipment	Motor vehicles	Assets in course of construction buildings	Assets in course of construction equipment	Other	Total
At 1 January 2015								
Cost	435.214	75.034	195.331	16.330		1.674	1.950	725.533
Accumulated depreciation	(196.882)	(69.761)	(186.787)	(12.520)		-	(34)	(465.984)
Net book amount								
Year ended 31 December	**238.332**	**5.273**	**8.544**	**3.810**		**1.674**	**1.916**	**259.549**
Opening net book amount	**238.332**	**5.273**	**8.544**	**3.810**		**1.674**	**1.916**	**259.549**
Additions	1.530	4.551	1.384	1.920	2.719			
Transfers from assets in course of construction								
Transfers from investment property						(1.604)		**(1.604)**
Elimination and disposal	(30.250)	(38.275)	(123.669)	(5.997)				**(198.191)**
Effect from cost value valuation								
Accumulated amortisation effect								
Depreciation charge	(10.128)	(2.630)	(2.630)	(1.547)			(100)	**(17.035)**
Reclasification from properties to equipment								
Closing net book amount at 31 December 2015	**229.734**	**7.194**	**7.298**	**4.183**	**2.719**	**70**	**1.816**	**253.821**
Cost	**406.494**	**41.310**	**72.730**	**12.253**	**2.719**	**70**	**2.623**	**538.333**
Accumulated depreciation	**176.760**	**34.116**	**65.432**	**8.070**				**284.512**
Net book amount	**229.734**	**7.194**	**7.298**	**4.183**	**2.719**	**70**	**2.623**	**253.821**

	Buildings	Computer	Furniture & Equipment	Motor vehicles	Assets in course of construction buildings	Assets in course of construction equipment	Other	Total
Opening net book amount	**238.332**	**5.273**	**8.544**	**3.810**		**1.674**	**1.916**	**259.549**
Additions	1.530	4.551	1.384	1.920			807	12.911
Elimination and disposal								
Depreciation charge	(10.128)	(2.630)	(2.630)	(1.547)		(1.604)	(100)	(18.639)
Closing net book amount as at 31 December 2015	**229.734**	**7.194**	**7.298**	**4.183**	**2.719**	**70**	**2.623**	**253.821**
Cost	406.494	41.310	72.730	12.253	2.719	70	2.757	538.333
Accumulated depreciation	176.760	34.116	65.432	8.070			134	284.512
Net book amount as at 31 December 2015	**229.734**	**7.194**	**7.298**	**4.183**	**2.719**	**70**	**2.623**	**253.821**

*The line item computers, furniture and equipment, motor vehicles and assets in course of construction equipment are presented on total in the balance sheet in Equipment.

17. Other financial investments

	2015	2014
Financial asstes hold to maturity (HTM)		
Assets held to maturity up to one year	51.256	35.700
Deposits	702.200	710.200
Financial assets available for sale (AFS)		
Assets held to maturity over one year	215.067	150.047
Shares in companies, banks & other	320.816	317.902
Total	**1.289.339**	**1.213.850**
Impairment	(300.612)	(296.002)
Net amount	**988.727**	**917.848**

18. Receivables from immediate work of insurance

	2015	2014
Insurance receivables	438.308	531.859
Other receivables from insurance	10.610	12.110
Total	**448.918**	**543.969**
Impairment	**(180.109)**	**(277.819)**
Total	**268.809**	**266.150**

Movement of imparement of receivables - immediate work of insurance

	2015	2014
Balance as at 1 of January	**277.819**	**590.691**
Additional impairment	23.995	38.326
Release of impairment	(23.257)	(5.476)
Write off	(98.448)	(345.722)
Balance as at 31 of December	**180.109**	**277.819**

19. Other receivables from direct insurance operations

	2015	2014
Recourse receivables	31.465	29.914
Receivables for service claims paid	7.508	13.630
Receivables from the National Bureau	12.964	7.821
Receivables from reinsurance commission	1.173	332
Receivables for claims	578	981
Receivables based on given allowances	5.631	5.631
Total receivables	**59.319**	**58.309**
Impairment	**(35.804)**	**(36.081)**
Total	**23.515**	**22.228**

Movement of imparement of other receivables

	2015	2014
Balance as at 1 of January	**36.080**	**33.499**
Additional impairment	2.207	3.792
Release of impairment	(678)	(1.210)
Release of impairment recourses & service claims	(1.296)	
Write off	(509)	-
Balance as at 31 of December	**35.804**	**36.080**

20. Receivables from financial investments

	2015	2014
Interest receivables	437	588
Rent receivables	8.609	9.228
Securities receivables	20.523	14.120
Total	**29.569**	**23.936**
Impairment	**(3.532)**	**(3.410)**
Total	**26.037**	**20.526**

21. Other receivables

	2015	2014
Receivables from employees	716	622
Receivables from QBE		114.607
Receivables from jointly controlled entities		
Suppliers receivables - other	884	1.035
Other receivables	115	30
Total receivables	1.715	116.294
Provision	467	(114.607
Net receivables	**1.248**	**1.687**

Movement of imparement of receivables - other

	2015	2014
Balance as at 1 of January	**114.607**	**114.607**
Additional impairment	467	-
Release of impairment	-	-
Write off	(114.607)	-
Balance as at 31 of December	**467**	**114.607**

The amount of MKD 114.607 thousands (2014 MKD 114.607) is receivable from QBE Insurance International that refers to optional rights of employees in Macedonia Insurance during the time period from 2002 up to 2014, paid out Macedonia Insurance in the name of QBE Insurance International. For them in 2012 and 2014 in accordance with reconciliation of intercompany receivables and payables with mother company, Makedonija made provision in total amount of MKD 114.607 thousands. In 2015 Company passed Decission to writte off whole amount.

22. Cash and cash equivalents

	2015	2014
Cash on hand		
- in denars	21	17
- in foreign currency		
Cash in banks		
-in denars	130.136	77.886
- in foreign currency	10.254	8.929
Total	**140.411**	**86.832**

23. Technical reserves

	2015	2014
Gross reserves for unwritten premium	337.388	295.558
Gross reserves for incurred reported claims	155.071	226.593
Gross reserves for incurred but not reported claims	117.979	115.100
Reserves for bonuses and discounts	29.922	15.500
Other technical reserves	4.096	5.125
Gross technical reserves	**644.456**	**657.876**

24. Other liabilities

	2015	2014
Received insurance advances	5.192	7.193
Fees for agents	8.943	8.865
Liabilities towards QBE	58.556	204.615
Liabilities for contributions and membership	2.119	2.481
Liabilities towards the National Bureau	497	745
Liabilities for suppliers of material assets	2.765	4.575
Liabilities for suppliers of working capital	9.384	6.690
Liabilities towards employees	13.561	13.705
Liabilities for contributions and taxes	5.430	5.332
Liabilities towards VIG	1.366	2.228
Dividend liabilities	1.285	686
Other liabilities	1.356	528
Total	**110.454**	**257.643**

25. Accrued expenses

	2015	2014
Calculated liabilities for reinsurance	97.919	98.402
Calculated Commission	1.938	2.331
Liabilities for contribution to fire brigade	3.509	4.092
Liabilities to NB	13.139	13.153
Other	20.095	13.120
Total	**136.600**	**131.098**

26. Shareholders equity and reserves

Shareholders' equity

In number of shares	2015	2014
Issued and fully paid at 1 January	717.462	717.462
Issued during the year	-	-
Issued and fully paid at 31 December	**717.462**	**717.462**

At 31 December 2015 the authorised share capital comprises 717.462 ordinary shares with nominal value of EUR 20.084 per share (2014: 717,462 ordinary shares with nominal value of EUR 20.084 per share). The holders of ordinary shares are

entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During 2013 the Company through stock exchange transaction was undertaken by the Vienna Insurance Group (Vienna Insurance Group VIG). Vienna Insurance Group - VIG is a leading name in Austria, as well as in Central and Eastern Europe with almost 190 years experience in the insurance business. On shareholders assembly all preferred shares which were previously owned by the Fund PIO were transformed into ordinary shares.

The shareholders' structure as at 31.12.2015 of the Company is as follows:

	% of voting share capital
Виена Иншуренс Груп (Vienna Insurance Group VIG)	94.25%
Other legal entities and individuals	5.75%

Dividends

After producing company's balance sheet for 2015 shareholder assembley, entiteled by legislation on force, adopted decision for distribution on part of profit as dividend paid in gross amount of MKD 189.410 thousands, i.e 264 MKD per share.

27. Off balance sheet evidence - liabilities

According to the adopted Guidelines for the operation between the National biro and insurance companies in 2012, the Company recorded off balance sheet provision for reported claims based on unknown or uninsured motor vehicles. In 2015 Company continued with the policy of off-balance sheet records provision for reported claims based on unknown or uninsured motor vehicles. On 31.12.2015 provision for reported claims is in amount of MKD reserved 24.523 thousands (2014: MKD 23.624 thousands).

28. Related parties transactions

Parent and ultimate parent of the Company
The Company is mainly – owned by Vienna Insurance Group VIG.

Related party transactions with the Parent Company

At the year end 31.12.2015 the balances from transactions with the Parent company were as follows.

	2015	**2014**
Insurance and other receivables	-	-
Liabilities from reinsurance	1.782	2.375
Other liabilities	1.367	2.228
Net liabilities	**3.149**	**4.603**

During the year the transactions with Parent company were as follows:

	2015	2014
Reinsurance payables	(156.271)	(146.260)
Income from provisions	127.673	110.618
	28.598	**35.642**

At the year end 31.12.2015 the balances from transactions with the other related parties were as follows:

	2015	2014
Insurance and other receivables		21
Reinsurance payables	9.412	23.428
	9.412	**23.407**

During the 2015 transactions with related parties are as follows:

	2015	2014
Reinsurance payables	(162.132)	(43.091)
Income from provisions	121.209	80.018
	40.923	**36.927**

Transactions with key management personnel

Total remuneration to the Company's key management personnel, included in administrative expenses are as follows:

	2015	2014
Short-term benefits	38.412	38.727
	38.412	**38.727**

29. Contingencies and commitments

Legal proceedings

In the normal course of business, claims against the Company may be received. Based on its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

30. Post balance sheet events

After cut off period there aren't any material events that should be reported in financial statements.