ОСИГУРУВАЊЕ МАКЕДОНИЈА
VIENNA INSURANCE GROUP

ANNUAL REPORT 2014

SKOPJE, 2015

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

2014 Annual Report

March, 2015

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

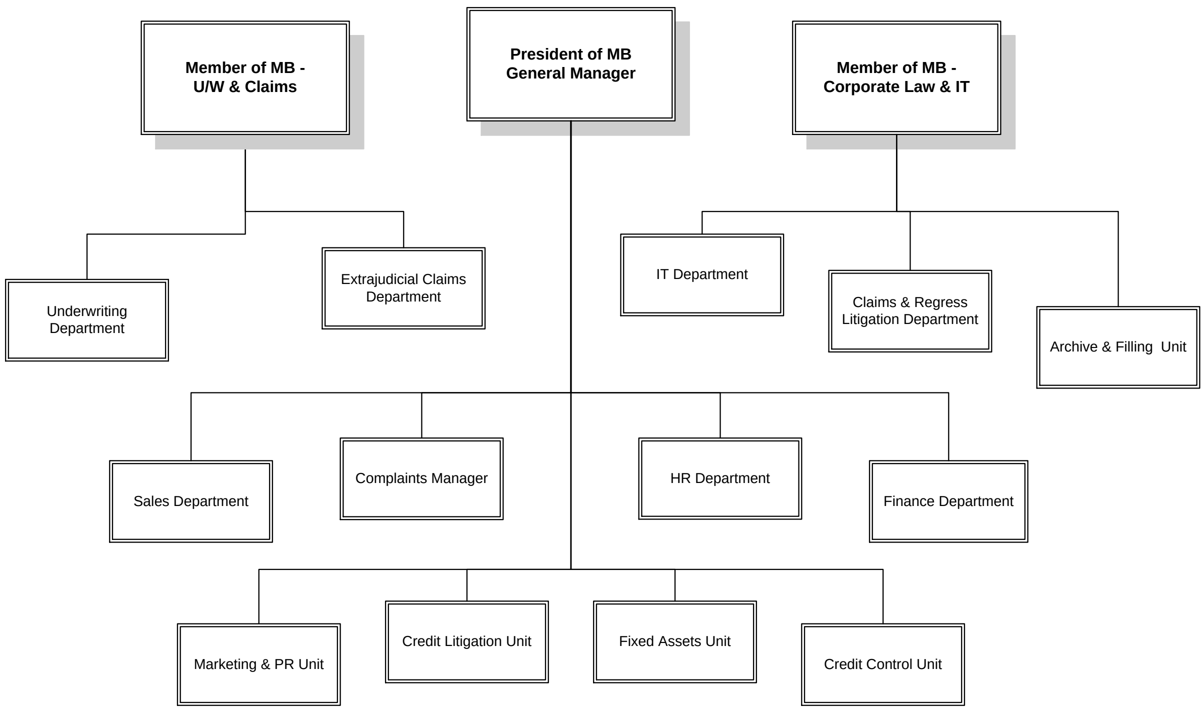
Mrs. Vesna Gjorceva, Member of the Management Board

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.

Stock Company for Insurance & Reinsurance MAKEDONIJA Skopje - Vienna Insurance Group



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, 2014 was 191, out of which 62 engaged in Sales function and 129 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 2014

2014 was the first year of our operating as the member company to Vienna Insurance Group. We feel free to say that our Company incorporated thoroughly into the Group and adapted to their culture with no difficulties at all, which in fact, was expected for the reason that our Company has been a member to international insurance groups for 14 years.

From the financial point of view, in 2014 Osiguruvanje Makedonija a.d. Skopje - Vienna Insurance Group, produced positive financial result and achieved profit before tax of MKD 98,3 million in non-life segment and profit of MKD 0,4 million in life segment or the consolidated profit before tax amount to MKD 98,7 million and profit after tax of MKD 88,2 million.

The key financial factors remained unchanged as good as they were last year.

The gross written premium of non-life business for 2014 increased by 25,4% or more than MKD 176 million with comparison to 2013. We state increase in property insurances, motor insurance and accident insurance – casualty, but decrease in gross written premium for 2014 in terms of Goods in Transit.

We record increase in incurred claims of 13.2% or in absolute figure it is MKD 32 million. The increase of claims was expected due to increased premium written for the last 2 years anyhow it is below the level of premium increase.

The operating cost in aggregate value increased by 22,9% or for total amount of MKD 68 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 45 million. We may not neglect the fact that operating costs for last year were decreased as deferred expenses positively affected the operating costs reaching the amount of MKD 28 million.

For Non-Life insurance portfolio, the Property businesses take the largest share of 43,5%, and then follow the motor vehicle insurance (MTPL) of 27,9% and the Accident insurance of 11,3% and Casco insurance of 9,9%. All other classes of business take 7,5% of the total portfolio or below 5% respectively.

The combined ratio for 2014 is 93% in comparison with 94% of the last year and 106% in 2012. The combined ratio is the key indicator that the Company is making underwriting profit.

During 2014 the Company received 467 complaints in terms of claims indemnities. All complaints with no exceptions were handled within statutory stipulated term. We record decrease in number of complaints of 19,5% in comparison with 2013 and this is rather an optimistic fact and proof for our quality claims handling processes and procedures.

Another fact worth to mention hereto refers to passive court cases for claims, litigations and lawsuits in which the Company is the party defendant. For 2014 this number decreased for 12% in comparison with the previous year and that number now reaches the figure of 91 court cases.

The foregoing statements clearly prove that we have established system solutions to ensure complete support and provide proper management of claim handling processes including claims notification, assessment, settlement and prompt payments of determined indemnities for claim arising from incurred losses and proper complaint handling processes.

As it is well known the current life insurance policies are serviced by Osiguruvanje Makedonija as a member country of VIG Group on run-off basis until the expiry date of life insurance agreements or upon prior requests from clients for prepayments of premium for the reason that we ceased underwriting this class of business in 2004. Considering the fact that another member company of VIG Group operates in Macedonia and sell life insurance policies, this is Joint Stock Company Winner Life – Vienna Insurance Group, both supervisory boards of the companies agreed upon transfer of the life insurance portfolio. This portfolio now includes more or less about 100 policies in 2014. The letter requesting consent for transfer according to the Law on the Supervision of Insurance was submitted to the Insurance Supervision Agency in November 2014 and the consent was issued in January 2015. With this consent, all our liabilities against life insurance policies ceased as of December 31, 2014 inclusive and now the policyholders may demand their rights under the current life insurance policies issued by our Company in 2004 inclusive from Winner Life.

Net investment income from rental property is by 13,8% or for MKD 4 million higher if compared to 2013.

For 2013 we managed to obtain capital gains by disposals of property at the amount of MKD 15 million. During 2014 we continued to carry out the process to privatise the land on which we already exercise the right to property usage.

Net investment income earned from government bonds and bank deposits increased by 8,3% although the interest rates decreased by 0,5% point index or for almost 12,5% during the year, but although we made large investments we still managed to increase the movement of this income compared to 2014.

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 3,5 to 4% 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 5 to 6%. 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 98-99%.

Following the 2015 Business Plan we forecast 3% increase in gross written premium in comparison to obtained result for 2014. 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 fall continuously during 2015.

In 2014 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 2014 reduces by 3 persons in comparison with 2013 and now the Company employs 191 people. By the end of 2015 we estimate further reduction in staff for the final number to be 180. In the last quarter of 2014 we initiated a process of termination of employment agreements for 6 employees due to economic reasons and we expect this process to finish in the first quarter of 2015.

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 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 2015 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

Beside Government's legislative hyper-activity and their regular amending and modifying the current statutory regulations and the majority shareholder's delegated guidelines, however, we may conclude that we made the best possible endeavours to ensure adequate corporate governance and therefore account for proper compliance and risk control and management.

From the perspective of corporate governance and compliance management, during 2014 the Management Board faced many challenges and we were especially challenged by the requesting procedure and consent giving procedure with the Insurance Supervision Agency on the transfer of life insurance portfolio. Hereto I would like to point out that during 2014 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 2014 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 Law on Trade Companies and the Law on Supervision for Insurance. The decision 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.

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.

Having in mind out 70 years of long history in insurance industry, as an Insurer we oblige in 2015 to meet our liabilities and satisfy the expectations of all interested parties, and benchmark the corporate governance and compliance processes, and be the leader in creating and carrying out information and communication technology systems for the purpose of providing additional value.

I sincerely thank all my colleagues for their unreserved support during 2014.

Faithfully Yours,

Mr. Risto Sekulovski

Member of the Management Board
Corporate Governance and Information Technology

Sales – Distribution Channels

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 sell only 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 minor growth in terms of written premium was achieved by the sales agents by 0.1% whereas the non-agent sales force recorded increase by 5%.

Sales Agents – Western and Eastern Region

The achievement of the sale targets, premium collection, increase in number of insurance representatives and strengthening the sales network were the main objectives in 2014.

Considering the direct sales and activities of insurance agents and representative agencies the sales results show 77% for the premium written for 2014.

For 2014 The East Region achieved significant increase in total written premium compared with the result of MKD 238 million reported for 2013, or the achievement in terms of written premium for 2014 amount to MKD 418 million which is an increase of 75%.

Along the successful results achieved in terms of property insurance where the largest increase of sale was reported, we were particularly focused to increase the number of policies written for MTPL and Green Card where we reported an increase of over 11%.
Given in figures, we reported written premium of MKD 85 million under 14.314 policies for 2013 and we reported written premium of MKD 94.5 million under 16.953 policies for 2014. This figure includes the total number of MTPL and GC policies out of the compulsory insurances.

In the financial 2014 the West Sales Region focused on achieving the estimated operating results following the Business Plan and making our clients more aware of our operational strategy.

The West Region completed the 2014 obtaining gross written premium of MKD 240,232 million which is the achievement of 95% of the business plan for 2014.

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

- bad economic and financial conditions restricted the insurance market;
- general trend of restrictive policy applied by banks and leasing companies in terms of loans;
- decreased purchasing power of our clients;
- unfear competition and struggle for larger market share resulted in drastic fall of the process for insurance products.

It is the compulsory motor insurance which still keeps the leading position among other classes of business in the portfolio structure and takes over 32%.

The main strategic objective of the sales agents includes:

- Achievement of set targets
- Increase the number of clients

- Sales network improvement and development
- Premium collection
- Active presence on the market and satisfaction of clients' needs.

During 2014 we focused again on building strong sales network and active sales structure, so we entered into agreements with number of licensed insurance agents. Intensive training courses and workshops were organised where agents acquired necessary sales skills and knowledge about insurance products. This trend of developing and improving our sales network will continue in 2015.

The premium collection sustained the same level of performance as the last year.

Despite the continuous increase in competition among insurers we are proud to say that in 2014 we managed to retain all our major and important clients and sign insurance contracts with new clients.

Out priority for the next year:

- Achievement of the business plan – 7% exceed
- Insurance portfolio growth
- Sales network improvement and development.

Both West and East Sales Region will maintain their efforts to make their position stable in the market and even increase their market share. They will achieve that by:

- Providing quality service delivery to clients;
- Developing and investing in qualified sales force and infrastructure;
- Improvement and development of new channels of distribution and marketing.

The total sale of insurance policies through Non-Agent distribution channels in 2013 has increased by 5% compared to 2012 and amounts to MKD 155 million.

Non-Agent Sales

For 2014 Non-Agent Sales covered 18% 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 2014. 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.

The sales of insurance policies through distribution channels during the first half of the year showed the same results reported in 2013. The sales of policies intensified in the second half of the year which resulted in the increased sales of insurance policies through brokerage companies. The 2014 total insurance premium written by Brokers was Euro 2,230,000 (or MKD 137,000,000) out of which Euro 701,000 (or MKD 43,000,000) refers to MTPL and Green Card policies. The sales of MTPL policies show almost the same result as the one reported for 2013.

Beside MTPL and Green Card policies in terms of other lines of business we reported increase of about 2% or the amount of Euro 45,000 (or MKD 2,500,000) compared to 2013. By the end of the year we entered into business agreements with 2 new brokerage companies and we expect our cooperation to intensify and grow in 2015 whereby the number of brokerage companies has increased to 24.

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.

Loan lines for buying homes and motor vehicles showed fall mostly due to economic crisis and because of increasing number of insurers which offered their products through banks. Moreover, 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. Therefore the Household and Casco businesses placed by this distribution channel showed a significant fall of 15%. Banks managed to write insurance premium of Euro 229,000 (or MKD 14,000,000).

The established cooperation between Travel Insurance Promoter and travel agencies continued to function in 2014, 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 two brokerage companies. With some of these agencies the cooperation was so intensified that it reached the level of exclusivity. Therefore, for 2014 the sale of travel insurance policies increased by 15% compared to 2013 and amounted to Euro 76,000 (or MKD 4,700,000).

Underwriting & Claims

Member of the Management Board – Underwriting and Claims

Even for 2014 we continued our policy on control system practise in underwriting insurance and this policy has almost always resulted in the positive technical results and profitable operation for many years so far in the market conditions which are far from being ideal.

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.

Having all this in mind, and for the purpose of keeping our direction towards offering innovative solutions and being a leader in developing new products, we designed and put in place several web applications for different products: border insurance, CMR insurance and personal accident insurance for passengers in public transport. We plan to introduce new web applications for other classes of business, as household insurance, casco insurance and personal accident whereby our sales force will be provided with more sophisticated and easily accessed package of products. For the purpose of amending, modifying and updating the current products, we focused on amendments and modifications to the present terms and conditions for liability insurance and goods in transit and tailed them to the market needs.

During 2014 we continued our tradition to provide insurance coverage against large risks which we successfully managed being devotedly focused on our loyal clients and also on those clients which decided to deliver their trust in our hands. Within large industry capacities, the largest public enterprise in the electric power industry of Macedonia, the banks and one of the largest chains of supermarkets were protected against risks with quality insurance coverage which suited their size and importance for the economy of the country.

Being led by our need to provide reinsurance cover which mostly satisfies our insurance portfolio structure and excess risk coverage we created 2014 Reinsurance Program including excess of loss reinsurance treaties – 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. Another excess of loss reinsurance treaties which cover the risks of goods in transit and third party liability were also concluded. The Quota Share Reinsurance

Treaties that cover the risks of MTPL, accident and travel insurance were initiated by our plants to increase our market share in regard to these classes of business and protect the achievements.

As we always do and so the last year we continued to apply the same claim handling philosophy. Our perfect service delivery in terms of all classes of business, our innovative approach and transparent claim handling processes gave solutions tailored to the needs and desires of our clients. Our team has excellent technical capacity and business knowledge for all insurance products and good range of professional skills in the field of law, medicine, engineering and mechanical engineering. Therefore we are still market leader for 2014 considering the prompt and efficient claim handling, with no complaints from our clients or from the regulatory body. Claims management remains our priority and our best quality.

Underwriting

During 2014 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 2014, in terms of accident insurance (Class 1) we managed to retain our position of market leader and keep good technical result. Moreover, we showed a significant increase in the property premium (Class 8 and Class 9) achieved by entering into insurance agreement with one of the largest legal entities in the country, and by carefully and successfully managing the outcomes within property portfolio which led to sustained good technical result beside several large claims arising from losses or damages due to fire and machinery breakdown. The analysis of the reported results achieved in motor vehicle insurance (Class 3 and Class 10) show positive gross technical result compared with 2013 which is a significant achievement as these two classes of business reach their largest market share and are subject to the strongest competition.

As wider underwriting authorities were delegated to the sales force in 2014, the underwriters could devote more of their time to create and develop new products and optimise the current products, 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 2014 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

How important the insurance is the clients become aware of whenever any loss or damage occur. In order to alleviate the consequences from the unexpected accident causing loss or damage that give rise to a claim we try to help our clients and minimise the effects of the claim through efficient and fair claim service delivery and prompt payment of indemnity for reasonable claim.

The Extrajudicial Claims Department has full capacity and competence to meet the needs of clients and brokers and achieved the following results for 2014: more than 6,000 new claims to handle, over MKD 300,000,000 of indemnity payment; and 8 locations where claim adjusters operate on which ensures that the whole territory of the country is covered and professional local expertise is provided.

Number of reported claims

PA	Casco	Property	MTPL	Other
1171	505	2009	1420	812

The comparison of reported claims in the preceding year to 2014 shows increase in the number of reported claims by 13% and most of the reported claims refer to Property Insurance of 30% and Personal Accident of 18% and decrease in the number of reported claims which refer to Casco Insurance of 47%.

Number of settled claims

PA	Casco	Property	MTPL	Other
1238	563	2066	1615	927

The same trend reflects increase in the number of settled claims and we record increase of 10% compared to 2013.

Number of paid claims

PA	Casco	Property	MTPL	Other
1402	874	1735	1554	579

The number of paid claims this year is also higher than the last year's by 13%. In 2014 the largest amount we paid for claim exceeded MKD 10 million and arouse from damage against industry risk (material defect).

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 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 2014, the Department has 284 still open court cases in terms of legal actions brought against the Company. During 2014, the total number of 154 litigations including claims related disputes brought against the Company by classes of business refers to the following:

- 136 disputes refer to motor claims (105 MTPL – Company's liability of which 32 arise from uninsured vehicles and 31 arise from foreign vehicles under Green Card policy);
- 8 refer to property claims;
- 10 refer to personal accident claims.

During 2014 there were no employment related lawsuits brought against the Company. The Department still run 3 cases initiated in the previous years still pending the court decision.

During 2014 there were no lawsuits involving breach of contacts against the Company. The Department still run 1 case initiated in the previous years.

For 2014 the Department for disputed claims and recoveries stated their work with 873 pending cases in regard to uncollected recourse receivables. The Department brought 188 lawsuits against recourse debtors.

Human resources

The implementation of VIG People management policies meant introduction of many novelties for the employees of our Company.

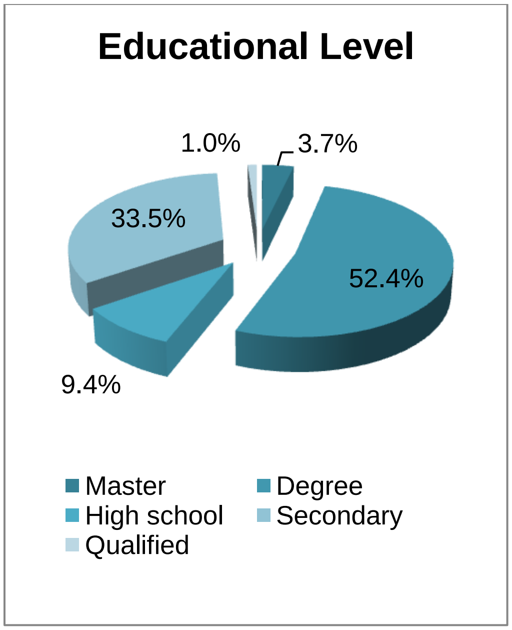
In Vienna Insurance Group a Job Rotation Programme is established among all Group members. The aim of this Programme is to provide Group employees the opportunity to develop their knowledge and skills. In 2014 for the first time our Company had the opportunity to apply for the Job Rotation Programme 2014 organised by VIG Holding. It was a great satisfaction for all in Finance Department, when our application for Job Rotation Programme - Finance & Accounting was accepted. This way, the employee working on preparation of the quarterly financial reports, was provided with a six months training at the Department of Finance & Accounting at VIG Holding.

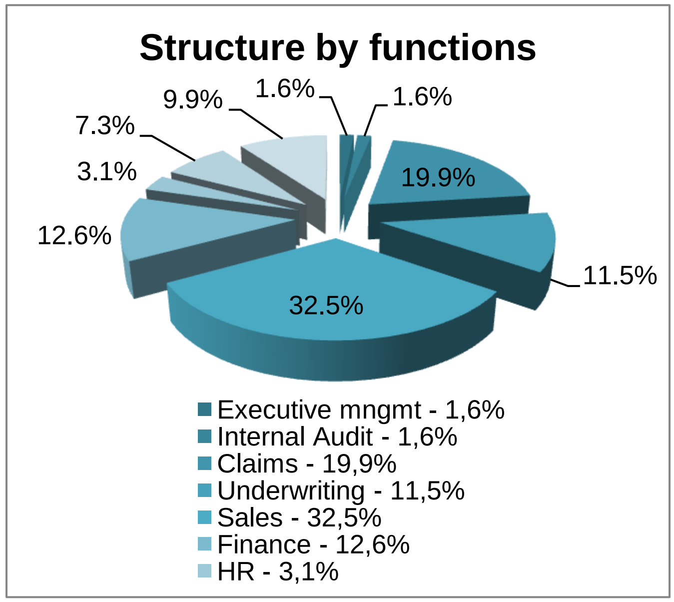
A great joy to our employees brought the opportunity for their children to attend the VIG Summer KidsCamp 2014 in Vienna. The 10 young artists, who sent the most beautiful drawings on subject “My Country”, were chosen to participate in the City Kids Camp in Vienna.

From the Company point of view, an important activity was the closure of the Brainstorming sessions for employees, where they were supposed to prepare draft-projects for Company improvement and enhancement. All employees took part in the workshops, where they presented their ideas and suggestions and prepared the draft-projects. The projects presented to the members of Company Management Board and Management team, abounded with great ideas for improvement of products, client services, Company advertising and presenting possibilities, etc. The members of the three groups which projects were the top three, won trips to foreign countries, and the suggestions from their project are progressively coming to live. For the Company management it was a pleasure to see the enthusiasm and engagement of all employees during the Brainstorming sessions, as well as the satisfaction they’ve been given such an opportunity.

In 2014 there was no significant employee turnover in the Company. The number of employees was reduced only due to incidental cancelation of working agreements by some employees. Therefore at December 31st, 2014 the total number of employees was 191, out of which 62 in Sales function and 129 engaged in other Company functions.

The employee structure according educational level and distribution per departments is as follows:





Financial Results

For 2014 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 01.01.2014 to 31.12.2014 the total gross written premium increased by 25% in comparison with 2013. This increase resulted from the abounding sale of property insurance policies.

In the reporting year the Non-Life insurance demonstrates positive financial result reaching the amount of MKD 98,276,605 which is an increase of 5%. For the same period in 2013 the Company reported the amount of MKD 93,227,778.

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.

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 617,094,951 which is the same result reported for 2013. The total written premium for non-life insurance is MKD

867,761,797 which is by 25% more than the result reported in 2013. It was corrected by the amount of unearned premium for 2013 reported as the income item and the amount of unearned premium for 2014 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 878,736,260. Total income achieved by the Company in 2014 shows an increase of 15% in comparison with 2013.

The amount of settled claims for non-life insurance, and the reserved reported but unsettled claims and the reserved incurred but not reported claims value MKD 271,011,264 which is the largest expense. Claims and underwriting expenses of MKD 364,436,208 and the investment expenses of 46,428,335 and other operating costs compose the total expenses at the amount of MKD 780,459,656. The determined income and expenses as stated above show that the Company report positive financial result of MKD 98,276,605.

2014 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 10,397,676. The calculated income tax reduces the determined profit to the amount of MKD 87,878,929.

The declining trend in income earned in relation to Life written premium due to run-off continues in 2014, as the current life policies have only been serviced under insurance contracts concluded in the preceding years. For 2014 the Life written premium demonstrates a decrease of 55% compared to 2013. The total amount of written premium of MKD 2,119,153 together with the investment income and other income total the income of MKD 4,107,126.

In the reporting year the gross paid claims and the changes in the mathematical reserve amount to MKD 5,113,120 and together with the underwriting expenses represent the total operating costs.

Given the compensation of total liabilities at the amount of MKD 3,726,979 with total assets for 2014 in regards to Life insurance the Company has revealed profit to the amount of MKD 380,147.

The Insurance Supervision Agency has issued consent to the Company to transfer the life insurance portfolio to Joint Stock Company WINNER LIFE – Vienna Insurance Group. 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

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 6 findings, 4 of which were ranged as low risk and only 2 findings were ranged as average risk.

The opinion of the Internal Audit was “Excellent” for reviewed functions of the Company and only one case was “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 2014 the operation of the Company was subject to on-site supervision conducted by the Insurance Supervision Agency. The agreed activities for implementation of recommendations issued by the Insurance Supervision Agency which fell due in 2014 were also subject to supervision. The Internal Audit concluded that they were completed in full and within set terms.

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 staff have developed 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 99,81% for 2014;

- 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 20% compared to 2013 or 89% of the targeted IT cost savings were achieved for 2014.

Some of the more important IT projects in 2014 are:

- Migration of Active Directory;
- Encryption of laptops;
- Implementation of two factor authentication;
- Creation and implementation of several web applications for products (border insurance, CMR insurance, PA of passengers in public transport and etc.);
- Application for the archive function;
- Newly developed application covering activities of the legal department;
- Upgrading fixed assets application due to compliance with VIG policy;
- Creation of web applications for different products.

Classes of Business

In compliance with the Article 5 of the Insurance Supervision Law the Company has been licensed to underwrite the following businesses for 2014:

1. Accident Insurance
2. Motor Vehicle Insurance (Casco)
3. Insurance of Railway Vehicles (Casco)
4. Aircraft Insurance (Casco)
5. Vessel Insurance (Casco)
6. Goods in Transit Insurance (Cargo)
7. Property Insurance Against Risk of Fire and Natural Catastrophes
8. Other Property Insurance
9. Motor Third Party Liability Insurance
10. Aircraft Liability Insurance
11. Vessel Liability Insurance
12. General Liability
13. Credit Insurance
14. Warranty Insurance
15. Financial Loss Insurance
16. Legal protection Insurance
17. Travel Assistance Insurance

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

Financial statements

For the year ended 31 December 2014

With the Report of the Auditors thereon

Content

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

	Note	Amount in MKD thousands	
		2014	**2013**
A. OPERATING INCOME		**878.736**	**760.767**
I. NET INSURANCE PREMIUM REVENUE	**6**	**617.095**	**620.598**
1. Gross written premium from insurance		867.762	691.738
2. Gross written premium from co-insurance		-	-
3. Gross written premium for reinsurance / retrocession		-	3.421
4. Gross written premium delivered in co-insurance		-	-
5. Written premium ceded to reinsurers		(252.519)	(66.265)
6. Change in the gross provision from unearned premium		1.734	8.289
7. Change in the gross provision from unearned premium – co-insurance share		-	-
8. Change in gross reserve for unearned premium – reinsurance share		118	(7)
II. Investment income		**87.840**	**82.222**
1. Income from subsidiaries, associates and jointly controlled entities		**-**	**-**
2. Income from investments in land and buildings		**52.006**	**33.831**
2.1 Rent income		36.736	32.295
2.2 Income from increasing of the land and buildings value			
2.3 Income from sale of land and buildings		15.270	1.536
3. Interest income		**29.944**	**27.662**
4. Positive foreign exchange differences		**5.380**	**19.269**
5. Impairment (unrealised gains, measurement of fair value)			
6. Realised gains from sale of financial assets – capital gain		**412**	**462**
6.1 Financial assets available for sale		412	462
6.2 Financial assets held for trading (with fair value)			
6.3 Other financial asset			
7. Other investment income		**98**	**998**
III. REINSURANCE COMMISSION RECOVERIES INCOME		**94.110**	
IV. OTHER INSURANCE TECHNICAL INCOME, NET OF REINSURANCE	**7**	**63.894**	**43.371**
V. OTHER INCOME	**8**	**15.797**	**14.576**

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

	Note	Amount in MKD thousands 2014	2013
B. OPERATING EXPENSES		**780.460**	**667.538**
I. NET INSURANCE CLAIMS AND BENEFITS INCURRED	**9**	**271.011**	**239.455**
1. Gross claims paid		308.641	273.097
2. Decrease for the income from gross realized receivables from recourse		(5.447)	(8.951)
3. Gross claims paid – co-insurance share			
4. Gross claims paid – reinsurance share		(53.101)	(1.617)
5. Change in gross reserves for claims		121.437	(22.444)
6. Change in gross reserves for claims - part for co-insurance			
7. Change in gross reserves for claims – part for reinsurance		(100.519)	(630)
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		**20.153**	**18.327**
1. Expenses for bonus (depending from the profit)		2.612	2.113
2. Expenses for discounts (not depending from profit)		17.542	16.214
V. NET EXPENSES FOR INSURANCE EXPENSES	**10**	**364.436**	**296.536**
1. Acquisition costs		**156.917**	**113.711**
1.1 Commission		96.204	69.852
1.2 Gross salary for sale network		59.186	60.994
1.3 Other acquisition costs		8.091	11.530
1.4 Movement in DAC		(6.564)	(28.665)
2. Administrative expenses		**207.519**	**182.825**
2.1 Depreciation of tangible assets used for operating purposes		17.818	12.966
2.2 Staff costs		105.274	90.487
2.2.1 Salaries and contributions		66.819	59.834
2.2.2 Salary taxes		6.401	5.654
2.2.3 Contributions for obligatory social insurance		24.289	22.570
2.2.4 Expences for pension insurance		-	-
2.2.5 Other expences for employees		7.765	2.428
2.3 Expenses for services from individuals		6.437	-
2.4 Other administrative expenses		77.990	79.372
2.4.1 Other administrative expences		40.165	38.296
2.4.2 Material expences		24.909	26.140
2.4.3 Provisioning expences and other expences		12.916	14.936

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

	Note	Amount in MKD thousands	
		2014	2013
VI. INVESTMENT COSTS		**46.428**	**51.212**
1. Depreciation and impairment for tangible assets not used for operating purposes		**22.877**	**24.221**
2. Interest expenses		**-**	**-**
3. Negative foreign exchange differences		**20.110**	**14.511**
4. Value adjustment (non-realised loss, measurement with fair value)			**3.372**
5. Realized loss from sale of financial assets – capital loss		**2.636**	**691**
5.1 Financial assets available for sale		2.636	691
5.2 Financial assets held for trading (fair value)		-	-
5.3 Other financial assets		-	-
6. Other investment costs		**805**	**8.417**
VII. OTHER INSURANCE TECHNICAL EXPENSES, NET OF REINSURANCE	**11**	**27.701**	**25.747**
1. Costs of prevention		-	-
2. Other insurance technical expenses, net of reinsurance		27.701	25.747
VIII. IMPAIRMENT OF INSURANCE PREMIUM RECEIVABLES		**32.421**	**7.084**
IX. OTHER EXPENSES INCLUDING OTHER IMPAIRMENT	**12**	**18.309**	**29.177**
X. PROFIT BEFORE TAX		**98.277**	**93.228**
XI. LOSS BEFORE TAX			
XII. INCOME TAX	**13**	**10.605**	**2.443**
XIII. DEFERRED TAX		**-**	**-**
XIV. PROFIT FOR THE YEAR		**87.672**	**90.785**
XV. LOSS FOR THE YEAR			

Statement of comprehensive income (Income Statement) - Life insurance

	Note	Amounts are in MKD thousands	
		2014	**2013**
A. OPERATING INCOME		**4.107**	**7.744**
I. NET INSURANCE PREMIUM REVENUE		**2.119**	**4.819**
1. Gross written premium from insurance		2.118	4.808
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	11
7. Change in the gross provision from unearned premium – co-insurance share		-	-
8. Change in gross reserve for unearned premium – reinsurance share		-	-
II. INVESTMENT INCOME		**1.812**	**2.925**
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	2.827
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	98
III. OTHER INSURANCE TECHNICAL INCOME, NET OF REINSURANCE		**175**	**-**
IV. OTHER INCOME		**-**	**-**

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

	Note	Amount in MKD thousand 2014	Amount in MKD thousand 2013
B. OPERATING EXPENSES		**3.727**	**10.785**
I. NET INSURANCE CLAIMS AND BENEFITS INCURRED		**21.281**	**29.589**
1. Gross claims paid		22.096	28.986
2. Decrease for the income from gross realized receivables from recourse		-	-
3. Gross claims paid – co-insurance share		-	-
4. Gross claims paid – reinsurance share		-	-
5. Change in gross reserves for claims		(814)	603
6. Change in gross reserves for claims - part for co-insurance		-	-
7. Change in gross reserves for claims – part for reinsurance		-	-
II. CHANGES INN OTHER TECHNICAL RESERVES, NET OF REINSURANCE		**(18.210)**	**(24.475)**
1. Changes in the mathematical reserve, net of reinsurance		**(18.210)**	**(24.475)**
1.1 Change in gross mathematical reserve		(18.210)	(24.475)
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		**-**	**-**
1. Expenses for bonus (depending from the profit)		-	-
2. Expenses for discounts (not depending from profit)		-	-
V. NET EXPENSES FOR INSURANCE EXPENSES	**27**	**475**	**1.049**
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**	**1.049**-
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	1.049
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	
		2014	2013
VI. INVESTMENT COSTS		**142**	**56**
1. Depreciation and impairment for tangible assets not used for operating purposes		**-**	**-**
2. Interest expenses		**-**	**-**
3. Negative foreign exchange differences		**141**	**56**
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**	**4.566**
X. PROFIT BEFORE TAX		**380**	**-**
XI. LOSS BEFORE TAX		**-**	**3.041**
XII. INCOME TAX		**38**	**456**
XIII. DEFERRED TAX		**-**	**-**
XIV. PROFIT FOR THE YEAR		**342**	**-**
XV. LOSS FOR THE YEAR		**-**	**3.497**

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

	Note	Amount in MKD thousands	
		2014	**2013**
ASSETS			
A. INTANGIBLE ASSETS	**14**	**2.031**	**2.537**
1. Goodwill		-	-
2. Other immaterial assets		2.031	2.537
B. INVESTMENTS		**1.761.835**	**1.675.582**
I. LAND, BUILDINGS AND OTHER TANGIBLE ASSETS		**831.724**	**884.820**
1. Land and buildings for operating activities		**244.539**	**256.428**
1.1 Land		6.207	6.348
1.2 Buildings	16	238.332	250.080
2. Land and buildings not for operating activities	**15**	**587.185**	**628.392**
2.1 Land		-	-
2.2 Buildings		587.185	628.392
2.3 Other tangible assets		-	-
II. FINANCIAL INVESTMENTS IN GROUP ENTITIES, SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES		**12.264**	**12.147**
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		12.264	12.147
III. OTHER FINANCIAL INVESTMENTS	**17**	**917.848**	**778.615**
1. Financial assets held to maturity		**35.700**	**176.826**
1.1 Debt securities with maturity less than one year		35.700	176.826
1.2 Debt securities with maturity more than one year		-	-
2. Financial assets available for sale		**171.947**	**33.589**
2.1 Debt securities with maturity less than one year		-	-
2.2 Debt securities with maturity more than one year		150.046	14.986
2.3 Stocks, shares and other equities		21.901	18.603
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		**710.200**	**568.200**
4.1 Deposits		710.200	568.200
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	
		2014	**2013**
IV. DEPOSITS IN ASSIGNORS OF REINSURANCE ENTITIES, BASED ON REINSURANCE CONTRACTS		**-**	**-**
C. CO-INSURANCE AND REINSURANCE SHARE IN GROSS TECHNICAL RESERVES		**110.013**	**10.258**
1. Co-insurance and reinsurance share in the gross reserve of unearned premium		8.585	9.349
2. Co-insurance and reinsurance share in the gross mathematical reserve		-	-
3. Co-insurance and reinsurance share in gross claims reserves		101.428	909
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 is carried by the insured		-	-
D. FINANCIAL INVESTMENT IN WHICH INSURED ASSUMES THE INVESTMENT RISK (INSURANCE CONTRACT)		**-**	**-**
E. DEFERRED AND CURRENT TAX ASSETS		**-**	**9.793**
1. Deferred tax assets		-	-
2. Current tax assets		-	9.793
F. RECEIVABLES		**310.591**	**261.657**
I. RECEIVABLES FROM IMMEDIATE WORK OF INSURANCE	**18**	**266.150**	**195.822**
1. Insurance receivables		264.650	195.822
2. Receivables from brokers			
3. Other receivables from insurance		1.500	-
II. REINSURANCE AND CO-INSURANCE RECEIVABLES		**-**	**3.031**
1. Premium receivables from co-insurance and reinsurance		-	2.281
2. Receivables from claims paid for co-insurance and reinsurance		-	750
3. Other receivables for co-insurance and reinsurance			
III. OTHER RECEIVABLES		**44.441**	**62.804**
1. Other receivables from direct insurance operations	19	22.228	48.114
2. Receivables from financial investments	20	20.526	13.514
3. Other receivables	21	1.687	1.176
IV. RECEIVABLES FROM CALLED NOT PAID CAPITAL		**-**	**-**
G. OTHER ASSETS		**108.836**	**87.515**
I. TANGIBLE ASSETS FOR OPERATIONS		**21.216**	**17.627**
1. Equipment	16	19.551	16.029
2. Other tangible assets	16	1.665	1.598
II. CASH AND CASH EQUIVALENTS	**22**	**86.832**	**69.485**
1. Cash at banks		86.815	69.462
2. Cash on hand		17	23
3. Cash to cover mathematical reserve		-	-
4. Other cash and cash equivalents		-	-
III. INVENTORY AND CONSUMABLE STORES		**787**	**403**

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

	Note	Amount in MKD thousand 2014	2013
H. ACCRUALS AND PREPAID EXPENSES		**71.447**	**61.380**
1. Accrued interest income and rent income		-	-
2. Deferred acquisition costs		35.229	28.665
3. Other prepaid income and deferred expenses		36.218	32.715
3. NON CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUING OPERATIONS		**-**	**-**
I. TOTAL ASSETS		**2.364.753**	**2.108.722**
J. OFF BALANCE SHEET ITEMS - ASSETS		**23.624**	**22.675**
		-	**-**
LIABILITIES AND EQUITY		-	-
		-	-
A. EQUITY AND RESERVES	**26**	**1.280.718**	**1.224.027**
I. SHARED CAPITAL		**860.796**	**860.796**
1. Shared capital from ordinary shares		860.796	860.796
2. Shared capital from preference shares			
3. Called but not paid capital		-	-
II. PREMIUM FOR ISSUED SHARES		**-**	**-**
III. REVALORISATION RESERVE		**258.356**	**272.446**
1. Tangible assets		262.549	279.936
2. Financial investments		(4.193)	(7.490)
3. Other revalorisation reserves		-	-
IV. RESERVES		**73.894**	**-**
1. Legal reserves		30.262	-
2. Statutory reserves		-	-
3. Reserves for equity shares		-	-
4. Repurchased equity shares		-	-
5. Other reserves		43.632	-
V. UNDISTRIBUTED NET PROFIT			
VI. ACCUMULATED LOSS			
VII. PROFIT FROM THE YEAR		**87.672**	**90.785**
VIII. LOSS FROM THE YEAR			
B. SUBORDINATED LIABILITIES		**-**	**-**
C. GROSS TECHNICAL RESERVES	**23**	**657.876**	**538.173**
I. Gross reserves for unearned premium		295.558	297.292
II. Gross mathematical reserve			
III. Gross claims reserve		346.819	236.284
IV. Gross reserve for bonus and discounts		15.500	4.597
V. Gross equalization reserve		-	-
VI. Gross other technical reserves		-	-
D. GROSS TECHNICAL RESERVES FOR CONTRACTS IN WHICH THE INSURED BORNE THE INVESTMENT RISK		**-**	**-**
E. OTHER RESERVES		**3.297**	**-**
1. Employment benefits		3.297	-
2. Other reserves			-
F. DEFERRED AND CURRENT TAX LIABILITIES		**3.749**	**1.845**
1. Deferred tax liabilities		-	-
2. Current tax liabilities		3.749	1.845
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 2014	2013
H. LIABILITIES		**288.016**	**248.743**
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS		**700**	**1.088**
1. Claims payable		700	1.088
2. Liabilities to agents and dealers		-	-
3. Other liabilities from direct insurance operations		-	-
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE		**29.672**	**14.496**
1. Reinsurance premium payable		28.844	14.496
2. Liabilities for participation in claims paid		-	-
3. other liabilities from co-insurance and reinsurance		828	-
III. OTHER LIABILITIES	**24**	**257.643**	**233.159**
1. Other liabilities from direct insurance operations		226.126	209.209
2. Liabilities from financial investments		850	2
3. Other liabilities		30.666	23.948
3. ACCRUALS AND PREPAID REVENUES	**25**	**131.098**	**95.933**
S. NON CURRENT LIABILITIES FOR NON CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUING OPERATIONS		**-**	**-**
K. TOTAL LIABILITIES AND EQUITY		**2.364.753**	**2.108.722**
L. OFF BALANCE SHEET ITEMS – LIABILITIES AND EQUITY	**29**	**23.624**	**22.675**

Statement of financial position (Balance sheet) – Life insurance

	Note	Amount in MKD thousand 2014	2013
ASSETS			
A. INTANGIBLE ASSETS		**-**	**-**
1. Goodwill		-	-
2. Other immaterial assets		-	-
B. INVESTMENTS		**44.934**	**64.944**
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**	**64.944**
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**	**19.944**
2.1 Debt securities with maturity less than one year		-	-
2.2 Debt securities with maturity more than one year		19.934	19.944
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**	**45.000**
4.1 Deposits		25.000	45.000
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	
		2014	2013
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 is carried by the insured		-	-
D. FINANCIAL INVESTMENT IN WHICH INSURED ASSUMES THE INVESTMENT RISK (INSURANCE CONTRACT)		**-**	**-**
E. DEFERRED AND CURRENT TAX ASSETS		**6.134**	**5.584**
1. Deferred tax assets			
2. Current tax assets		6.134	5.584
F. RECEIVABLES		**790**	**1.520**
I. RECEIVABLES FROM IMMEDIATE WORK OF 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**	**1.520**
1. Other receivables from direct insurance operations			
2. Receivables from financial investments		760	1.520
3. Other receivables		30	-
IV. RECEIVABLES FROM CALLED NOT PAID CAPITAL		**-**	**-**
G. OTHER ASSETS		**27**	**384**
I. TANGIBLE ASSETS FOR OPERATIONS		**-**	**-**
1. Equipment		-	-
2. Other tangible assets		-	-
II. CASH AND CASH EQUIVALENTS		**27**	**384**
1. Cash at banks		-	-
2. Cash on hand		-	-
3. Cash to cover mathematical reserve		27	384
4. Other cash and cash equivalents			-
III. INVENTORY AND CONSUMABLE STORES			-

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

	Note	Amount in MKD thousand	
		2014	2013
H. PREPAYMENTS AND ACCRUED INCOME		**67**	**130**
1. Accrued interest and rent		67	130
2. Deferred acquisition costs		-	-
3. Other prepayments and deferrals		-	-
I. NON-CURRENT ASSETS HELD FOR TRADING AND DISCONTINUED OPERATIONS		**-**	**-**
J. TOTAL ASSETS		**51.953**	**72.562**
K. OFF BALANCE SHEET ASSETS			**-**
			-

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

	Note	Amount in MKD thousand 2014	2013
LIABILITIES AND EQUITY			
A. LIABILITIES AND EQUITY		**24.357**	**24.015**
I. SHARED CAPITAL		**27.512**	**27.512**
1. Shared capital from ordinary shares		27.512	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		**-**	**(3.497)**
B. SUBORDINATED LIABILITIES		**-**	**-**
C. GROSS TECHNICAL RESERVES		**27.179**	**46.203**
I. Gross reserves for unearned premium		-	1
II. Gross mathematical reserve		25.691	43.901
III. Gross claims reserve		1.487	2.301
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		**-**	**-**
E. OTHER RESERVES		**-**	**-**
1. Employment benefits		-	-
2. Other reserves		-	-
F. DEFERRED AND CURRENT TAX LIABILITIES		**-**	**550**
1. Deferred tax liabilities		-	-
2. Current tax liabilities		-	550
G. LIABILITIES FROM REINSURANCE ENTITY DEPOSITS IN ASSIGNOR, BASED ON REINSURANCE CONTRACTS		**-**	**-**
H. LIABILITIES		**3**	**620**
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**	**620**
1. Other liabilities from direct insurance operations		3	620
2. Liabilities from financial investments		-	-
3. Liabilities from financial investments		-	-
I. ACCRUALS AND PREPAID REVENUES		**414**	**1.174**
J. NON CURRENT LIABILITIES FOR NON CURRENT ASSETS AVAILABLE FOR SALE AND DISCONTINUING OPERATIONS		**-**	**-**
K. TOTAL LIABILITIES AND EQUITY		**51.953**	**72.562**
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 2013		**2.145.883**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**177.567**	**(1.099.626)**	**(185.460)**	**1.038.363**
Change in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-
Prior period correction		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 January 2013 corrected		**2.145.883**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**177.567**	**(1.099.626)**	**(185.460)**	**1.038.363**
Profit or loss for 2013		-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	90.785	90.785
Profit or loss for 2013		-	-	-	-	-	-	-	-	-	-	-	-
Transfer from revalorisation reserve to accumulated gain		-	-	-	-	-	-	-	-	-	-	-	-
Transfer of legal reserves to accumulated loss		-	-	-	-	-	-	-	-	-	-	-	-
Non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Un-realized gains/losses from tangible assets		-	-	-	-	-	-	-	-	99.052	-	-	99.052
Un-realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	(4.173)	-	-	(4.173)
Realized gains/losses from Available for sale financial assets		-	-	-	-	-	-	-	-	-	-	-	-
Other non ownership changes in equity		-	-	-	-	-	-	-	-	-	-	-	-
Shareholders changes in equity		**-**	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
Increase/Decrease of share capital		(1.285.087)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	1.099.626	185.461	-
Other payment by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends		-	-	-	-	-	-	-	-	-	-	-	-
Other transfers by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2013	**26**	**860.796**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**272.446**	**-**	**90.785**	**1.224.027**

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 2014		**860.796**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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 from revalorisation reserve to accumulated gain		-	-	30.262	-	-	-	30.262	-	-	-	(30.262)	-
Transfer of legal reserves to accumulated loss		-	-	-	-	-	-	-	-	-	-	-	-
Transfer from accumulated profit to loss cover		-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	3.297	-	-	3.297
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		-	-	-	-	-	-	-	-	-	-	(30.851)	(30.851)
Dividend tax		-	-	-	-	-	-	-	-	-	-	(3.428)	(3.428)
Transfer of Unallocated gain		-	-	-	-	-	-	-	-	-	26.245	(26.245)	-
Other transfers by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2014	26	**860.796**	**-**	**30.262**	**-**	**-**	**-**	**30.262**	**-**	**258.356**	**43.632**	**87.672**	**1.280.718**

Statement of changes in equity – Life insurance

	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 2013		**115.018**	**-**	**44.396**	**-**	**-**	**-**	**-**	**-**	**-**	**(59.712)**	**(72.190)**	**27.512**
Change in accounting policies		-											
Prior period correction													
Balance as at 1 January 2013 corrected		**115.018**	**-**	**44.396**	**-**	**-**	**-**	**-**	**-**	**-**	**(59.712)**	**(72.190)**	**27.512**
Profit or loss for 2013		-	-	-	-	-	-	-	-	-	-	(3.497)	(3.497)
Transfer from profit to safety reserves		-	-	(44.396)	-	-	-	-	-	-	44.396	-	-
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		(87.506)	-	-	-	-	-	-	-	-	15.316	72.190	-
Other payment by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends		-	-	-	-	-	-	-	-	-	-	-	-
Other transfers by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2013													
Balance as at 1 January 2013	**26**	**27.512**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3.497)**	**24.015**

Statement of changes in equity – 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 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 from profit to safety reserves		-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-	-	-	-
Transfer of Unallocated gain		-	-	-	-	-	-	-	-	-	(3.497)	3.497	-
Balance as at 31 December 2014													
Balance as at 1 January 2014	**26**	**27.512**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,497)**	**342**	**24,357**

Share capital represents the nominal capital of the Company created by the issue of shares to shareholders. It may be used to cover losses after exhausting the Reserve.

The Company's Reserves represent additional capital increased by appropriation of net income. The Reserve is used to cover losses and is not distributable to shareholders except at Company liquidation.

During 2012 Company reconciled difference between nominal value of shares and its book value. Difference originates from 1998 when privatization process was processed in accordance with Law for supervision on insurance companies (Official Gazette of RM No. 49/97) and Law for transformation on State capital (Official Gazette of RM No. 38/98). 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, 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 non 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 Share holders Assembly.

Reconciliation of the capital, non-distributed profit posted as negative amount, reported loss during 2012 and carried forward losses from previous years during 2013 have required necessity of covering overall amount of loss. On Shareholders assembly which was held on 30.04.2013 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 30.04.2013 (1euro = 61.6475 denars). Application for registration of reduced amount of company's equity in the Central Registry was approved on 26.08.2013.

Cash flow statement – Non-Life insurance

	Note	Amounts in MKD thousands	
		2014	**2013**
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. CASH INFLOWS FROM OPERATING ACTIVITIES		**1.043.280**	**789.957**
1. Re-insurance and co-insurance premium and prepayments received		773.394	665.122
2. Re-insurance premium and retrocession		2.281	3.002
3. Inflows from share in paid claims		53.852	866
4. Interest received from insurance operations		27.619	24.976
5. Other inflows from operating activities		186.134	95.991
II. CASH OUTFLOWS FROM OPERATING ACTIVITIES		**845.132**	**684.774**
1. Claims paid, contractual insurance amounts, share in paid claims from co-insurance and prepayments		299.845	266.867
2. Claims paid and share in share in claims paid from reinsurance and retrocession		-	-
3. Co-insurance, reinsurance and retrocession premiums		205.170	47.341
4. Other personal expenses		155.375	167.312
5. Other insurance expenses		96.115	72.442
6. Interest paid		-	-
7. Income tax and other tax payables		17.641	28.172
8. Other outflows from operating activities		70.986	102.640
III. NET CASH INFLOWS FROM OPERATING ACTIVITIES		**198.148**	**105.183**
IV. NET CASH OUTFLOWS FROM OPERATING ACTIVITIES		**-**	**-**
B. CASH FLOWS FROM INVESTING ACTIVITIES		**-**	**-**
I. CASH INFLOWS FROM INVESTING ACTIVITIES		**103.258**	**73.467**
1. Inflows from intangible assets		2.659	3.658
2. Inflows from material assets		45.959	17.303
3. Inflows from material assets not used for main activities (Investment property)		47.182	44.884
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		6.764	5.847
7. Dividends received and other share in profit		98	998
8. Interest received		596	777

Cash flow statement – Non-Life insurance (continued)

	Note	Amounts in MKD thousands	
		2014	**2013**
II. CASH OUTFLOWS FROM INVESTING ACTIVITIES		**252.072**	**145.516**
1. Outflow from intangible assets		*3.227*	3.153
2. Outflow from material assets		109.699	107.558
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)		139.146	34.805
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		**148.814**	**72.049**
C. CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**
I. CASH INFLOWS FROM FINANCING ACTIVITIES		**1.606**	**2.729**
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		1.606	2.729
II. CASH OUTFLOWS FROM FINANCING ACTIVITIES		**33.593**	**3.107**
1. Outflows from repayment of short term and long term borrowed funds and other liabilities		-	3.107
2. Outflows from repurchase of own shares		-	-
3. Dividends paid		33.593	-
III. NET CASH INFLOWS FORM FINANCING ACTIVITIES		**-**	**-**
IV. NET CASH OUTFLOWS FROM FINANCING ACTIVITIES			**(378)**
D. TOTAL CASH INFLOWS		**1.148.144**	**866.153**
E. TOTAL CASH OUTFLOWS		**1.130.797**	**833.397**
F. NET CASH INFLOWS		**17.347**	**32.756**
G. NET CASH OUTFLOWS			
H. CASH AND CASH EQUIVALENTS AT 1 JANUARY		**69.485**	**36.729**
I. EFFECT ON CASH AND CASH EQUIVALENTS FROM CHANGES IN FOREIGN EXCHANGE RATES		**-**	**-**
J. CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**22**	**86.832**	**69.485**

Cash flow statement – Life Insurance

	Note	Amounts in MKD thousands	
		2014	**2013**
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. CASH INFLOWS FROM OPERATING ACTIVITIES		**3,028**	**7.492**
1. Re-insurance and co-insurance premium and prepayments received		2,119	4.809
2. Re-insurance premium and retrocession		-	-
3. Inflows from share in paid claims		-	-
4. Interest received from insurance operations		909	2.585
5. Other inflows from operating activities		-	98
II. CASH OUTFLOWS FROM OPERATING ACTIVITIES		**23,451**	**41.643**
1. Claims paid, contractual insurance amounts, share in paid claims from co-insurance and prepayments		22,095	28.985
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	103
6. Interest paid		-	-
7. Income tax and other tax payables		1,138	12.555
8. Other outflows from operating activities		77	-
III. NET CASH INFLOWS FROM OPERATING ACTIVITIES		**-**	**-**
IV. NET CASH OUTFLOWS FROM OPERATING ACTIVITIES		**20.423**	**34.151**
B. CASH FLOWS FROM INVESTING ACTIVITIES		**-**	**-**
I. CASH INFLOWS FROM INVESTING ACTIVITIES		**20.066**	**33.000**
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	33.000
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 2014	2013
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**	**33.000**
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**	**40.492**
E. TOTAL CASH OUTFLOWS		**23.451**	**41.643**
F. NET CASH INFLOWS		**-**	**-**
G. NET CASH OUTFLOWS		**357**	**1.151**
H. CASH AND CASH EQUIVALENTS AT 1 JANUARY		**384**	**1.535**
I. EFFECT ON CASH AND CASH EQUIVALENTS FROM CHANGES IN FOREIGN EXCHANGE RATES		**-**	**-**
J. CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**27**	**384**

Financial statements shown on page 3 to 25 are approved by the Menagment board on 27.02.2015 and are signed on their behalf from:

Mr. Bosko Andov

General Manger

1. General Information

Insurance MAKEDONIJA S.C. Skopje- Vienna Insurance Group (the Company) is Joint Stock Company incorporated in the Republic of Macedonia. Operating activities of the Company include: Life insurance, Personal Accident Insurance, Medical Insurance, Travel Insurance, Motor Vehicles Insurance, Household Insurance, Property Insurance, Agriculture Insurance, Insurance of goods in transit Marine and Aircraft Casco Insurance and Credit Insurance.

Pursuant to the new regulation and the Company's statute in September 2004 the Management Board of the Company made a decision by which the Company shall not write Life Insurance business any more.
The Company continues servicing the existing Life Insurance Contracts.

Qualified Shareholder participation in Insurance MAKEDONIJA sac. 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 the expiration of the period provided in the bid by the Commission for Securities (on assembly held on 29.03.2013) made a decision that the takeover bid is determined to be 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 2014 the company employed 129 administrative staff and 62 sales agents (2013: 130 administrative staff and 64 sales agents).

According to the provisions of the Companies Law, Law on Insurance Supervision and bylaws adopted by the Agency for Insurance Supervision, through amendments to the Statute of the Company, the Company made a change in the management system. Specifically one tier system of management was transformed to two-tier management system. Prior mean a lifting of the Board of Directors and the establishment of two new bodies Board and Supervisory Board.

The address of its registered office is as follows:

Blvd.11 Oktomvri b.b.
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 and the amendments and interpretations which were published in the Official Gazette.

Financial statements for year end 31 December 2014 were approved for publishing by Company's Management Board on 27.02.2015.

(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, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.
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 changes, 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 amortised cost in denars at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised 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 2014 and 2013 were as follows:

	2014 MKD	**2013 MKD**
USD	50.56	44,63
EUR	61.48	61,51
AUD	41.32	39,63
GBP	78.59	73,54

3. Significant accounting policies

Significant accounting policies used for preparation of the financial statements for the year ended 31 December 2014, 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, information is presented that identifies and explains the amounts that arise out of the contracts for insurance.

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 information is disclosed 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 cadent 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. The returns based on reinsurance 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 deemed impaired if there is objective evidence, that the Company may not recover all amounts under the contract for reinsurance.

3. Significant accounting policies (continued)

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 proportion of premiums is recognised as revenue. Premiums are earned from the date of attachment of risk, 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 outward 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 expense and it reduced 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.
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.
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. Significant accounting policies (continued)

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.

Income tax expense in 2014 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 comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using the 10% tax rate which is the tax rate enacted at the reporting date.

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.

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%.

Tax on non-deductible expenses in 2013

Basis for calculation of income tax was the amount of non-deductible expenses determined by the Income Tax Law, less any tax credits.

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.

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)

(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.

3.14.2 Mathematical reserve

Mathematical reserve is allocated in the amount of present value of the estimated future liabilities of the insurance company arising from the contracts for life insurance, less present value of the future premium to be paid based on those agreements.

Mathematical reserves are calculated by using appropriate actuarial estimates that take into account all future liabilities of the insurance company arising from individual insurance contracts, including the following:

1) Guaranteed payments to policyholders to which they are entitled to;
2) Bonuses to which the insured is entitled to, together with other insurers or individually, regardless of the type of bonus;
3) All rights that can be chosen by the insured based on the insurance contract and
4) Expenses, including fees.

3. Significant accounting policies (continued)

The reserved amount should be the best estimate of the expenditure sought to settle the present liability at the date of the balance sheet. Future events that may affect the amount required to settle the liability should be reflected in the reserved amount. Reserves are used only for amounts that are initially recognised. A liability for reserve for future receivables arising from the insurance contract cannot be recognised if it did not exist on the day of reporting.

3.14.3 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 arrears due 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)

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.

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 and mathematical reserve for contracts from life and 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 2014 and 31 December 2013 are shown in the tables below:

31 December 2014	**Profit for the period**	**Equity**	**Required level of margin of solvency**	**Coverage coefficient**	**Change in coverage coefficient**
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%)
5% increase in claims incurred	87,647	1.304.720	125.135	1043%	0%
5% 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%

31 December 2013	**Profit for the period**	**Equity**	**Required level of margin of solvency**	**Coverage ratio**	**Change in coverage ratio**
Current equity position	87.288	1.248.042	124.639	**1001%**	-
Investment yield (+200 b.p.)	88.991	1.249.745	124.639	1003%	1%
Investment yield (-200 b.p.)	85.585	1.246.339	124.639	1000%	(1%)
5% increase in claims incurred	86.613	1.247.367	124.639	1001%	(1%)
5% decrease in claims incurred	87.963	1.248.717	124.639	1002%	1%
2% increase in total expenses	81.907	1.242.661	124.639	997%	(4%)
2% decrease in total expenses	92.669	1.253.423	124.639	1006%	4%

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 Board of Directors.

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.

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

	2014		2013	
	Life	**Non-Life**	**Life**	**Non-Life**
Financial assets				
- Debt securities - held to maturity	-	35.700	-	176.826
- Debt securities -available for sale	19.934	150.046	19.944	14.986
- Equity instruments –available for sale	-	21.901	-	18.603
- Term deposits	25.000	710.200	45.000	568.200
Reinsurance assets	-	110.013	-	10.258
Insurance receivables	-	266.150	-	198.853
Other receivables	790	44.441	1520	62.804
Cash and cash equivalents	27	86.832	384	69.485
Total	**45.751**	**1.425.283**	**66.848**	**1.120.015**

The above table presents a worst case scenario of credit risk exposure to the company as at 31 December 2014 and 2013, 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, 18.09 % (2013: , 16.75%) of the total maximum exposure is derived from premium receivables from non-life insurance, 49.98% (2013: 51.67%) represents Term deposits (life and non-life insurance).

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 496.200 thousands in Macedonia on one hand and MKD 214.000 thousands are in middle banks in R.Macedonia, while term deposits from life insurance 20.000 thousands are in large banks and 5.000 thousands are in middle banks.. 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		0-30 days			31 - 60 days			61 - 120 days			121 - 270 days			271 - 365			over 365 days			Total overdue receivables			Write off	
	Undue	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		Total
Premium receivables	106.824	53.662	0	53.662	30.413	3.041	27.371	57.297	17.762	39.535	63.732	32.503	31.229	20.791	14.762	6.029	481.650	199.141	282.509	707.544	267.209	440.335	282.509	264.650
accident	28.566	5.676	0	5.676	2.878	288	2.590	3.232	1.002	2.230	3.810	1.943	1.867	2.092	1.485	607	46.696	16.711	29.985	64.384	21.429	42.955	29.985	41.536
medical	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Casco motor vehicles	4.904	4.705	0	4.705	2.249	225	2.024	4.012	1.244	2.768	5.701	2.907	2.793	1.818	1.291	527	69.635	22.745	46.890	88.120	28.412	59.708	46.890	17.722
Casco railway vehicles	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	.0	0	0	0	0	0	0
Casco aircrafts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5.939	4.872	1.067	5.939	4.872	1.067	1.067	0
Casco vessels	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	63	54	9	63	54	9	9	0
cargo	153	188	0	188	127	13	114	199	62	137	440	225	216	199	141	58	12.376	6.494	5.882	13.529	6.934	6.595	5.882	866
property fire and other ins.ev	9.802	5.545	0	5.545	3.068	307	2.761	6.066	1.880	4.185	7.674	3.913	3.760	2.868	2.036	832	198.212	60.391	137.821	223.432	68.528	154.904	137.821	26.884
properly other	29.934	25.420	0	25.420	12.865	1.287	11.579	25.782	7.992	17.790	22.345	11.396	10.949	7.339	5.211	2128	66.475	33.375	33.100	160.227	59.261	100.966	33.100	97.800
Motor TPL(total)	29.235	10.986	0	10.986	8.570	857	7.713	15.595	4.835	10.761	22.226	11.335	10.891	6.051	4.296	1755	53.796	32.940	20.855	117.224	54.264	62.960	20.855	71.340
aircrafts TPL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22.928	19.535	3.393	22.928	19.535	3.393	3.393	0
vessels TPL	0	0	0	0	0	0	0	8	2	5	1	1	0	17	12	5	12	9	2	37	25	13	2	11
General TPL	3.575	601	0	601	510	51	459	2.049	635	1.414	1.084	553	531	337	239	98	2..345	1585	760	6.926	3.064	3.863	760	6.677
loans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
guaranties	0	0	0	0	0	0	0	0	0	0	10	5	5	0	0	0	492	25	466	501	30	471	466	5
financial loss	591	106	0	106	0	0	0	0	0	0	0	0	0	0	0	0	91	10	82	197	10	187	82	697
Legal protection	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Travel insurance	65	435	0	435	146	15	131	354	110	244	442	226	217	69	49	20	2.589	394	2.195	4.036	793	3.243	2.195	1.112
Regress receivables	0	843	0	843	158	16	142	419	130	289	1.493	762	732	1.151	817	334	26.123	25.974	149	30.188	27.699	2.490	149	2.340
TOTAL	106.824	54.505	0	54.505	30.571	3.057	27.514	57.716	17.892	39.824	65.225	33.265	31.960	21.943	15.579	6.363	507.773	225.115	282.658	737.732	294.908	442.825	282.658	266.990

5. Insurance and financial risk management (continued)

Receivables from claims recoveries – reinsurance

The reinsurance is used to decrease the risk from insurance.

In 2014 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

			Fixed rate instruments					
31 December 2014	**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 rate gap analysis of financial assets and liabilities – Non-life insurance

31 December 2013			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	**176.826**	-	-	11.812	165.014	-	-	-
- Debt securities - available for sale	**33.589**				-	14.985		18.604
- Term deposits	**568.200**	-	90.000	35.000	443.200	-	-	-
Reinsurance assets	**10.258**	-	-	-	-	-	-	10.258
Insurance receivables	**198.853**	-	-	-	-	-	-	198.853
Other receivables	**62.804**	-	-	-	-	-	-	62.804
Cash and cash equivalents	**69.485**	-	-	-	-	-	-	69.485
Liabilities								
Gross technical reserves	**(538.173)**	-	-	-	-	-	-	(538.173)
Reinsurance payables	**(14.496)**	-	-	-	-	-	-	(14.496)
Insurance payables	**(1.088)**	-	-	-	-	-	-	(1.088)
Other payables	**(233.159)**	-	-	-	-	-	-	(233.159)
Net interest rate gap	**333.099**	**-**	**90.000**	**46.812**	**608.214**	**14.985**	**-**	**(426.912)**

5. Insurance and financial risk management (continued)

Interest rate gap analysis of financial assets and liabilities –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	**-**	-	-	-	-	-	-	-
- Debt securities - available for sale	**25.000**	-	-	-	20.000	5.000	-	-
- Term deposits	**19.934**				19.934	-		
Reinsurance assets	**-**	-	-	-	-	-	-	**-**
Insurance receivables	**-**	-	-	-	-	-	-	**-**
Other receivables	**790**	-	-	-	-	-	-	790
Cash and cash equivalents	**27**	-	-	-	-	-	-	27
Liabilities								
Gross technical reserves	**(27.179)**	-	-	-	-	-	-	(27.179)
Reinsurance payables	**-**	-	-	-	-	-	-	-
Insurance payables	**-**	-	-	-	-	-	-	-
Other payables	**(3)**	-	-	-	-	-	-	(3)
Net interest rate gap	**18.569**	**-**	**-**	**-**	**39.934**	**5.000**	**-**	**(26.365)**

5. Insurance and financial risk management (continued)

Interest rate gap analysis of financial assets and liabilities –Life insurance

31 December 2013	Total	Floating rate instruments	Instruments with fixed interest rate: 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	**-**	-	-	-	-	-	-	-
- Debt securities - available for sale	**45.000**	-	-	-	45.000	-	-	-
- Term deposits	**19.944**				19.944	-		
Reinsurance assets	**-**	-	-	-	-	-	-	**-**
Insurance receivables	**-**	-	-	-	-	-	-	**-**
Other receivables	**1.520**	-	-	-	-	-	-	1.520
Cash and cash equivalents	**384**	-	-	-	-	-	-	384
Liabilities								
Gross technical reserves	**(46.203)**	-	-	-	-	-	-	(46.203)
Reinsurance payables	**-**	-	-	-	-	-	-	-
Insurance payables	**-**	-	-	-	-	-	-	-
Other payables	**(620)**	-	-	-	-	-	-	(620)
Net interest rate gap	**22.025**	**-**	**-**	**-**	**64.944**	**-**	**-**	**(44.919)**

5. Insurance and financial risk management (continued)

Interest rates sensitivity analysis- Non-life insurance

As at 31 December 2014 the company has interest bearing term deposits in amount of MKD 710.200 thousands (2013: MKD 568,200 thousands) and MKD 35.700 thousands (2013: MKD 176,826 thousands) government bills and 150.046 thosands (2013: MKD 14,986 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 2014 would be higher, i.e. lower by MKD 1.101 thousands (2013: the profit before tax would be higher/lower by MKD 1,262 thousands).

Interest rates sensitivity analysis- Life insurance

As at 31 December 2014 the Company has interest bearing term deposits in amount of MKD 25,000 thousands (2013: 45,000) and government bonds 19.934 thousands (2013: MKD 19,943 thousands). 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 were higher/lower 0.5%, and all the remaining variables stayed unchanged, the Company's income before tax as for the year ended 31 December 2014 would be higher, i.e. lower by MKD 73 thousands (2013: the profit before tax would be higher/lower by MKD 231 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 2014 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 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	29.677	14.520	-	244	**44.441**
Cash and cash equivalents	77.903	7.869.	-	1060	86.832
Total assets	**1.370.684**	**53.295**	**0**	**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**

5. Insurance and financial risk management (continued)

31 December 2013- Non-life	MKD	EUR	GBP	Other	Total
Debt securities - held to maturity	176.826	-	-	-	**176.826**
Debt securities - available for sale	18.603	14.986			**33.589**
Term deposits	568.200	-	-	-	**568.200**
Reinsurance assets	10.258	-	-	-	**10.258**
Insurance receivables	196.769	429	-	1.655	**198.853**
Other receivables	43.405	19.172	-	227	**62.804**
Cash and cash equivalents	64.064	4.889	7	525	**69.485**
Total assets	**1.078.125**	**39.476**	**7**	**2.407**	**1.120.015**
Gross technical reserves	538.173	-	-	-	**538.173**
Reinsurance payables	11.353	120	-	3.023	**14.496**
Insurance payables	1.088	-	-	-	**1.088**
Other payables	42.713	11.678	141.222	37.546	**233.159**
Total liabilities	**593.327**	**11.798**	**141.222**	**40.569**	**786.916**
Net position	**484.798**	**27.678**	**(141.215)**	**(38.162)**	**333.099**

Insurance and financial risk management (continued)

31 December 2014- Life	MKD	EUR	Total
Debt securities - held to maturity	-	-	-
Term deposits	25.000		25.000
Debt securities - available for sale		19.934	19.934
Reinsurance assets	-	-	-
Insurance receivables	-	-	-
Other receivables	790		790
Cash and cash equivalents	27	-	27
Total assets	**25.817**	**19.934**	**45.751**
Gross technical reserves	27.179	-	**27.179**
Reinsurance payables	-	-	**-**
Insurance payables	-	-	**-**
Other payables	3	-	**3**
Total liabilities	**27.182**	-	**27.182**
Net position	**(1.365)**	**19.934**	**18.569**

31 December 2013- Life	MKD	EUR	Total
Debt securities - held to maturity	-	-	-
Term deposits	45.000		45.000
Debt securities - available for sale		19.944	19.944
Reinsurance assets	-	-	-
Insurance receivables	-	-	-
Other receivables	1.520		1.520
Cash and cash equivalents	384	-	384
Total assets	**46.904**	**19.944**	**66.848**
Gross technical reserves			
Reinsurance payables	46.203	-	**46.203**
Insurance payables	-	-	**-**
Other payables	620	-	**620**
Total liabilities	**46.823**	-	**46.823**
Net position	**81**	**19.944**	**20.025**

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 2014, 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 2014 would have been approximately MKD 907 thousands higher or lower (2013: pre – tax profit – MKD 706 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. According to Law for insurance supervision the Company calculates liquidity coefficient and minimal liquidity, which presents correlation between the liquid assets and matured liabilities, i.e. liabilities that will mature.

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 offers life and /or 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 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)

Maturity analysis – Non-life insurance (continued)

31 December 2013	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	-	11.812	165.014	-	-	**176.826**
- Debt securities - available for sale	-	-	-	33.589	-	**33.589**
- Term deposits	90.000	35.000	443.200		-	**568.200**
Reinsurance assets	-	-	10.258	-	-	**10.258**
Insurance receivables	134.784	36.271	27.798			**198.853**
Other assets	25.946	10.708	14.705	11.445		**62.804**
Cash and cash equivalents	69.485	-	-	-	-	**69.485**
	320.215	**93.791**	**660.975**	**45.034**	**-**	**1.120.015**
Liabilities						
Gross technical reserves	8.619	14.004	391.441	66.148	57.961	**538.173**
Reinsurance payables		14.496	-	-	-	**14.496**
Insurance payables	849	63	176	-		**1.088**
Other payables	-	34.103	7.641	-	191.415	**233.159**
	9.468	**62.666**	**399.258**	**66.148**	**249.376**	**786.916**
Liquidity gap	**310.747**	**31.125**	**261.717**	**(21.114)**	**(249.376)**	**333.099**

5. Insurance and financial risk management (continued)

Aging analysis- 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	-	-	-	-	-	
- Debt securities - available for sale	-	-	19.934	-	-	**19.934**
- Term deposits	-	-	20.000	5.000	-	**25.000**
Reinsurance assets	-	-	-	-	-	**-**
Insurance receivables	-	-	-	-	-	
Other assets	-	790	-	-	-	**790**
Cash and cash equivalents	27	-	-	-	-	**27**
	27	**790**	**39.934**	**5.000**	**-**	**45.751**
Liabilities						
Gross technical reserves	3.941	2.747	823	15.965	3.702	**27.178**
Reinsurance payables	-		-	-	-	**-**
Insurance payables	-	-	-	-	-	**-**
Other payables	-	3	-	-	-	**3**
	3.941	**2.750**	**823**	**15.965**	**3.702**	**27.181**
Liquidity gap	**(3.914)**	**(1.960)**	**39.111**	**(10.965)**	**(3.702)**	**18.570**

5. Insurance and financial risk management (continued)

Aging analysis- Life insurance (continued)

31 December 2013	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	-	-	19.944	-	-	**19.944**
- Term deposits	-	-	45.000	-	-	45.000
Reinsurance assets	-	-	-	-	-	-
Insurance receivables	-	-	-	-	-	
Other assets	-	1.520	-	-	-	1.520
Cash and cash equivalents	384	-	-	-	-	384
	384	**1.520**	**64.944**	**-**	**-**	**66.848**
Liabilities						
Gross technical reserves	7.768	4.786	11.691	15.737	6.220	46.203
Reinsurance payables	-	-	-	-	-	-
Insurance payables	-	-	-	-	-	-
Other payables	-	620	-	-	-	620
	7.768	**5.406**	**11.691**	**15.737**	**6.220**	**46.823**
Liquidity gap	**(7.384)**	**(3.886)**	**53.252**	**(15.737)**	**(6.220)**	**20.025**

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 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**
31 December 2013						
Financial assets						
- Debt securities - held-to-maturity	-	176.826	-	-	176.826	176.826
- Equity securities available for sale	-	-	33.589	-	33.589	33.589
- Term deposits	568.200	-	-	-	568.200	568.200
Reinsurance assets	10.258	-	-		10.258	10.258
Insurance receivables	198.853	-	-	-	198.853	198.853
Other assets	62.804	-	-	-	62.804	62.804
Cash and cash equivalents	69.485	-	-	-	69.485	69.485
	909.600	**176.826**	**33.589**	**-**	**1.120.015**	**1.120.015**
Gross technical reserves	-	-	-	538.173	538.173	538.173
Reinsurance payables	-	-	-	14.496	14.496	14.496
Insurance payables	-	-	-	1.088	1.088	1.088
Other payables	-	-	-	233.159	233.159	233.159
	-	**-**	**-**	**786.916**	**786.916**	**786.916**

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 life insurance

	Loans and receivables	Held-to-maturity	Available for sale	Other amortised cost	Total carrying amount	Fair value
31 December 2014						
Financial assets						
- Debt securities - held-to-maturity	-	-	-	-	-	-
- Equity securities available for sale	-	-	19.934	-	19.934	19.934
- Term deposits	25.000	-	-	-	25.000	25.000
Reinsurance assets	-	-	-	-	-	-
Insurance receivables	-	-	-	-	-	-
Other assets	790	-	-	-	790	790
Cash and cash equivalents	27	-	-	-	27	27
	25.817	**-**	**19.934**	**-**	**45.751**	**45.751**
Gross technical reserves	-	-	-	27.178	27.178	27.178
Reinsurance payables	-	-	-	-	-	-
Insurance payables	-	-	-	-	-	-
Other payables	-	-	-	3	3	3
	-	-	-	**27.182**	**27.182**	**27.182**
31 December 2013						
Financial assets	-	-	-	-	-	-
- Equity securities available for sale	19.944	-	-	-	19.944	19.944
- Term deposits	45.000	-	-	-	45.000	45.000
Reinsurance assets	-	-	-	-	-	-
Insurance receivables	-	-	-	-	-	-
Other assets	1.520	-	-	-	1.520	1.520
Cash and cash equivalents	384	-	-	-	384	384
	66.848	**-**	**-**	**-**	**66.848**	**66.848**
Gross technical reserves	-	-	-	46.203	46.203	46.203
Reinsurance payables	-	-	-	-	-	-
Insurance payables	-	-	-	-	-	-
Other payables	-	-	-	620	620	620
	-	-	-	**46.823**	**46.823**	**46.823**

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 2014 is as following:

Solvency margin

	2014		2013	
	Non-life insurance	**ife insurance**	**Non-life insurance**	**ife insurance**
Solvency margin	125.134.974	1.078.580	122.796.243	1.843.063
Guaranteed capital amount	276.666.300	27.512.020	276.800.850	27.512.020

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 2014	**Previous year 2013**
Gross written premium	1	867,761,797	695.158.993
Gross written premium < 10 million EUR x 0.18	2	110,666,520	110.720.340
Gross written premium > 10 million EUR x 0.16	3	40,471,648	12.807.358
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	151,138,168	123.527.699
Gross claims paid	7	308.641.556	273.096.860
Net claims paid	8	255.540.040	271.479.747
Coefficient ([9]=[8]/[7] or 0.50, if smaller)	9	1.00	1.00
Solvency margin - Premium rate method ([10]= [6]*[9])	**10**	**125.134.974**	**122.796.243**
Reference period (in years)	11	3	3
Gross claims paid in the reference period	12	899.120.907	952.973.733
Gross claims reserves at the end of the reference period	13	346.818.513	236.283.449
Gross claims reserves at the beginning of the reference period	14	272.499.745	240.678.346
Gross incurred claims ([15]=[12] + [13] - [14])/[11])	15	324.47.892	316.192.945
Gross incurred claims < 7 million EUR x 0,26	16	84.370.277	82.210.166
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	**84.370.277**	**82.210.166**
Solvency margin – Claims rate method ([21]= [20]*[9])	**21**	**69.854.443**	**81.723.367**
Required level of solvency margin ([22]=max([10],[21]))	**22**	**125.134.974**	**122.796.243**

5. Insurance and financial risk management (continued)

5.2.6 B required level of solvency margin for life insurance

		Life insurance in MKD	
		Current year 2014	**Current year2013**
Gross mathematical reserve	1	25.691.391	43.901.286
Net mathematical reserve	2	25.691.391	43.901.286
Coefficient 1 ([3]=[2]/[1] or 0,85, if smaller)	3	1,00	1,00
Relevant factor	4	4.00%	4.00%
First result ([5]=[1]*[3]*[4]	5	1.027.656	1.756.051
Gross risk capital (if not negative number)	6		
	7		
	8	9.702.791	13.856.684
	9	29.108	41.570
Net risk capital (if not negative number)	10	9.702.791	13.856.684
Coefficient 2 ([11]=[10]/([6]+[7]+[8]) or 0,50, if smaller)	11	1	1
Second result ([12]=[9]*[11])	12	29.108	41.570
Capitalised assets	13		
Solvency margin for life insurance	**14**	**1.056.764**	**1.797.621**

5.2.6 C Required additional level of solvency margin for life insurance

		Additional insurance	
		Current year 2014	**Previous year 2013**
Gross written premium	1	121.204	252.451
Gross written premium < 10 million EUR x 0.18	2	21.817	45.411
Gross written premium > 10 million EUR x 0.16	3	-	-
Total Gross written premium ([4]=[2] + [3])	4	21.817	45.411
Gross paid claims	5	98.995	181.411
Net paid claims	6	98.995	181.411
Coefficient ([7]=[6]/[5] or 0.50 if smaller)	7	1,00	1,00
Additional solvency margin ([8]=[4]*[7])		**21.817**	**45.411**

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/mathematical 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	**2014**	**2013**
Assets		
Cash and cash equivalents (limit up to3%)	86.832	69.485
Government bills issued by R.Macedonia (limit up to 80%)	35.700	176.826
Government bonds and other securities issued by R.Macedonia (limit up to 80%)	150.047	14.986
Loans and advances to banks (deposits) which have licence from NBRM (limit up to 60%)	710.200	568.200
	982.779	**829.497**
Liabilities (Technical reserves)		
Gross insurance contract reserves	657.876	538.173
Unearned premium net of reinsurance (reinsurance share)	(110.013)	(10.258)
Total net technical reserves	**547.863**	**527.915**
	434.916	**301.582**

Life insurance	**2014**	**2013**
Assets		
Cash and cash equivalents (limit up to3%)	27	384
Government bills issued by R.Macedonia (limit up to 80%)	-	-
Government bonds and other securities issued by R.Macedonia (limit up to 80%)	19.934	19.944
Loans and advances to banks (deposits) which have licence from NBRM (limit up to 60%)	25.000	45.000
	44.961	**65.328**
Liabilities (Technical reserves)		
Gross insurance contract reserves	27.179	46.203
Unearned premium net of reinsurance (reinsurance share)	-	-
Total net technical reserves	**27.179**	**46.203**
	17.782	**19.125**

Asset/liability matching (continued)

As per the Law on insurance supervision requirements, the short-term bank deposits may not exceed 60% of the total investments assigned against insurance provisions and bond or other securities issued and guaranteed by the Republic of Macedonia may not exceed 80% of the total investments assigned against insurance provisions.

Financial investments that cover the technical reserves- non-life insurance

At 31 December 2014, the Company's short-term bank deposits represent 72.26% (2013 :58.3%), i.e. MKD 328.000 thousands (2013: MKD 316.500 thousands) are used as assets to cover the technical reserves from total assets, while the government bills represent 33.7% (2013: 35,4%) i.e MKD 185.747 thousands (2013: MKD 191.812 thousands) from the total assets shown in the table above. According to the required statutory regulation limit for cash and cash equivalents, which is 3%, the Company as at 31.12.2014 is in compliance (3%), i.e. in amount of MKD 16.555 thousands (2013:MKD 16.285 thousands i.e. 2.9%), which is used as assets to cover the technical reserves. The remaining amounts from the table above are used as coverage assets for equity.

Financial investments that cover the mathematical / technical reserves- life insurance

At 31 December 2014, the Company's short-term bank deposits represent 55.6% (2013: 68.9%) (Required statutory regulation limit 60%) from total assets used as coverage for mathematical reserves. MKD 8.000 thousands are for cover on mathematical reserves and technical provisions while investements in term bills and goverenement bonds are 44.3% (2013: 30,5%). According to the required statutory regulation limit for cash and cash equivalents, which is 3%, the Company as at 31.12.2014 is in compliance with 0.06% (2013:0,6%).

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
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**

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
2013					
Accident	91.748	874	2.773	-	88.101
Motor vehicles	79,589	107	(7.365)	422	86.425
Aircraft	-	-	-	-	-
Marine	71	-	(108)	-	179
Cargo	24.918	5.597	(630)	53	19.898
Property-fire	91.703	26.415	(353)	(803)	66.444
Property-other	136.521	11.049	(2.646)	3.184	124.934
Motor vehicle liability insurance	230.567	12.241	11.647	1.066	205.613
Aircraft liability insurance	-	-	-	-	-
Marine liability insurance	208	-	(10)	-	218
General liability insurance	23.596	8.788	4.986	(3.572)	13.394
Guarantees	66	-	(17)	-	83
Financial loss	2.253	1.194	30	(343)	1.372
Travel assistance	13.919	-	(18)	-	13.937
Total	**695.159**	**66.265**	**8.289**	**7**	**620.598**

In the total amount of gross written premium of MKD 695.159 thousands is included gross written premium in amount of MKD 691.738 thousands and gross written premium for reinsurance in amount of MKD 3.421 thousands.

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7. Other insurance technical income net of reinsurance

	2014	**2013**
Collected written off receivables	46.853	14.706
Reinsurance commission	-	10.917
Income from guarantee fund for recourses	2.616	2.614
Income from guarantee fund for unknown and uninsured vehicle	692	830
Compensation for claims paid	5.353	5.303
Transferable bonus premium	5.993	5.282
Other (recourses from previous years)	2.387	3.719
Total	**63.894**	**43.371**

8. Other income

Other income	**2014**	**2013**
Collected court costs	1.768	2.447
Rent income	4.899	5.627
Other insurance related income	436	984
IT service income	3.389	3.100
Income from disposal of property		
Income from W/o Liabilities - Reinsurance	329	48
Income from W/o Liabilities - Commission	1.514	1.989
Income from recourses provision from NB release	3.072	-
Other	390	381
Total	**15.797**	**14.576**

9. Claims incurred

	2014		**2013**	
	Gross claims paid	**Change in gross reserve for claims**	**Gross claims paid**	**Change in gross reserve for claims**
Accident	54.142	(4.200)	38.784	(63)
Motor vehicles	45.297	(1.655)	49.198	(2.952)
Aircraft	-	-	-	-
Marine	-	-	-	-
Cargo	146	(99)	165	24
Property-fire	20.254	23.000	10.602	4.632
Property-other	60.354	96.874	48.205	(9.207)
Motor vehicles liability insurance	121.584	7.717	121.932	(15.144)
Aircraft liability insurance				
Marine liability insurance				
General liability	2.003	(1.286)	685	507
Guarantees	-	3	-	13
Financial loss	123	-	176	(5)
Travel assistance	3.835	1.623	3.350	(249)
Claims from active insurance	903	(540)	-	-
Total	**308.641**	**121.437**	**273.097**	**(22.444)**
Decrease of income for recourses	**(5.447)**		**(8.951)**	
Change in gross reserves for claims - RI part	**(153.620)**		**(2.247)**	
Gross claims paid	**271.011**		**239.455**	

9. Claims incurred (continued)

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

	2013 Ratios			2013 Ratios		
Insurance class	**Claims**	**Cost**	**Combined**	**Claims**	**Cost**	**Combined**
Accident	42%	44%	86%	44%	50%	94%
Casco	48%	47%	95%	51%	44%	95%
Aircraft	0%	39%	39%	%	%	%
Cargo	0%	45%	45%	%	17%	17%
Property – fire	48%	72%	120%	1%	56%	57%
Property – other	39%	43%	82%	21%	69%	90%
MTPL т	58%	56%	114%	49%	55%	104%
Marine liability insurance	0%	54%	54%	0%	1%	1%
General liability insurance	4%	73%	77%	9%	86%	95%
Guarantees	0%	0%	0%	16%	32%	48%
Financial loss	9%	73%	82%	13%	1%	14%
Travel assistance	45%	69%	114%	18%	66%	84%
Total	**44%**	**51%**	**95%**	**38%**	**55%**	**93%**

10. Net expenses for insurance

	2014	2013
Broker's fee	28.861	24.431
Advocacy agency's fee	67.343	44.789
RI commission	-	631
Salaries for agents	59.186	60.994
Marketing	6.747	8.012
Representation	2.633	2.485
Deferred acquisition cost	(6.564)	(28.665)
Salaries for administration	97.509	88.059
Other employee benefits	11.062	2.428
Remuneration for members of the Management Board	-	4.585
Expenses for individuals	6.437	-
Heat and electrical energy	16.202	21.752
Mailing costs	2.886	3.066
Mobile phone and internet	3.857	4.331
Utility costs	5.621	4.155
Current and investment maintenance	9.300	9.505
Security	5.937	5.030
Administrative court expenses	3.476	2.942
Insurance premium	1.701	3.716
VIG	2.228	-
Depreciation	17.819	12.966
Other administrative expenses	22.195	21.324
Total	**364.436**	**296.536**

Durring year 2013 expenses of the company were corrected for Defered Aquisition costs.

11. Other insurance technical expenses

	2014	2013
Expenses for claims payment of uninsured and unknown vehicles	8.020	7,675
Contribution for fire prevention	8.494	6,940
Health contribution	2.350	2,199
Expenses for Supervisory Authority	5.643	6,077
National Biro for insurance financing	2.310	1,987
Other	884	869
Total	**27.701**	**25.747**

12. Other expenses including other impairment

	2014	2013
Impairment of recourse debts	-	11
Impairment of other receivables	2.760	3,348
W/o on receivables from QBE	-	3,089
Regresses expenses	724	3,789
Other expenses	14.825	18.940
Total	**18.309**	**29.177**

13. Income Tax

	2014	2013
Income tax	10.643	2.899
Total	**10.643**	**2.899**

Reconciliation of effective tax rate

	2014		2013	
	Life	**Non-life**	**Life**	**Non-life**
Profit before tax	380	98.277	-	93.228
Loss before tax	-	-	3.041	-
Income tax using the domestic corporation tax rate	38	9.827	456	2.443
Non-deductable expenses	-	879	4.566	24.425
Tax credit	-	(101)	-	-
Income tax	**38**	**10.605**	**456**	**2.443**

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

	2014	**2013**
Balance at 1 January		
Cost	17.977	15.124
Accumulated depreciation	(15.441)	(14.723)
Net book amount		
At 31 December	**2.536**	**401**
Opening net book amount	2.536	401
Additions	602	2.853
Depreciation charge	(1.107)	(718)
Closing net book amount at 31 December	2.031	2.536
Cost	18.579	17.978
Accumulated depreciation	(16.548)	(15.441)
Net carrying amount	**2.031**	**2.537**

15. Investment property

	2014	**2013**
At 1 January		
Cost	927.762	880.346
Accumulated depreciation	(299.370)	(263.877)
Net book amount	**628.392**	**616.469**
Year ended 31 December		
Opening net book amount	628.392	616,469
Additions	4.517	6,803
Disposals and write-off	(30.902)	(28,784)
Transfer from property and equipment book value	-	70,105
Transfer from property and equipment accumulated depreciation	-	(11.980)
Depreciation charge		708
	(14.822)	(24.221)
Closing net book amount		
	587.185	**628.392**
At 31 December		
Cost	901.377	927,762
Accumulated depreciation	(314.192)	(299,370)
Net book amount	**587.185**	**628,392**

The fair value of the investment 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 **2013**								
Cost	311.710	69.080	187.173	12.255	161.	1.307	1.598	583.284
Accumulated depreciation	111.584	65.176	181.023	9.424	-	-	-	367.207
Net book amount	**200.126**	**3.904**	**6.150**	**2.831**	**161**	**1.307**	**1.598**	**216.077**
Year ended 31 December								
Opening net book amount	**200.126**	**3.904**	**6.150**	**2.831**	**161**	**1.307**	**1.598**	**216.077**
Additions	1,620	2,663	4.059	1.906	56	263		**10.567**
Transfers from assets in course of construction								**-**
Transfers from investment property	(70,105)							**(70,105)**
Elimination and disposal		(95)	(50)					**(145)**
Effect from cost value valuation	165,526							**165,526**
Accumulated amortisation effect	(66,474)							**(66,474)**
Depreciation charge	(6.057)	(2.612)	(2.796)	(1.501)				**(12.966)**
Reclasification from properties to equipment	25.228							**25,228**
Closing net book amount at 31 December 2013	**249,864**	**3,860**	**7,363**	**3.236**	**217**	**1,570**	**1.598**	**267,708**
Cost	**433.979**	**71.648**	**191,182**	**14,161**	**217**	**1.570**	**1.598**	**714.355**
Accumulated depreciation	**184.115**	**67,788**	**183,819**	**10,925**	**0**	**0**	**0**	**446.646**
Net book amount	**249.864**	**3.860**	**7.363**	**3.236**	**217**	**1.570**	**1.598**	**267.708**
Opening net book amount	**249.864**	**3.860**	**7.363**	**3.236**	**217**	**1.570**	**1.598**	**267.708**
Additions	1.235	3.386	4.149	2.169	5.840	104	352	17.235
Elimination and disposal								-
Depreciation charge	(12.767)	(1.973)	(2.968)	(1.595)	(6.057)	-	(34)	(25.394)
Closing net book amount as at 31 December 2014	**238.332**	**5.273**	**8.544**	**3.810**	**-**	**1.674**	**1.916**	**259.549**
Cost	435.214	75.034	195.331	16.330	6.057	1.674	1.950	731.590
Accumulated depreciation	196.882	69.761	186.787	12.520	6.057	-	34	472.041
Net book amount as at 31 December 2014	**238.332**	**5.273**	**8.544**	**3.810**	**-**	**1.674**	**1.916**	**259.549**

*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

	2014	2013
Assets held to maturity	35.700	176.826
Deposits	710.200	568.200
Financial assets available for sale	150.047	14.986
Shares in:		
- Companies	184.373	185.610
- Banks	76.452	72.661
- Other institutions	57.078	57.033
Total	**1.213.850**	**1.075.316**
Impairment	(296.002)	(296.701)
Net amount	**917.848**	**778.615**

18. Receivables from immediate work of insurance

	2014	2013
Insurance receivables	531.859	713.119
Other receivables from insurance	12.110	73.394
Total	**543.969**	**786.513**
Impairment	**(277.819)**	**(590.691)**
Total	**266.150**	**195.822**

Movement of imparement of receivables - immediate work of insurance

	2014	2013
Balance as at 1 of January	**590.691**	**834.884**
Additional impairment	38.326	19.833
Release of impairment	(5.476)	(11.582)
Write off	(345.722)	(252.444)
Balance as at 31 of December	**277.819**	**590.691**

19. Other receivables from direct insurance operations

	2014	2013
Recourse receivables	29.914	28.713
Receivables for service claims paid	13.630	22.212
Receivables from the National Bureau	7.821	15.569
Receivables from reinsurance commission	332	4.548
Receivables for claims	981	5.156
Receivables based on given allowances	5.631	5.415
Total receivables	**58.309**	**81.613**
Impairment	**(36.081)**	**(33.499)**
Total	**22.228**	**48.114**

Movement of imparement of other receivables

	2014	2013
Balance as at 1 of January	**33.499**	**45.272**
Additional impairment	3.792	5.050
Release of impairment	(1.210)	(1.692)
Write off	-	(15.131)
Balance as at 31 of December	**36.080**	**33.499**

20. Receivables from financial investments

	2014	2013
Interest receivables	588	596
Rent receivables	9.228	8.846
Securities receivables	14.120	7.355
Total	**23.936**	**16.797**
Impairment	**(3.410)**	**(3.283)**
Total	**20.526**	**13.514**

21. Other receivables

	2014	2013
Receivables from employees	622	727
Receivables from QBE	114.607	114.607
Receivables from jointly controlled entities	-	419
Suppliers receivables - other	1.035	-
Other receivables	30	30
Total receivables	116.294	115.783
Provision	(114.607)	(114.607)
Net receivables	**1.687**	**1.176**

Movement of imparement of receivables - other

	2014	2013
Balance as at 1 of January	**114.607**	**111.519**
Additional impairment	-	3.088
Release of impairment	-	-
Write off	-	-
Balance as at 31 of December	**114.607**	**114.607**

The amount of MKD 114.607 thousands (2013 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 2013, paid out Macedonia Insurance in the name of QBE Insurance International. For them in 2012 and 2013 in accordance with reconciliation of intercompany receivables and payables with mother company, Makedonija made provision in total amount of MKD 114.607 thousands.

22. Cash and cash equivalents

	2014	**2013**
Cash on hand		
- in denars	17	23
- in foreign currency	-	-
Cash in banks		
-in denars	77.886	64.041
- in foreign currency	8.929	5.421
Total	**86.832**	**69.485**

23. Technical reserves

	2014	**2013**
Gross reserves for unwritten premium	295.558	297.292
Gross reserves for incurred reported claims	226.593	131.417
Gross reserves for incurred but not reported claims	115.100	101.375
Reserves for bonuses and discounts	15.500	4.597
Other technical reserves	5.125	3.492
Gross technical reserves	**657.876**	**538.173**

24. Other liabilities

	2014	**2013**
Received insurance advances	7.193	7.639
Fees for agents	8.865	7.433
Liabilities towards QBE	204.615	191.415
Liabilities for contributions and membership	2.481	1.554
Liabilities towards the National Bureau	745	939
Liabilities for suppliers of material assets	4.575	1.573
Liabilities for suppliers of working capital	6.690	8.601
Liabilities towards employees	13.705	8.535
Liabilities for contributions and taxes	5.332	4.010
Liabilities towards VIG	2.228	-
Dividend liabilities	686	-
Liabilities for life insurance	528	1.460
Total	**257.643**	**233.159**

25. Accrued expenses

	2014	2013
Calculated liabilities for reinsurance	98.402	65,175
Calculated Commission	2.331	2,267
Liabilities for contribution to fire brigade	4.092	2.876
Liabilities to NB	13.153	18.961
Other	13.120	6.654
Total	**131.098**	**95.933**

26. Shareholders equity and reserves

Shareholders' equity

In number of shares	2014	2013
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 2014 the authorised share capital comprises 717.462 (2013: 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 31.12.2014 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 2013 shareholder assembley, entiteled by legislation on force, adopted decision for distribution on part of profit as dividend paid in gross amount of MKD 34,203 thousands, i.e 43 MKD per share.

27. Administrative expenses- life insurance

	2014	2013
Bank charges	40	65
Other insurance related expenses	435	984
Total	**475**	**1.049**

28. Other receivables- life insurance

	2014	2013
Receivables for advance claims paid	-	-
Receivables of financial investments	760	1.520
Receivables from non-life insurance	30	-
Total	**790**	**1.520**

29. 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 2014 Company continued with the policy of off-balance sheet records provision for reported claims based on unknown or uninsured motor vehicles. On 31.12.2014 provision for reported claims is in amount of MKD reserved 23.624 thousands (2013: MKD 22.674 thousands).

30. 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 31.12.2014 the balances from transactions with the Parent company were as follows.

	2014	2013
Insurance and other receivables	-	5.014
Liabilities from reinsurance	2.375	10.620
Other liabilities	2.228	-
Net liabilities	**4.603**	**5.606**

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

	2014	2013
Reinsurance payables	146.260	42.175
Income from provisions	110.618	8.695
	35.642	**33.480**

At the year end 31.12.2014 the balances from transactions with the other related parties were as follows:

	2014	2013
Insurance and other receivables	21	43.091
Reinsurance payables	23.428	80.018
	23.407	**36.927**

During the 2014 transactions with related parties are as follows:

	2014	2013
Reinsurance payables	43.091	-
Income from provisions	80.018	-
	36.927	**-**

Transactions with key management personnel

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

	2014	2013
Short-term benefits	38.727	32.330
	38.727	**32.330**

31. 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.

32. Post balance sheet events

After day of preparation on Company's balance sheet Agency for Supervision on insurance business handed Decision that allows transfer on life portfolio from Insurance MAKEDONIJA s.c. Skopje- Vienna Insurance Group to Winner Life s.c. - Vienna Insurance Group.

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

In accordance with above stipulated agreement subject on transfer are assets and liabilities from life policies as well as transfer on assets that covers technical and mathematical reserves. Insurance MAKEDONIJA s.c. Skopje- Vienna Insurance Group has all rigths and liabilities resulting from agreement latest by 31.12.2014, 00,00h.