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BOSNA REOSIGURANJE D.D.
SARAJEVO

Financial statements for the year
ended 31 December 2014
and Independent auditors' report

Audit . Tax . Consulting . Financial Advisory.

Contents

Responsibility for the financial statements

The Management Board is responsible for ensuring that financial statements of Bosna Reosiguranje d.d. (the "Company") and its related companies (together the "Group") are prepared for each financial period in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB), which gives a true and fair view of the state of affairs and results of the Company and the Group for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of Management include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company. Management must also ensure that the financial statements comply with the Accounting and Auditing Law in the Federation of Bosnia and Herzegovina. Management is also responsible for safeguarding the assets of the Company, and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of Management

Zlatan Filipović, Director

Bosna Reosiguranje d.d. Sarajevo

Zmaja od Bosne 74
71000 Sarajevo
Bosnia and Herzegovina

18 March 2015

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Independent Auditor's Report

To the Shareholders of Bosna Reosiguranje d.d. Sarajevo

We have audited the accompanying consolidated financial statements of Bosna Reosiguranje d.d. Sarajevo and its related companies (together referred to as: the "Group"), which comprise the consolidated balance sheet as at 31 December 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. Also, we have audited the accompanying unconsolidated financial statements of Bosna Reosiguranje d.d. Sarajevo (the "Company"), which comprise the balance sheet as at 31 December 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and unconsolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as Management determines is necessary to enable the preparation of consolidated and unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated and unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated and unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2014, and their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte d.o.o.

Sead Bahtanović, director and licensed auditor

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71000 Sarajevo
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Mirza Bihorac, licensed auditor

Sarajevo, Bosnia and Herzegovina

18 March 2015

Income statement
for the year ended 31 December 2014

(All amounts are expressed in KM, unless otherwise stated)

	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Reinsurance premium revenue	5	51,689,531	51,414,435	51,689,531	51,414,435
Reinsurance premium ceded to reinsurers, net	5	(25,143,126)	(26,305,016)	(25,143,126)	(26,305,016)
Net reinsurance premium revenue		**26,546,405**	**25,109,419**	**26,546,405**	**25,109,419**
Reinsurance claims and loss adjustment expenses	6	(39,435,421)	(18,717,667)	(39,435,421)	(18,717,667)
Reinsurance claims recovered from reinsurers, net	6	22,138,790	644,255	22,138,790	644,255
Net claims and loss adjustment expenses		**(17,296,631)**	**(18,073,412)**	**(17,296,631)**	**(18,073,412)**
Commission income		6,982,856	6,893,999	6,982,856	6,893,999
Commission expenses		(11,734,742)	(10,613,574)	(11,734,742)	(10,613,574)
Net commissions		**(4,751,886)**	**(3,719,575)**	**(4,751,886)**	**(3,719,575)**
Net income from insurance		**4,497,888**	**3,316,432**	**4,497,888**	**3,316,432**
Investment income	7	1,243,338	2,467,388	1,243,338	2,467,388
Other operating income	8	5,460	30,662	5,460	30,662
General and administrative expenses	9	(3,592,258)	(3,581,608)	(3,592,258)	(3,581,608)
Investment losses	10	(328,940)	(37,955)	(328,940)	(37,955)
Other expenses		(12,885)	(24,710)	(12,885)	(24,710)
Foreign exchange losses, net		13,063	(105,953)	13,063	(105,953)
Share of profit of associates	15	917,271	152,876	-	-
Profit before tax		**2,742,937**	**2,217,132**	**1,825,666**	**2,064,256**
Income tax expense	11	(221,104)	(296,494)	(221,104)	(296,494)
Net profit		**2,521,833**	**1,920,638**	**1,604,562**	**1,767,762**
Earnings per share	12	**389.72**	**99.28**	**247.96**	**91.38**

The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2014

(All amounts are expressed in KM, unless otherwise stated)

	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Net profit for the year		**2,251,833**	**1,920,638**	**1,604,562**	**1,767,762**
Other comprehensive income					
Items that will not be subsequently reclassified to income statement:		-	-	-	-
Items that will be subsequently reclassified to income statement when specific conditions are met:					
Net changes in fair value of financial assets available for sale	16	139,996	(215,876)	139,996	(215,876)
		139,996	***(215,876)***	***139,996***	***(215,876)***
Total comprehensive income		**2,661,829**	**1,704,762**	**1,744,558**	**1,551,886**

The accompanying notes are an integral part of these financial statements.

Bosna Reosiguranje d.d. Sarajevo

Balance sheet
as at 31 December 2014

(All amounts are expressed in KM, unless otherwise stated)

	Notes	Group 31 December 2014	Group 31 December 2013	Company 31 December 2014	Company 31 December 2013
ASSETS					
Tangible and intangible assets	13	4,544,964	4,773,631	4,544,964	4,773,631
Investment property	14	4,320,085	3,955,083	4,320,085	3,955,083
Investment in associates	15	16,758,337	15,841,066	4,633,832	4,633,832
Deferred acquisition costs	18	2,865,623	2,995,682	2,865,623	2,995,682
Financial assets available-for-sale	16	2,299,607	2,139,840	2,299,607	2,139,840
Financial assets held-to-maturity	17	507,702	507,702	507,702	507,702
Assets held for sale	20	27,633	732,477	27,633	732,477
Deposits	19	25,660,797	20,984,359	25,660,797	20,984,359
Reinsurance assets (reinsurers' share of reinsurance liabilities)	27	52,062,533	46,073,769	52,062,533	46,073,769
Reinsurance premium receivables and for claims recovered from reinsurers	21	19,120,975	17,783,063	19,120,975	17,783,063
Other receivables	22	148,847	1,373,028	148,847	1,373,028
Other assets	23	81,949	80,944	81,949	80,944
Cash and cash equivalents	24	662,984	5,540,852	662,984	5,540,852
TOTAL ASSETS		**129,062,036**	**122,781,496**	**116,937,531**	**111,574,262**
EQUITY AND LIABILITIES					
Share capital	25	6,577,300	5,029,700	6,577,300	5,029,700
Treasury shares		(238,000)	-	(238,000)	-
Share premium		(219,730)	-	(219,730)	-
Reserves		18,723,971	18,805,591	18,723,971	18,805,591
Revaluation reserves for properties		10,602	11,115	10,602	11,115
Revaluation reserves for financial assets available-for-sale		(575,468)	(718,320)	(575,468)	(718,320)
Retained earnings		13,730,606	12,976,022	1,606,101	1,768,788
		38,009,281	**36,104,108**	**25,884,776**	**24,896,874**
LIABILITIES					
Reinsurance liabilities	27	73,411,111	67,701,666	73,411,111	67,701,666
Reinsurance premium and claims payables	26	12,219,695	12,907,366	12,219,695	12,907,366
Deferred reinsurance commission	18	1,470,054	1,572,635	1,470,054	1,572,635
Other liabilities	28	3,526,183	4,098,284	3,526,183	4,098,284
Deferred income		63	440	63	440
Provisions for employee benefits		425,649	396,997	425,649	396,997
		91,052,755	**86,677,388**	**91,052,755**	**86,677,388**
TOTAL EQUITY AND LIABILITIES		**129,062,036**	**122,781,496**	**116,937,531**	**111,574,262**

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Group and the Company on 18 March 2015:

Zlatan Filipović, Director

Bosna Reosiguranje d.d. Sarajevo

Statement of changes in equity

for the year ended 31 December 2014

(All amounts are expressed in KM, unless otherwise stated)

Group

	Share capital	Treasury shares	Share premium	Reserves	Revaluation reserves for properties	Revaluation reserves for financial assets available-for-sale	Retained earnings	Total
As at 31 December 2012	**5,029,700**	**-**	**-**	**17,289,203**	**11,628**	**(336,522)**	**12,873,041**	**34,867,050**
Transfer (from) / to	-	-	-	1,516,388	-	-	(1,516,388)	-
Dividend payment	-	-	-	-	-	-	(301,782)	(301,782)
Effects of write-off of investments (Note 16)	-	-	-	-	-	(203,786)	-	(203,786)
Transfer of revaluations reserve to retained earnings (IAS 16.41)	-	-	-	-	(513)	-	513	-
Recycling of irreversible losses on investments (Note 10)	-	-	-	-	-	37,864	-	37,864
Net profit	-	-	-	-	-	-	1,920,638	1,920,638
Other comprehensive loss	-	-	-	-	-	(215,876)	-	(215,876)
Total comprehensive income	-	-	-	-	-	*(215,876)*	*1,920,638*	*1,704,762*
As at 31 December 2013	**5,029,700**			**18,805,591**	**11,115**	**(718,320)**	**12,976,022**	**36,104,108**
Transfer (from) / to	-	-	-	1,465,980	-	-	(1,465,980)	-
Dividend payment	-	-	-	-	-	-	(301,782)	(301,782)
Purchase of own shares	-	(238,000)	(219,730)	-	-	-	-	(457,730)
Increase of capital	1,547,600	-	-	(1,547,600)	-	-	-	-
Transfer of revaluations reserve to retained earnings (IAS 16.41)	-	-	-	-	(513)	-	513	-
Recycling of irreversible losses on investments (Note 10)	-	-	-	-	-	2,856	-	2,856
Net profit	-	-	-	-	-	-	2,521,833	2,521,833
Other comprehensive income	-	-	-	-	-	139,996		139,996
Total comprehensive income	-	-	-	-	-	*139,996*	*2,521,833*	*2,661,829*
As at 31 December 2014	**6,577,300**	**(238,000)**	**(219,730)**	**18,723,971**	**10,602**	**(575,468)**	**13,730,606**	**38,009,281**

The accompanying notes are an integral part of these financial statements.

Bosna Reosiguranje d.d. Sarajevo

Statement of changes in equity
for the year ended 31 December 2014

(All amounts are expressed in KM, unless otherwise stated)

Company

	Share capital	Treasury shares	Share premium	Reserves	Revaluation reserves for property	Revaluation reserves for financial assets available-for-sale	Retained earnings	Total
As at 31 December 2012	**5,029,700**	-	-	**17,289,203**	**11,628**	**(336,522)**	**1,818,683**	**23,812,692**
Transfer (from) / to	-	-	-	1,516,388	-	-	(1,516,388)	-
Dividend payment	-	-	-	-	-	-	(301,782)	(301,782)
Effects of write-off of investments (Note 16)	-	-	-	-	-	(203,786)	-	(203,786)
Transfer of revaluations reserve to retained earnings (IAS 16.41)	-	-	-	-	(513)	-	513	-
Recycling of irreversible losses on investments (Note 10)	-	-	-	-	-	37,864	-	37,864
Net profit	-	-	-	-	-	-	1,767,762	1,767,762
Other comprehensive income	-	-	-	-	-	(215,876)	-	(215,876)
Total comprehensive income	-	-	-	-	-	*(215,876)*	*1,767,762*	*1,551,886*
As at 31 December 2013	**5,029,700**	-	-	**18,805,591**	**11,115**	**(718,320)**	**1,768,788**	**24,896,874**
Transfer (from) / to	-	-	-	1,465,980	-	-	(1,465,980)	-
Dividend payment	-	-	-	-	-	-	(301,782)	(301,782)
Purchase of own shares	-	(238,000)	(219,730)	-	-	-	-	(457,730)
Increase of capital	1,547,600	-	-	(1,547,600)	-	-	-	-
Transfer of revaluations reserve to retained earnings (IAS 16.41)	-	-	-	-	(513)	-	513	-
Recycling of irreversible losses on investments (Note 10)	-	-	-	-	-	2,856	-	2,856
Net profit	-	-	-	-	-	-	1,604,562	1,604,562
Other comprehensive income	-	-	-	-	-	139,996	-	139,996
Total comprehensive income	-	-	-	-	-	*139,996*	*1,604,562*	*1,744,558*
As at 31 December 2014	**6,577,300**	**(238,000)**	**(219,730)**	**18,723,971**	**10,602**	**(575,468)**	**1,606,101**	**25,884,776**

The accompanying notes are an integral part of these financial statements.

Bosna Reosiguranje d.d. Sarajevo

Statement of cash flows

for the year ended 31 December 2014

(All amounts are expressed in KM, unless otherwise stated)

	Group 2014	Group 2013	Company 2014	Company 2013
Operating activities				
Profit before tax	2,742,937	2,217,132	1,825,666	2,064,256
Adjustments for:				
Depreciation and amortization	507,241	540,149	507,241	540,149
Allowance for impairment losses on other receivables	16,298	2,835	16,298	2,835
Gains from disposal of financial assets available-for-sale	-	(157,884)	-	(157,884)
Recycling of irreversible losses on financial assets available-for-sale	2,856	37,864	2,856	37,864
Share of net result of associates	(917,271)	(152,876)	-	-
Change in provision for unearned premium, net	60,300	462,805	60,300	462,805
Change in provision for incurred but not reported claims, net	219,623	347,888	219,623	347,888
Change in provision for reported but not settled claims, net	(229,570)	347,087	(229,570)	347,087
Change in provision for bonuses, discounts and premiums, net	(329,672)	570,311	(329,672)	570,311
Change in deferred acquisition costs, net	27,478	(232,789)	27,478	(232,789)
Adjustment of the carrying value of assets held for sale reclassified to investment property	163,035	-	163,035	-
Write-off of receivables (Bobar Group)	175,979	-	175,979	-
Change in provision for employee benefits, net	28,652	(30,274)	28,652	(30,274)
Loss / (gain) from disposal of assets held for sale	1,051	(721,089)	1,051	(721,089)
Correction for previously recognized licenses	-	85,812	-	85,812
Dividend income recognized in the income statement	(72,414)	(634,858)	(72,414)	(634,858)
Interest income recognized in the income statement	(923,117)	(788,876)	(923,117)	(788,876)
Operating cash flow before movements in working capital	***1,473,466***	***1,893,237***	***1,473,466***	***1,893,237***
Increase in reinsurance premium receivables and claims recovered from re-insurers	(1,351,684)	(1,197,144)	(1,351,684)	(1,197,144)
Decrease / (increase) in other assets and receivables	1,275,066	(1,287,622)	1,275,066	(1,287,622)
(Increase) / decrease in reinsurance premium and claims payable	(687,671)	1,281,270	(687,671)	1,281,270
(Increase) / decrease in other liabilities	(503,258)	379,033	(503,258)	379,033
Cash generated from operations	***205,553***	***1,068,774***	***205,553***	***1,068,774***
Income tax paid	(358,512)	(77,138)	(358,512)	(77,138)
Net cash from operating activities	**(152,959)**	**991,636**	**(152,959)**	**991,636**
Investing activities				
Purchases of property and equipment	(121,460)	(111,504)	(121,460)	(111,504)
Proceeds from investment property sold	18,642	1,064,894	18,642	1,064,894
Proceeds from sales of financial assets available-for-sale	(19,771)	265,047	(19,771)	265,047
Dividends received	72,414	634,858	72,414	634,858
Interest received	923,117	788,876	923,117	788,876
Purchase of financial assets held-to-maturity	-	(507,702)	-	(507,702)
Increase of share in associates	-	(200,000)	-	(200,000)
Increase in deposits	(4,838,339)	(3,207,189)	(4,838,339)	(3,207,189)
Net cash used in investing activities	**(3,965,397)**	**(1,272,720)**	**(3,965,397)**	**(1,272,720)**
Financing activities				
Dividends paid	(301,782)	(301,782)	(301,782)	(301,782)
Acquired treasury shares	(238,000)	-	(238,000)	-
Net cash used in financing activities	**(759,512)**	**(301,782)**	**(759,512)**	**(301,782)**
Net decrease in cash and cash equivalents	**(4,877,868)**	**(582,866)**	**(4,877,868)**	**(582,866)**
Cash and cash equivalents at the beginning of year	**5,540,852**	**6,123,718**	**5,540,852**	**6,123,718**
Cash and cash equivalents at the end of year	**662,984**	**5,540,852**	**662,984**	**5,540,852**

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

Bosna Reosiguranje d.d. Sarajevo (the "Company") was registered in the Federation of Bosnia and Herzegovina as a shareholders' company. The principal activities of the Company include reinsurance of life and non-life insurance.

As at 31 December 2014, the Company had 26 employees (2013: 27).

Management

Zlatan Filipović	Director - from 30 September 2014
	Executive director for reinsurance - up to 30 September 2014
Damir Lačević	Director - up to 30 September 2014
Hasan Delić	Executive director for finance

Supervisory Board

Ismet Hadžić	President
Husnija Kurtović	Member
Enisa Babić	Member
Dragan Milojević	Member
Midhad Salčin	Member

Audit Committee

Izudin Kešetović	President
Midhat Terzić	Member
Suad Idrizović	Member - from 26 September 2014
Selima Kafedžić	Member - up to 26 September 2014

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- Amendments to IFRS 10: "Consolidated Financial Statements", IFRS 12: "Disclosures of Interests in Other Entities" and IAS 27: "Separate Financial Statements" - Investment Entities (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32: "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014):
- Amendments to IAS 36: "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014):
- Amendments to IAS 39: "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014);
- IFRIC 21: "Levies" (effective for annual periods beginning on or after 1 January 2014).

The adoption of these standards, amendments and interpretations has not led to any changes in the Company's accounting policies.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2. Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9: "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018);
- IFRS 14: "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016);
- IFRS 15: "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IFRS 10: "Consolidated Financial Statements" and IAS 28: "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10: "Consolidated Financial Statements", IFRS 12: "Disclosure of Interests in Other Entities" and IAS 28: "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 11: "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1: "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16: "Property, Plant and Equipment" and IAS 38: "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16: "Property, Plant and Equipment" and IAS 41: "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 19: "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014);
- Amendments to IAS 27: "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2013)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2014)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2013-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2. Standards and Interpretations in issue not yet adopted (continued)

The Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Company in the period of initial application, except for IFRS 9. Management is currently analysing the impact of IFRS 9 on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements consist of consolidated and unconsolidated financial statements of the Company, defined in International Financial Reporting Standard 10: "Consolidated financial statements" and International Accounting Standard 27: "Separate financial statements".

The consolidated and unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board.

Basis of preparation

These financial statements have been prepared on a historical cost basis, except for certain for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except the measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date; fair value indicators are those derived from quoted prices in active markets;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

The financial statements are presented in Convertible marks since that are the functional currency of the Group and Company. The Convertible mark (KM) is officially tied to the Euro (EUR 1 = KM 1.95583).

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Information on amounts where significant uncertainty exists in their estimate and critical judgments in applying accounting policies that have the most impact on the amounts disclosed in these financial statements are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the Company's shares in associates.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting from the date that significant influences commences until the date the significant influences ceases, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate which includes any long-term interests that, in substance, form part of the Company's net investment in the associate are not recognised.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities after reassessment is recognised immediately in profit or loss. Where the companies within the Group transact with the Company, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

Measurement and recognition of investments in unconsolidated financial statements

Investments in associates in unconsolidated financial statements are stated at cost less any impairment in the value of individual investments if needed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Reinsurance premiums are recognised as revenue on a pro-rata basis over the periods of the respective contracts of reinsurance.

Reinsurance premiums, which are subject to adjustments, are estimated based upon available information. Any variances from the estimates are recorded in the periods in which they become known.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate.

Foreign currencies

Transactions denominated in foreign currencies are converted into KM at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are translated at the rates prevailing on the reporting period date due to official exchange rate of Central Bank of Bosnia and Herzegovina. Profits and losses arising on exchange are included in net profit or loss for the period.

Employee benefits

On behalf of its employees, the Company pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Company pays the tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal level). In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recorded in the income statement in the period in which the salary expense is incurred.

Jubilee awards

The Company pays to its employees certain benefits for completing long service (jubilee awards) in accordance with local laws and its internal Rulebook on employment. Jubilee award payments range from 1 to 5 average salaries paid to the employee in the preceding 3 months for tenure from 10 to 40 years.

Retirement severance payments

According to the local legislation and internal Rulebook on employment, the Company makes retirement severance payments of minimum 6 average monthly salaries paid in the Federation of Bosnia and Herzegovina based on latest data published by the Federal Office of Statistics.

The Company records the costs of jubilee awards and retirement severance payments, when they become due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting period date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred Income tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting period date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property and equipment

Property and equipment are started at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalised. Gains or losses on the retirement or disposal of property, plant and equipment are included in the income statement in the period they occur.

Properties in the course of construction are carried at cost, less impairment loss, if any. Investment property is accounted for under the cost model and the accounting treatment after initial recognition follows that applied to property and equipment.

Depreciation commences when the assets are ready for their intended use. Depreciation is calculated so that it will reduce book values to their estimated realisable values over their estimated useful lives, which are as follows:

Buildings	27 years (3.75%)
Equipment	4 years (25%)
IT equipment	2 to 3 years (41.62%)

The Company reassesses useful lives of its property and equipment annually.

Gains or losses on the retirement or disposal of tangible assets are recognized in the statement of profit or loss and other comprehensive income for the period they occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible assets

At each reporting period date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets

Intangible assets are valued at purchase costs and amortized over their useful lives using the straight-line method.

Investment property

Investment property, which is property held to earn rental income and/or for capital appreciation, is measured initially at its cost, including transaction costs. Depreciation commences when the assets are ready for their intended use. Depreciation is calculated based on the estimated based on the estimated useful lives of the applicable assets, which is as follows:

Investment property - buildings	27 years (3.75%)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets

Financial assets are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss"(FVTPL), "available-for-sale" (AFS), "held-to-maturity investments", and "loans and receivables".

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Currently, the Company has no financial assets at FVTPL.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Loans and receivables

Trade receivables, deposits and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets available-for-sale

Listed and unlisted shares held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. For such investments a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected cash flows or the underlying net asset base of the investment. Investments whose fair value cannot be reliably measured are carried at cost.

Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting period date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets (continued)

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting period date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is 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.

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a) Financial assets (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another company. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

b) Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Reinsurance contracts

The Company issues reinsurance contracts for the transfer of reinsurance or finance risk. These contracts include contracts on reinsurance of insurance portfolios from accidents, property reinsurance, reinsurance from responsibility and short-term life reinsurance contracts.

Insurance from responsibility protects the insured individuals from the risk of inflicting damage upon third parties as a result of their activities. This type of reinsurance covers events specified in the contract. A typical example of this type of insurance is product responsibility insurance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contract (continued)

Property insurance provides compensation to the insured person for any damages inflicted upon his/her property, or for a decrease in its value. Insured persons who perform business activities using insured property can also be compensated for a loss in profit caused by an inability to use the insured property. A typical example of this type of insurance is insurance against fire and other perils that property can be exposed to.

Insurance against accidents protects insured persons and/or members of their family from the consequences of death or disability caused by a calamity. Should the calamity result in the death or disability of the insured person, they or their families receive a specified compensation to alleviate the consequences of the calamity.

Written premiums

Gross written premiums for non-life business include all policies written during the accounting period that came out from reconciliation of reinsurance accounts with partners - cadent, irrespective of whether these amounts relate wholly or partially to subsequent accounting periods. Retrocession premiums are calculated for accounting period by the same way as reinsurance premiums. Income from non-life insurance premium is recognized after reconciliation of Group's report with cadent.

Unearned premiums

Unearned premiums are calculated for reinsurances in which reinsurance coverage lasts after accounting period, since accounting and reinsurance periods are not the same. Unearned premium for non-life insurance is calculated using "*pro rata temporis method*". Basis for calculation is gross written premium. For insurance with multi-annual reinsurance coverage, unearned premium is calculated for duration of each insurance for the total amount that belongs to the future period. Calculation of unearned premium is done based on technical premium.

Net unearned premium is gross premium decreased by portion recoverable from re-insurers. Participation of reinsurers in unearned premiums is determined through existing reinsurance contracts. Provision for unearned premium is presented separate from reinsurer's portion of unearned premium in the balance sheet.

Provisions for claims reported but not settled

Provisions for reported but not settled claims relate to claims that incurred and were reported by the end of the financial statement period for which the claim request has not been settled. The level of provisions is determined by assessing each potential claim individually. In determining the level of provisions, the following is adhered to: conditions from the reinsurance contracts; documentation available in the file; available standards and the experience of the evaluators; current court practices in determining claim compensations. All this is considered having in mind potential changes that can be expected to occur in the forthcoming period and that might affect increases or decreases of these provisions.

Provision for incurred but not reported claims

Provisions for claims that have incurred but are yet to be reported are calculated on the basis of the Company's own statistical data on subsequently reported damages in past years. These calculations use methods that rely on "run-off triangles". The provisions for reactivated claims are also formed on the basis of statistical trends in the movement of these claims. The provision is calculated on the basis of the expected number of reactivated claims in the forthcoming year and the average level of reactivated claims for each insurance category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contract (continued)

Provision for incurred but not reported claims (continued)

These provisions are based on estimates and final liabilities may be lower or higher than available resources for as long as the Management considers the estimate to be appropriate. In accordance with economic practice, adaptations of these estimates and the difference between the estimate and the amounts actually paid out are recorded in the period in which they occur.

Mathematical reserve of life-insurance premium

The Company does not have reinsurance contracts based on which mathematical reserve should be provided.

Reinsurance assets and liabilities

Assets and liabilities from reinsurance contracts are recognised when they become due. These amount include re-insurers' assets and liabilities, compensations paid to and collected from agents, brokers and insurance policy holders.

The Company signs reinsurance contracts with reinsuring companies on the basis of which the Company receives compensation for losses arising from individual or group contracts. The Company reinsures premiums of life and non-life insurance in order to limit its exposure to significant losses. Reinsurance premiums and reinsuring parties' participation in claims are presented on appropriate accounts of the income statement. Reinsurance premiums are recorded in their gross non-discounted amounts.

On every reporting period date the Company re-evaluates the recorded amounts of its receivables on the basis of insurance and reinsurance contracts in order to determine whether a loss has arisen from a decrease in value of the said financial asset. If there are indications that this is indeed the case, the value of this loss is estimated and recognised in the income statement.

Acquisition costs

Acquisition costs comprise compensations paid to agents for the services of acquisition of new insurances in accordance with existing contracts. Compensation is paid on the basis of collected premium. Acquisition costs are included in income statement when the reconciliation of the underlying insurance premiums is made. Acquisition costs are deferred in line with the movement in provision for unearned premiums. Provision for unearned premium is presented separate from reinsurer's portion of unearned premium in the balance sheet.

Liability adequacy test

On each reporting period date, the Company performs a liability adequacy test in order to determine whether the reinsurance liabilities, less related assets, are sufficient to cover claims from reinsurance contracts. When performing this test, the best estimates of future cash flows related to contractual assets and liabilities, as well as estimates of claims and processing and administrative costs and income from investments related to the contracts, are taken into consideration. Should the recognised liability turn out to be insufficient, its value is increased by reducing the financial result for the period either by reducing the value of financial assets (receivables from re-insurers) or by increasing provisions arising from reinsurance contracts.

Capital and reserves

Share capital

Ordinary share capital represents the nominal value of paid-in ordinary shares as equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital and reserves (continued)

Reserves

The statutory reserves represent accumulated apportions from retained earnings in accordance with Companies Law of Federation of Bosnia and Herzegovina. The statutory reserve may be used to cover prior period losses if the losses are not covered by current year profits or if other reserves are not available.

Retained earnings

Profit for the period after appropriations to owners and allocations to other reserves are transferred to retained earnings. Profit for the period after appropriations to owners is transferred to retained earnings.

Revaluation reserve for properties

Revaluation reserve for properties includes the cumulative effects of increase in the carrying amount of properties arising on the revaluation of them.

Revaluation reserve for financial assets available for sale

Revaluation reserve for financial assets available for sale comprises changes in fair value of this assets.

Dividends

Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Company's shareholders.

Earnings per share

The Company publishes basic and diluted earnings per share (EPS) data.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, excluding ordinary shares bought by the Company and classified as treasury shares.

During 2013 and 2014 there were no dilution effects.

If the number of ordinary or potential shares is increased as a result of a capitalization, bonus/free issue or sharing of shares, or if the number decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively.

If these changes occur after the statement of financial position date, but before issuing of financial statements, calculation of the amount per share for these financial statements and any previous period is based on the new number of shares.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Estimations are used but not limited to the actuarial reserves, periods of amortization and remained property and equipment value, and allowance for impairment of receivables.

Estimation of uncertainty in relation to actuarial reserves

The most significant estimate in relation to the Company's financial statements relates to reserving. The Company takes a reasonably prudent approach to reserving and applies regulations set by the Agency for supervision of the insurance companies in Federation of Bosnia and Herzegovina. The Company's policy is to make a provision for unexpired risks arising from non-life insurance where the claims, deferred acquisition costs and administrative expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums available under the contracts. Such provision is included in the unearned premium.

Provisions for claims reported

The nature of business makes it difficult to predict with certainty the outcome of every particular claim and the ultimate cost of every reported claim. Each reported claim is assessed on a separate, case by case basis, with due regard to the claim circumstances, information available and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims. The risk associated with estimate of provisions for claims reported but not settled is mitigated through reinsurance arrangements.

Provision for claims incurred but not reported (IBNR)

Provision for claims incurred but not reported are estimated using actuarial methods. The source of data used as inputs for the assumptions are internal, using detailed studies carried out by the Company. There is more emphasis on current trends, and when in early years there is insufficient information to make reliable best estimate of claims development, prudent assumptions are used.

Provision for claims incurred but not reported is based on calculations performed for each line of business. For each line of business calculations are based on statistical data for claims for last five years. For the calculation of provision following methods are used:

- Chain ladder method,
- Average amount reported claims method,
- Average amount of expected claims methods,
- Bornhuetter-Ferguson method.

Based on quality and quantity of data, relevant method is applied. Management believes that the current level of technical reserves is sufficient.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Useful lives of property and equipment, and investment property

As described in the Note 3, the Company reviews the estimated useful lives of property and equipment, and investment property at the end of each annual reporting period.

Provision for premium debtors and interest receivable

Provision for premium debtors and interest receivables is made only for premium debtors and interest receivables overdue for more than 365 days and in the full amount. Management estimates, according to historical experience in receivables collection, the overall liquidity situation on the market and prevailing market conditions for payment of insurance premiums, that only receivables overdue for more than 365 days should be classified as bad and doubtful debts requiring provision.

5. NET REINSURANCE PREMIUM

Group and Company

	2014	2013
Reinsurance premium, domestic	42,220,043	42,389,434
Reinsurance premium, foreign	9,062,275	9,812,938
Change in the provision for unearned premium	421,291	(787,937)
Written-off premiums (Bobar osiguranje a.d. Bijeljina)	(14,078)	-
Premium revenue arising from the insurance contracts issued	***51,689,531***	***51,414,435***
Reinsurance premium ceded to reinsurers	(24,661,535)	(26,630,148)
Change in the provision for unearned premium ceded to reinsurers	(481,591)	325,132
Reinsurance premium ceded to reinsurers, net	***(25,143,126)***	***(26,305,016)***
	26,546,405	**25,109,419**

6. REINSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

Group and Company

	2014	2013
Reinsurance claims and loss adjustment expenses, domestic	25,280,631	16,968,397
Reinsurance claims and loss adjustment expenses, foreign	8,024,054	6,858,895
Change in the provision for incurred but not reported claims	(248,740)	(3,228,392)
Change in the provision for reported but not settled claims	7,340,059	(2,785,495)
Change in the provision for bonuses, discounts and premiums	(960,583)	904,262
Reinsurance claims arising from the insurance contracts issued	***39,435,421***	***18,717,667***
Reinsurance claims recovered from reinsurers	(15,668,435)	(7,019,166)
Change in the provision for incurred but not reported claims	19,170	3,575,479
Change in the provision for reported but not settled claims	(7,120,436)	3,133,383
Change in the provision for bonuses, discounts and premiums	630,911	(333,951)
Reinsurance claims recovered from reinsurers, net	***(22,138,790)***	***(644,255)***
	17,296,631	**18,073,412**

7. INVESTMENT INCOME

Group and Company

	2014	2013
Interest on bank deposits	900,367	788,876
Rent income	247,807	126,625
Dividends	72,414	634,858
Interest on financial assets held to maturity	22,750	-
Income from sales of assets held for sale	-	721,089
Income from sales of financial assets available-for-sale	-	157,884
Other	-	38,056
	1,243,338	**2,467,388**

8. OTHER OPERATING INCOME

Group and Company

	2014	2013
Income from claims on tangible assets	1,764	-
Release of provision for long-term employee benefits, net	-	30,275
Other	3,696	387
	5,460	**30,662**

9. GENERAL AND ADMINISTRATIVE EXPENSES

Group and Company

	2014	2013
Gross salaries	1,657,506	1,702,166
Depreciation (Notes 13 and 14)	507,241	540,149
Services	331,866	450,374
Other employee benefits	267,353	231,453
Memberships	270,529	145,886
Fees to members of Supervisory Board and Audit Committee	123,323	123,323
Bank fees	93,353	62,153
Maintenance	87,362	107,400
Material and energy	80,622	110,085
Advertising and entertainment	55,600	51,587
Donations and scholarships	41,656	9,950
Provisions for other employee benefits	28,652	-
Insurance premiums	22,046	19,261
Taxes	19,777	24,726
Other expenses	5,372	3,095
	3,592,258	**3,581,608**

10. INVESTMENT LOSSES

Group and Company

	2014	2013
Value adjustment of assets held for sale reclassified to investment properties (Note 20)	163,035	-
Write-off of receivables from Bobar banka a.d. u likvidaciji Bijeljina (Note 19)	161.901	-
Recycling of irreversible losses on financial assets available-for-sale	2,856	37,864
Write-off of cash funds with Bobar banka a.d. u likvidaciji Bijeljina (Note 24)	951	-
Other	197	91
	328,940	**37,955**

11. INCOME TAX EXPENSE

Total tax is recognized in the income statement and can be summarized as follows::

	Group 2014	*Group* 2013	*Company* 2014	*Company* 2013
Current income tax	221,104	296,494	221,104	296,494
Deferred income tax	-	-	-	-
Income tax	**221,104**	**296,494**	**221,104**	**296,494**

The taxable income can be reconciled to the profit per the income statement as follows:

	Group 2014	*Group* 2013	*Company* 2014	*Company* 2013
Profit before income tax	**2,742,937**	**2,217,132**	**1,825,666**	**2,064,256**
Income tax expense at 10% - statutory rate	274,294	221,713	182,567	206,426
Effect of non-deductible expenses	41,749	153,267	41,749	153,267
Effect of dividends and share in profits for which taxes have been paid	(94,939)	(78,486)	(3,212)	(63,199)
Income tax	**221,104**	**296,494**	**221,104**	**296,494**
Effective tax rate for the year	**8.06%**	**13.37%**	**12.11%**	**14.36%**

12. EARNINGS PER SHARE

	Group 2014	*Group* 2013	*Company* 2014	*Company* 2013
Net profit available to the shareholders	2,521,833	1,920,638	1,604,562	1,767,762
Average number of ordinary shares during the year	6,471	19,345	6,471	19,345
Basic earnings per share	**389.72**	**99.28**	**247.96**	**91.38**

Diluted earnings per share are not presented as the Company has not issued dilutive equity instruments.

13. TANGIBLE AND INTANGIBLE ASSETS

Group and Company

	Land	Buildings	Equipment and furniture	Electronic equipment	Software	Total
COST						
At 31 December 2012	**95,850**	**5,121,687**	**951,524**	**261,633**	**719,518**	**7,150,212**
Additions	-	-	65,980	31,660	13,864	111,504
Disposals and sale	-	-	(278,415)	(14,859)	(114,416)	(407,690)
At 31 December 2013	**95,850**	**5,121,687**	**739,089**	**278,434**	**618,966**	**6,854,026**
Additions	-	-	102,576	6,827	12,057	121,460
Disposals and sale	-	-	(159,271)	(10,236)	-	(169,507)
At 31 December 2014	**95,850**	**5,121,687**	**682,394**	**275,025**	**631,023**	**6,805,979**
ACCUMULATED DEPRECIATION						
At 31 December 2012	**-**	**480,158**	**750,986**	**189,434**	**599,086**	**2,019,664**
Depreciation charge (Note 9)	-	192,063	109,527	55,556	13,606	370,752
Disposals and sale	-	-	(266,558)	(14,859)	(28,604)	(310,021)
At 31 December 2013	**-**	**672,221**	**593,955**	**230,131**	**584,088**	**2,080,395**
Depreciation charge (Note 9)	-	192,063	82,930	38,705	16,736	330,434
Disposals and sale	-	-	(139,578)	(10,236)	-	(149,814)
At 31 December 2014	**-**	**864,284**	**537,307**	**258,600**	**600,824**	**2,261,015**
NET BOOK VALUE						
At 31 December 2014	**95,850**	**4,257,403**	**145,087**	**16,425**	**30,199**	**4,544,964**
At 31 December 2013	**95,850**	**4,449,466**	**145,134**	**48,303**	**34,878**	**4,773,631**

14. INVESTMENT PROPERTY

Group and Company

	Land	Buildings	Total
COST			
At 31 December 2012	**81,650**	**4,517,245**	**4,598,895**
Changes	-	-	-
At 31 December 2013	**81,650**	**4,517,245**	**4,598,895**
Transfer from the assets held for sale (Note 20)	-	1,185,710	1,185,710
At 31 December 2014	**81,650**	**5,702,955**	**5,784,605**
ACCUMULATED DEPRECIATION			
Balance as of 31 December 2012	-	**474,415**	**474,415**
Depreciation charge (Note 9)	-	169,397	169,397
Balance as of 31 December 2013	-	**643,812**	**643,812**
Transfer from Assets held for sale (Note 20)	-	643,901	643,901
Depreciation charge (Note 9)	-	176,807	176,807
Balance as of 31 December 2014	-	**1,464,520**	**1,464,520**
NET BOOK VALUE			
At 31 December 2014	**81,650**	**4,238,435**	**4,320,085**
At 31 December 2013	**81,650**	**3,873,433**	**3,955,083**

The business premises in Kolodvorska are rented starting from 1 November 2014, and in accordance to IFRS 5, depreciation for the whole period of reclassification has been calculated and the premises are recorded on group "02" – *Tangible assets not directly used in insurance business operations.*

The Management believes that the carrying amounts of investment property recorded at cost less accumulated depreciation and accumulated impairment in the financial statements are approximate to its fair value

15. INVESTMENTS IN ASSOCIATES

The Company's investments in its associates using equity method are as follows:

Company name	Business	Voting Interest %	*Group* 31 December 2014	*Group* 31 December 2013	*Company* 31 December 2014	*Company* 31 December 2013
Triglav osiguranje d.d. Sarajevo	Insurance	29.06	12,244,125	11,679,938	1,418,006	1,418,006
Sarajevostan d.d. Sarajevo	Housing service	22.20	1,507,158	1,477,410	1,337,297	1,337,297
DUF Prof-in d.o.o. Sarajevo	Privatisation fund managing company	35.39	1,744,493	1,423,670	678,529	678,529
ASA osiguranje d.d. Sarajevo	Insurance	20.00	1,262,561	1,260,048	1,200,000	1,200,000
			16,758,337	**15,841,066**	**4,633,832**	**4,633,832**

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

Reporting period date for all associates is 31 December.

Summarised financial information in respect of the Company's associates is set out below:

	31 December 2014	31 December 2013
Total assets	117,806,194	109,804,144
Total liabilities	(58,640,658)	(53,633,249)
Net assets	59,165,536	56,170,895
Group's share of net assets of associates	**16,758,337**	**15,841,066**

Movement in investments in associates can be presented as follows:

	Group	Group	Company	Company
	at equity method		at cost	
	2014	2013	2014	2013
Balance at the beginning of the year	**15,841,066**	**15,488,190**	**4,633,843**	**4,433,832**
Purchase of new shares	-	200,000	-	200,000
Share of net results of associates	917,271	152,876	-	-
Balance at the end of the year	**16,758,337**	**15,841,066**	**4,633,843**	**4,633,832**

16. FINANCIAL ASSETS AVAILABLE-FOR-SALE

Group and Company

Available for sale	Principal activity	Proportion of ownership interest (%)	31 December 2014	31 December 2013
Bosna Sunce osiguranje d.d., Sarajevo	Insurance	5.20	826,800	824,733
ZIF Prof plus d.d., Sarajevo	Investment fund	2.52	541,113	440,658
Osiguratelna Polisa, Skopje, Macedonia	Insurance	4.44	422,404	422,004
Sarajevo osiguranje d.d., Sarajevo	Insurance	1.45	370,656	380,765
Union banka d.d., Sarajevo	Banking	0.62	120,031	55,698
Sava reosiguranje d.d., Ljubljana, Slovenia.d., Sarajevo	Reinsurance	0.001	7,809	4,144
Privredna banka Sarajevo d.d. Sarajevo	Banking	0.023	6,525	7,569
Conny d.o.o., Belgrade, Serbia	Trade	0.43	4,269	4,269
			2,299,607	**2,139,840**

16. FINANCIAL ASSETS AVAILABLE-FOR-SALE (CONTINUED)

Movements in the fair value of shares were as follows:

Group and Company

	2014	2013
Balance at beginning of the year	**2,139,840**	**2,666,574**
Fair value gain / (loss)	139,996	(215,876)
Investments during the year	19,771	-
Sale of investment in Croatia Lloyd dd Zagreb, Croatia – consisting of:	-	(310,858)
- initial cost of investment	-	*(107,072)*
- revaluation effects from previous years	-	*(203,786)*
Balance at end of the year	**2,299,607**	**2,139,840**

17. FINANCIAL ASSETS HELD-TO-MATURITY

Group and Company

	31 December 2014	31 December 2013
The Federation of Bosnia and Herzegovina ("FB&H")	507,702	507,702
	507,702	**507,702**

In 2013 the Company has bought 500 bonds issued by the Ministry of Finance of FB&H, with nominal value of 500 thousands BAM. Those bonds bear annual interest of 4.55%; maturity date is 24 December 2016.

18. DEFERRED ACQUISITION COSTS, NET

Group and Company

	31 December 2014	31 December 2013
Deferred acquisition costs	2,865,623	2,995,682
Deferred reinsurance commission	(1,470,054)	(1,572,635)
	1,395,569	**1,423,047**

19. DEPOSITS

Group and Company

	31 December 2014	31 December 2013
NLB Banka d.d. Tuzla, 7 deposits due in the period from 15 April 2015 to 26 April 2017, bearing interest within the range from 3.30% to 4.70% p.a.	4,665,828	3,234,160
Ziraat Bank BH d.d Sarajevo, 6 deposits due in the period from 25 January 2014 to 18 August 2016, bearing interest within the range from 3.50% to 4.30% p.a.	4,337,762	2,816,331
Intesa Sanpaolo Bank d.d. Bosnia and Herzegovina, 7 deposits due in the period from 28 March 2014 to 17 October 2016, bearing interest with the range from 3.00% to 4.27% p.a.	3,949,524	3,357,494
UniCredit Bank d.d. Mostar, 5 deposits due in the period from 25 April 2015 to 6 February 2016, bearing interest within the range from 3.38% to 3.70% p.a.	3,392,160	2,218,662
Raiffeisen Bank d.d. Sarajevo, 4 deposits due in the period from 25 April 2015 to 21 July 2016, bearing interest within the range from 3.26% to 4.00% p.a.	2,872,190	2,872,190
Bosna Bank International d.d. Sarajevo, 4 deposits due in the period from 18 April 2014 to 23 May 2015, bearing interest within the range from 4.20% to 4.70% p.a.	2,562,137	2,562,137
Sparkasse Bank d.d. Sarajevo, 4 deposits due in the period from 5 March 2015 to 16 December 2016, bearing interest within the range from 2.10% to 3.60% p.a.	1,945,826	2,418,344
Sberbank BH d.d. Sarajevo, 4 deposits due in the period from 15 March 2015 to 24 July 2017, bearing interest within the range from 3.10% to 4.25% p.a.	1,935,370	1,348,159
Bobar banka a.d. u likvidaciji Bijeljina, one deposit deposit on 9 December 2014, bearing interest of 4.30% p.a.	161,901	156,882
Less: Allowance for impairment – Bobar banka a.d. u likvidaciji Bijeljina (Note 10)	(161,901)	-
	25,660,797	**20,984,359**

Deposits include due and accrued interest receivables.

20. ASSETS CLASSIFIED AS HELD-FOR-SALE

The movement within assets classified as held for sales can be presented as follows:

Group and Company

At 31 December 2012	**1.064.516**
Sales – Business premises - Despićeva 4, Sarajevo	(332,029)
At 31 December 2013	**732,477**
Transfer to investment in Investment Property (Note 14)	(541,809)
Subsequently recorded depreciation due to reclassification (Note 10)	(163,035)
At 31 December 2014	**27,633**

After reclassification of business premises in Kolodvorska to investment property qualified as held for sale, remaining amount on assets held for sale as of 31 December 2014 refers to two garages.

21. RECEIVABLES FOR REINSURANCE PREMIUM AND FOR CLAIMS RECOVERED FROM REINSURERS

Group and Company

	31 December 2014	31 December 2013
Reinsurance premium receivables – domestic	14,387,156	16,773,272
Reinsurance premium receivables – foreign	4,303,791	798,440
Receivables for claims recovered from reinsurers	444,106	211,351
Less: Allowance for impairment – Bobar osiguranje a.d. Bijeljina	(14,078)	-
	19,120,975	**17,783,063**

Interest on receivables from customers is not calculated. Before accepting any new customer, the Company uses an internal credit assessment of the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further allowance for credit losses required in excess of the allowance for doubtful debts.

The Company does not hold any collateral over these balances. Valuation and recognition of the allowance for impairment losses, if any, is done on a yearly basis.

Aging of receivables

Group and Company

	31 December 2014	31 December 2013
Undue	11,689,440	9,793,269
1 – 90 days	4,344,318	5,396,467
91 – 180 days	3,080,503	2,587,407
181 – 360 days	6,714	5,920
over 360 days	-	-
	19,120,975	**17,783,063**

22. OTHER RECEIVABLES

	Group	Group	Company	Company
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Commission receivables	145,096	301,002	145,096	301,002
Receivable for sale of asset held for sale	-	1,070,000	-	1,070,000
Other receivables	3,751	2,026	3,751	2,026
Bad and doubtful receivables	120,161	123,376	120,161	123,376
Less: Allowance for impairment of other receivables	(120,161)	(123,376)	(120,161)	(123,376)
	148,847	**1,373,028**	**148,847**	**1,373,028**

22. OTHER RECEIVABLES (CONTINUED)

Changes in allowance for impairment of other receivables can be shown as follows:

Group and Company

	2014	2013
Balance at the beginning of the year	**123,376**	**120,541**
Increase in allowance (recognized within Other expenses)	8,892	2,835
Write offs	(12,107)	-
Balance at the end of the year	**120,161**	**123,376**

23. OTHER ASSETS

Group and Company

	31 December 2014	31 December 2013
Prepaid income tax	68,565	-
Prepaid insurance expenses	11,019	10,361
Other prepaid expenses	2,365	2,665
Advances paid	-	67,918
	81,949	**80,944**

24. CASH AND CASH EQUIVALENTS

Group and Company

	31 December 2014	31 December 2013
Cash with domestic banks - KM accounts	622,107	1,249,489
Cash with domestic banks - foreign currency accounts	39,315	1,624,881
Cash on hand	2,268	1,979
Cash with foreign banks - foreign currency accounts	245	2,664,503
Less: Allowance for impairment – Bobar banka a.d. u likvidaciji Bijeljina (Note 10)	(951)	-
	662,984	**5,540,852**

25. SHARE CAPITAL

Group and Company

	31 December 2014	31 December 2013
19,345 ordinary shares of par value KM 340 each (2013: 3,869 shares of per value KM 1,300 each)	**6,577,300**	**5,029,700**

On XIV General Assembly meeting held on 26 September 2014, the Company adopted the Decision on shares distribution. Shares distribution was carried out in the way that one share was divided into 5 (five) shares and a new nominal value of KM 260.00 per share was determined. The total number of shares after distribution is 19,345. After shares distribution, the total amount of Company's share capital remained the same and amounted to KM 5,029,700 (divided into 19,345 ordinary shares of par value KM 260 each). According to the mentioned Decision, share distribution will not affect the business operations of the Company, shareholders rights and the settlement of liabilities towards creditors of the Company.

25. SHARE CAPITAL (CONTINUED)

On the same meeting, the Decision on increase of share capital by increasing the nominal value of share from KM 260.00 to KM 340.00 was unanimously adopted, leading to increase of the share capital of the Company by KM 1,547,600. Total share capital of the Company after the increase of nominal value of share amounts to KM 6,577,300.

Ownership of ordinary shares is as follows:

	31 December 2014		31 December 2013	
	% share	Share amount	% share	Share amount
Triglav osiguranje d.d. Sarajevo	13.16	865,300	13.16	661,700
Sarajevo osiguranje d.d. Sarajevo	12.28	807,500	12.28	617,500
Euroherc osiguranje d.d. Zagreb, Croatia	10.57	695,300	10.57	531,700
Bosna Sunce osiguranje d.d. Sarajevo	8.24	542,300	8.24	414,700
Union banka d.d. Sarajevo	5.66	372,300	5.66	284,700
UniCredit Bank d.d, Mostar	3.08	202,300	3.08	154,700
Intesa SanPaolo Banka d.d. Bosna i Hercegovina	0.05	3,400	0.05	2,600
Other legal entities	14.24	936,700	10.62	534,300
Private persons	32.72	2,152,200	36.34	1,827,800
	100	**6,577,300**	**100**	**5,029,700**

26. REINSURANCE PREMIUM AND CLAIMS PAYABLE

Group and Company

	31 December 2014	31 December 2013
Claims payable, domestic	6,349,103	7,301,640
Claims payable, foreign	3,399,089	957,217
Reinsurance premium payables	2,471,503	4,648,509
	12,219,695	**12,907,366**

27. REINSURANCE ASSETS AND LIABILITIES

Group and Company

	31 December 2014	31 December 2013
Gross		
Provision for unearned premium	14,910,917	15,332,208
Provision for claims reported but not settled	26,789,420	19,449,361
Provision for claims incurred but not reported	31,545,610	31,794,350
Provision for bonuses, discounts and premiums	165,164	1,125,747
Total insurance liabilities, gross	***73,411,111***	**67,701,666**
Recoverable from reinsurers		
Provision for unearned premium	(5,937,890)	(6,419,481)
Provision for claims reported but not settled	(19,920,630)	(12,800,194)
Provision for claims incurred but not reported	(26,339,969)	(26,359,139)
Provision for bonuses, discounts and premiums	135,956	(494,955)
Total insurance assets, gross	***(52,062,533)***	***(46,073,769)***
Provision for unearned premium	8,973,027	8,912,727
Provision for claims reported but not settled	6,868,790	6,649,167
Provision for claims incurred but not reported	5,205,641	5,435,211
Provision of bonuses, discounts and premiums	301,120	630,792
Total insurance liabilities, net	**21,348,578**	***21,627,897***

28. OTHER LIABILITIES

Group and Company

	31 December 2014	31 December 2013
Liabilities based on commissions	3,116,143	3.494.184
Employee payables	343,613	352,312
Liabilities for withholding tax	32,716	93,168
Liabilities toward suppliers	17,932	68,843
Liabilities for VAT	5,656	43,055
Liabilities for income tax	-	25,104
Advances received	-	8,383
Other	10,123	13,235
	3,526,183	**4,098,284**

Interest is not charged on the trade payables, The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Company has no overdue liabilities nor has given any collateral for their timely repayment.

29. RELATED PARTY TRANSACTIONS

During the year, the Company had the following related party transactions with related parties, who are related due to the Company's investments and respective equity participations. These transactions are related to the reinsurance premium and dividend income earned and claims paid, as well as related assets and liabilities at the reporting period date. The transactions are recorded at fair exchange amount, which is the amount agreed to between the related parties.

	Income		Expenses	
	2014	**2013**	**2014**	**2013**
Triglav osiguranje d,d, Sarajevo	6,652,034	6,948,022	6,637,284	4,458,573
ASA osiguranje d,d, Sarajevo	1,261,046	1,206,804	1,747,205	752,341
Sarajevo osiguranje d,d, Sarajevo	9,786,917	11,593,190	6,463,737	8,773,253
	17,699,997	**19,748,016**	**14,848,226**	**13,984,167**

At year-end the following amounts were due to or due (presented for the Company) from related parties:

	Receivables		Liabilities	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Triglav BH osiguranje d,d, Sarajevo	7,696,036	8,422,750	7,486,934	5,662,142
ASA osiguranje d,d, Sarajevo	1,484,869	1,426,903	1,931,169	1,055,047
Sarajevo osiguranje d,d, Sarajevo	17,470,886	19,083,692	12,296,586	14,145,242
	26,651,791	**28,933,345**	**21,714,689**	**20,862,431**

Management remuneration

The remuneration of directors and other members of key management during the year was as follows:

Group and Company

	2014	**2013**
Management	831,970	853,486
Supervisory Board	107,178	107,178
	939,148	**960,664**

30. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

Insurance risks

The Company signs active reinsurance contracts on the basis of which insurance risk is transferred from its clients - insurance or reinsurance companies to the Company, as well as passive reinsurance contracts for the transfer of insurance risk from the Company to other reinsurance institutions.

The nature of every particular insurance risk is such that it is unpredictable and fortuitous. Reinsurance operations relate to various methods of covering individual risks by means of facultative reinsurance contracts; thus the risk is reflected in the possibility of the realisation of damage whose monetary value cannot be determined before it occurs.

When reinsuring entire portfolios or parts of portfolios of one or several different types of insurance provided by an insurance or reinsurance company, the basic risk arises from the fact that total claims and compensation payments disbursed in accordance to contracts may exceed the amount paid in as premium or the liability commitments for each individual risk, due to recurrence or extent of the damage.

Past experiences have shown that larger portfolios, when reinsured, tend to produce smaller discrepancies from expectation; therefore the Company aims to develop its operations in such a direction as to increase the portfolios of some types of reinsurance by increasing the number of assignors, which contributes to better personal and geographic dispersion which is favourable to the business position of the Company as a regional reinsurance company.

The Company has not been exposed to potentially numerous claims arising from responsibility for the use of asbestos; elimination of asbestos is one of the standard eliminations in the business of the Company. Reinsurance from responsibility (with the exception of responsibility for motor vehicles) and life insurance policies constitute a marginal portion of the Company's total operations, due to the low volume of such reinsurance in the present market.

The basic operations include: reinsurance from accidents. of property, from motor vehicle responsibility – both within the country and "green card" reinsurance – and comprehensive motor vehicle insurance.

The Company transfers excessive risk on to other reinsurance companies. For particular types of insurance the maximum risk exposure is limited through contracts on insurance from excess damage, as well as from cumulative claims, depending on the requirements arising from this particular risk.

31. FINANCIAL INSTRUMENTS

31.1 Categories of financial instruments

Group and Company

	31 December 2014	31 December 2013
Financial assets		
Loans and receivables (including cash and cash equivalents)	45,589,852	45,681,302
Financial assets available-for-sale	2,299,607	2,139,840
Financial assets held-to-maturity	507,702	507,702
	48,397,161	**48,328,844**
Financial liabilities		
At amortised cost	15,707,505	17,005,650
	15,707,505	**17,005,650**

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.2 Financial risk management objectives

The Finance function provides services to the business co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

31.3 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

31.4 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The amounts of the monetary assets and monetary liabilities of the Company at the reporting period date denominated in foreign currencies were as follows:

Group and Company

(amounts in foreign currency)	Assets		Liabilities	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
EUR	17,458,480	12,419,274	2,651,377	2,567,915
USD	24,674	1,258,327	469,867	416,254
GBP	-	-	15,528	-

31.4.1 Foreign currency sensitivity analysis

The Company is exposed to foreign currency risk related to EUR, USD and GBP. The following table details the Company's sensitivity to a 10% increase and decrease in KM against these currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where KM strengthens 10% against the relevant currency. For a 10% weakening of KM against the relevant currency there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

Group and Company

	Gain or loss	
	2014	2013
Effects of change in EUR rate	2,896,018	1,926,758
Effects of change in USD rate	71,605	119,492
Effects of change in GBP rate	3,882	-

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.4 Foreign currency risk management (continued)

31.4.1 Foreign currency sensitivity analysis (continued)

In the Management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk related to change of EUR exchange rate, since in accordance with the Law on Central Bank of Bosnia and Herzegovina the Convertible Mark ("KM") is officially tied to the Euro. Change in the exchange rate would require the amendments of the law and approval by Parliamentary Assembly of Bosnia and Herzegovina.

31.5 Interest rate risk management

The Company is exposed to interest rate risk as it places funds at fixed interest rates. The Company's exposures to interest rates on financial assets and financial liabilities are detailed in liquidity risk management section, Note 31.7.

31.5.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting period date. The analysis is prepared assuming the amount of financial instruments outstanding at the reporting period date was outstanding for the whole year. A 50 basis point increase or decrease (0.5%) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (0.5%) higher/lower and all other variables were held constant. the net result of the Company for the year ended 31 December 2014 would increase / decrease by KM 123,526 (2013: KM 104,738).

31.6 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management Board annually.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

Maximum exposure to credit risk is the carrying value of financial assets presented in financial reports decreased by impairment losses.

31.7 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board which has built an appropriate liquidity risk management framework for the management of the Company's short medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserve, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.7 Liquidity risk management (continued)

31.7.1 Liquidity and interest risk tables

The following table details the remaining contractual maturity of the Company for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

Maturity of non-derivative financial assets

Group and Company	Weighted average effective interest rate	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Total
31 December 2014						
Non-interest bearing	-	12,495,397	7,425,583	8,075	2,299,607	22,228,662
Fixed interest rate instruments	3.84%	602,690	8,430,377	5,842,504	12,269,464	27,145,035
		13,098,087	**15,855,960**	**5,850,579**	**14,569,071**	**49,373,697**
31 December 2013						
Non-interest bearing	-	16,423,491	8,006,690	264,736	2,139,840	26,834,757
Fixed interest rate instruments	3.94%	428	2,375,287	2,474,737	17,917,471	22,767,923
		16,423,919	**10,381,977**	**2,739,473**	**20,057,311**	**49,602,680**

The following table detail the remaining contractual maturity for non-derivative financial liabilities of the Company. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Maturity for non-derivative financial liabilities

Group and Company	Weighted average effective interest rate	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Total
31 December 2014						
Non-interest bearing	-	10,424,006	4,848,976	434,523	-	15,707,505
		10,424,006	**4,848,976**	**434,523**	**-**	**15,707,505**
31 December 2013						
Non-interest bearing	-	8,729,239	3,526,982	4,742,837	6,592	17,005,650
		8,729,239	**3,526,982**	**4,742,837**	**6,592**	**17,005,650**

32. FAIR VALUE MEASUREMENT

32.1 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2014	31 December 2013		
Financial assets at fair value through profit and loss (see Note 16)	Listed equity securities on stock exchanges in Bosnia and Herzegovina: • Bosna Sunce osiguranje d.d., Sarajevo - KM 826,800 • Sarajevo osiguranje d.d., Sarajevo – KM 370,656 • ZIF Prof plus d.d., Sarajevo – KM 541,113 • Union banka d.d., Sarajevo – KM 120,030 • Privredna banka Sarajevo d.d., Sarajevo – KM 6,525	Listed equity securities on stock exchanges in Bosnia and Herzegovina: • Bosna Sunce osiguranje d.d., Sarajevo - KM 824,733 • Sarajevo osiguranje d.d., Sarajevo – KM 380,765 • ZIF Prof plus d.d., Sarajevo – KM 440,658 • Union banka d.d., Sarajevo – KM 55,698 • Privredna banka Sarajevo d.d., Sarajevo - KM 7,569	Level 1	Quoted bid prices in an active market.
	Listed equity securities on stock exchanges in other countries: • Osiguratelna Polisa, Skoplje, Macedonia – KM 422,404 • Sava reosiguranje d.d., Ljubljana, Slovenia – KM 7,809	Listed equity securities on stock exchanges in other countries: • Osiguratelna Polisa, Skoplje, Macedonia – KM 422,004 • Sava reosiguranje d.d., Ljubljana, Slovenia – KM 4,100	Level 1	Quoted bid prices in an active market.
	Listed equity securities on stock exchanges in other countries: • Conny d.o.o., Belgrade, Serbia – KM 4,269	Listed equity securities on stock exchanges in other countries: • Conny d.o.o., Belgrade, Serbia – KM 4,269	Level 2	Discounted cash flow, by considering the last available rate on owned or similar equity securities as yield rate

There were no transfers between Level 1 and Level 2 during the period.

32. FAIR VALUE MEASUREMENT (CONTINUED)

32.2 Fair value of the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the Management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

Group and Company	**31 December 2014**		**31 December 2013**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Loans and receivables:				
- deposits	25,660,797	24,518,493	20,984,359	19,284,682

Group and Company	**Fair value hierarchy as at 31 December 2014**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Loans and receivables:				
- deposits	-	24,518,493	-	24,518,493
	-	**24,518,493**	**-**	**24,518,493**

The fair values of the financial assets included in Level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management and authorised for issue on 18 March 2015.

Zlatan Filipović, Director

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