PRVA GROUP

AUDITED ANNUAL REPORT 2014

CONTENTS

1. INTRODUCTORY WORD FROM THE MANAGEMENT BOARD

In 2014, the Group continued its traditional role of primarily engaging in pension insurance in Slovenia, Macedonia, Serbia and Kosovo. Supplementary pension markets in Macedonia and Slovenia are most important parts of the Group. KB Prvo penzisko društvo AD Skopje is one of two providers on Macedonia’s mandatory pension insurance market. In 2014 the Company grew in line with the market and managed to keep the market share at 52%. In Slovenia there are 11 providers of supplementary pension schemes. Prva osebna zavarovalnica holds more than 27% of the market. Prva managed to maintain the position of largest provider in Slovenian market in terms of AUM and number of policyholders. Both market share indicators were kept on same level in 2014.

The Company in Slovenia, i.e. Prva osebna zavarovalnica, recorded a significant growth also in the insurance sector: In line with the company’s strategy up to 2018, the insurance sector is becoming an ever more important activity as well as a driver of the profit increase. Despite of the fact that Life insurance market as a whole recorded a fall of 3.4%, Prva had recorded 31% increase in gross written premium and 40% increase in number of new life policies. Main product still remains Prva Varnost, which shows that update of this product in 2013 was appropriate and that this is the only product of its kind on Slovenian market. Additionally in 2014 new product was launched, which covers population of 55+ years. With this Prva has concluded a comprehensive list of life insurance products that cover a person from cradle to grawe.

All the companies in the Group reported profits at the end of the year, as well as an increase in the number of insurants, premiums and assets under management. In 2014, the Group reported EUR 3.9 million of gross profit, and 4.5 million of comprehensive income. In addition, the volume of assets under management rose by over EUR 87 million to EUR 590 million, which is 17.3% more than in 2013. Moreover, the total number of the Group's insurants surpassed the milestone of 400.000, as the Group ended the year with 412,938 insurants.

In 2015, we expect to achieve even more milestones, including surpassing EUR 600 million in Asset under management, out of which Macedonia will surpass EUR 300 million and at the same time the boundery of 200 thousand insurees. In addition, we expect to obtain the confirmed rules of management from Insurance supervision agency in Slovenia that base on the pension plans confirmed by the Ministry of labour, family, social affairs and equal opportunities. This is crucial since it would enable the company to introduce the urgently needed life cycle funds.

Alenka Žnidaršič Kranjc
President of the Management Board

2. THE ACTIVITIES OF THE COMPANY AND THE GROUP AND ITS DEVELOPMENT

Prva Group - Skupina Prva, zavarovalniški holding, d.d. (formerly Prva pokojninska družba d.d.) is an insurance holding in which 3 pension companies, 1 insurance undertaking and 1 company in the process of acquiring licences for pension insurance of a sister company, operated in 2014.

The Company's activity includes holding operations in insurance and pension funds.

Ernst & Young was appointed the auditor of the Company.

Prva Group - Skupina Prva, insurance holding company, plc. is a public limited company set up for an indefinite period of time.

In 2014, the following enterprises operated within the Group: Prva osebna zavarovalnica d.d. in Slovenia, KB Prvo in Macedonia, DDOR Garant in Serbia, FSKP in Kosovo, and Prva zavarovalniško zastopniška družba, d.o.o. in Slovenia.

Prva Group - Skupina Prva, insurance holding company, plc. compiled consolidated financial statements under IFRS for the Group, which includes five subsidiaries. The consolidated financial statements are based on the original financial statements of the enterprises included in consolidation, inclusive of the necessary consolidation adjustments which, however, are not subject to posting in the financial statements of the enterprises included in consolidation. In the financial statements, subsidiaries are accounted for under the acquisition method. The report includes presentation of the operations of the long-term business funds managed by the subsidiaries.

Prva Group does not have any branch offices either in Slovenia or abroad.

In the Annual Report, Skupina Prva plc. is referred to as Skupina Prva, Prva Group or the Company, whereas Skupina Prva Group is referred to as Skupina Prva Group or the Group.

3. COMPANY BODIES

The Company's bodies consist of the General Assembly, the Supervisory Board, the Management Board, and the Audit Committee.

The General Assembly of the Company is comprised of legal entities and natural persons, holders of the Prva Group plc. shares.

The Supervisory Board consists of four members. All are representatives of the capital.

The Management Board represents and presents the Company. Dr Alenka Žnidaršič Kranjc is the President of Management Board.

The owners of the Company have the right to change the financial statements after their approval by the Management Board.

The registered seat of the Company:

Skupina Prva d.d. (Prva Group plc.)
Ameriška ulica 8
1000 Ljubljana
Slovenia

3.1. REPORT ON THE WORK OF THE SUPERVISORY BOARD OF PRVA GROUP

The four-member Supervisory Board performed its duties and tasks in accordance with provisions of the Insurance Act, Companies Act, Articles of Association, and Rules of Procedure of the Supervisory Board in 2014. In 2014, the Supervisory Board was composed of Nicholas Andrew Lindsay Stuart (Chairman), Jože Mermal, Andreea Moraru and Tanja Tuš.

In 2014, the Supervisory Board monitored and discussed the operations of the Company and the work of the Management Board in two regular sessions and two conference calls. It carried out the legally prescribed supervision of the Company's operations and supervised the implementation of the resolutions adopted in previous sessions and at the General Meetings of the Company.

In 2014, the work of the Supervisory Board further consisted of addressing the Annual Report of Prva Group, insurance holding company, plc., for 2013, forming the opinion of the Supervisory Board on the Annual Report for 2013, addressing the Auditor's Report for 2013, and Reports of the Audit Committee for 2014, drafting a proposal for the General Meeting to nominate the company's auditor for 2014, addressing and adopting the Business Plan for 2015, and ongoing supervision of all the Company's operations and the comparison of the objectives realised with those planned.

At its last session in 2014 and with an outlook on the future operations of the Company, the Supervisory Board adopted the Business Plan for 2015 and was informed of the plans of all the subsidiaries for 2015.

The Supervisory Board was informed about the decisions of the supervisory bodies in a timely fashion and monitored their implementation.

The Supervisory Board reviewed the Annual Report on the Prva Group plc. for 2014 and had no objections to the report. On the basis of the monitoring and supervision of the Company's operations, it has established that the Company followed its set objectives. The Supervisory Board had no objections to the opinion of the audit company.

The Supervisory Board hereby approves the Annual Report of Prva Group, insurance holding company, plc. for 2014 and will propose it for adoption at the General Meeting.

Ljubljana, 14 May 2015

Nicholas Andrew Lindsay Stuart
Chairman of the Supervisory Board

3.2. Statement of the responsibility of the Management Board

The Management Board approved the publication of the financial statements, accounting policies used and notes to the financial statements on 16 April 2015.

The Management Board is responsible for preparing the annual report which represents a true and fair view of the Company's and the Group's financial position and of their financial results for the year 2014.

Members of the Management Board and the Supervisory Board confirm that the Annual Report of Prva Group, insurance holding company, plc., and its integral parts, inclusive of the corporate governance statement, have been compiled and published in accordance with the Companies Act and International Financial Reporting Standards, as adopted by the EU.

The Management Board is responsible for the preparation of the annual report of Prva Group, insurance holding company, plc., including the financial statements and consolidated financial statements and notes thereto that give a true and fair presentation of the financial position of the Company and the Group.

The Management Board confirms that the financial statements of the Company and the Group have been compiled under the assumption of a going concern, that the appropriate accounting policies have been consistently applied, and that any changes in these have been disclosed, and that accounting estimates have been made based on the principle of prudence.

The Management Board is also responsible for the adoption of measures to secure the assets of Prva Group, insurance holding company, plc., and to prevent and detect fraud and other irregularities and/or illegal acts.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and levies. The Management Board is not aware of any circumstances that may result in a significant tax liability.

Ljubljana, 16 April 2015

Alenka Žnidaršič Kranjc
President of the Management Board

3.3. Corporate Governance Statement

1. The Company applies the Corporate Governance Code for Public Limited Companies adopted by the Ljubljana Stock Exchange, the Association of Supervisory Board Members of Slovenia and the Association of Managers on 18 March 2004 as amended and supplemented on 14 December 2005 and 5 February 2007. The revised Corporate Governance Code was adopted on 8 December 2009. The Corporate Governance Code was published in the Official Gazette of the RS no. 44/2004 on 28 April 2004 and is available on the web sites of all three signatories.

2. The Company complies with the obligatory provisions of the Code.

3. Within the framework of the internal control system and risk management related to the financial reporting process, special attention is devoted to:

- Identifying important business events that have a direct or significant impact on the financial reporting;
- Accounting categories and individual accounts and the related processes;
- Regular updating the documenting of the business processes flow;
- Assessing the results and eliminating the weaknesses identified in the planned or existing internal controls.

4. Company rules regarding appointment and replacement of members of the Management Board and the Supervisory Board are specified in the Articles of Association. All amendments to the Articles of Association are adopted by a majority of no less than 75% of the share capital represented.

5. The Management Board convenes the General Meeting of Shareholders at least one month in advance. Usually, it is convened at the head office of the Company. The competences of the General Meeting of Shareholders are stipulated in the Companies Act (ZGD-1). The General Meeting decides with a majority of votes cast by the share capital represented. Shareholders can exercise their rights at the General Meeting either in person or by proxy. Shareholders' rights are specified in the Articles of Association and legislation.

6. The managing and corporate governance of the Company are conducted under a two-tier system based on statutory provisions, Articles of Association, internal rules and the established and generally accepted good business practices.

Ljubljana, 16 April 2015

Alenka Žnidaršič Kranjc
President of the Management Board

4. SHARE CAPITAL AND SHAREHOLDERS

The Company's share capital amounts to EUR 13,386,247 and underwent changes in 2014, which are detailed in section 21: Equity.

The owners of Prva Group, insurance holding company, plc. are successful Slovenian companies, a foreign bank, members of the Supervisory and Management Boards and other shareholders, as well as companies that have included their insurants in one of the pension schemes of Prva osebna zavarovalnica, d.d. The ultimate parent company of Prva Group, insurance holding company, plc. is A-Z Finance d.o.o.. A-Z Finance was founded in 1998 and is 100% owned by Alenka Žnidaršič Kranjc.

Table 1: Ten largest shareholders of ordinary and preference shares of Prva Group, plc. as at 31 December 2014

Name of shareholder/ordinary shares	Holding as at 31 December 2014 in %
DEJ d.o.o.	50.20%
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	20.00%
KYMAH LIMITED	12.22%
BTC d.d.	4.16%
ADRIATIC SLOVENICA D.D. KOPER. KRITNI SK	3.10%
PRVA OSEBNA ZAVAROVALNICA D.D. - KS3	1.91%
PRVA OSEBNA ZAVAROVALNICA D.D. - KS4	1.26%
PRVA OSEBNA ZAVAROVALNICA D.D. - KS2	0.98%
OMEGAT d.o.o.	0.90%
PRVA OSEBNA ZAVAROVALNICA D.D. - KS1	0.59%
10 MAJOR SHAREHOLDERS	**95.29%**
OTHER LEGAL ENTITIES	2.28%
OTHER NATURAL PERSONS	2.43%
TOTAL AS AT 31 DECEMBER 2014	**100.00%**

Name of shareholder/preference shares	Holding as at 31 December 2014 in %
PRVA OSEBNA ZAVAROVALNICA D.D. - KS3	15.02%
PRVA OSEBNA ZAVAROVALNICA D.D. - KS4	11.28%
PRVA OSEBNA ZAVAROVALNICA D.D. - KS1	11.26%
PRVA OSEBNA ZAVAROVALNICA D.D. - KS2	8.23%
CIMOS d.d.	7.35%
NFD 1. mešani fleksibilni podsklad - Jug	5.88%
FACTOR BANKA d.d.	5.88%
SKUPNA POKOJNINSKA DRUŽBA D.D.. LJUBLJANA	4.61%
Sava Re d.d.	4.04%
SALONIT ANHOVO. d.d.	3.79%
10 MAJOR SHAREHOLDERS	**77.34%**
OTHER LEGAL ENTITIES	16.88%
OTHER NATURAL PERSONS	5.78%
TOTAL AS AT 31 DECEMBER 2014	**100.00%**

Source: The Share Register of Prva Group plc.

46 legal entities or natural persons are owners of class A ordinary shares. The largest shareholders among them are Dej d.o.o. with a 50.20% share, EBRD with a 20% share, Kymah Limited with a 12.22% share, and BTC with a 4.16% share. The others own 13.42% of ordinary shares.

B Class shares are owned by 67 legal entities or natural persons. The largest stake is owned by Prva osebna zavarovalnica d.d. – KS3 in the amount of 15.02%, followed by Prva osebna zavarovalnica d.d. – KS4 with an 11.28% share, Prva osebna zavarovalnica d.d. – KS1 with 11.26% share and Prva osebna zavarovalnica d.d. – KS2 holding an 8.23% share. The others own 54.21% of preference shares.

At the end of 2014, the Company does not possess any authorised capital for the payment of shares.

5. THE ECONOMIC ENVIRONMENT

5.1. MACROECONOMIC ENVIRONMENT

Economic crisis raging in Europe managed to stay centre stage in 2014. Nevertheless, also some notable success stories were seen in the same period. Such a situation yet again pointed out the vast structural problems of some (overly indebted) EU countries. Therefore, it is safe to say that the year 2014 was full of mixed messages, but with a positive spin at the end. It comes as no surprise that austerity measures were yet again a phrase we kept on hearing about and even more so, how the strategy is not working for everyone. Mostly in context with Germany on one and Greece on the other side of the argument with the later yet again beginning a fresh cycle of debt terms negotiation. Among other staples, we also found debates surrounding the role of UK in the EU, whether UK needs to be a part of EU, unemployment levels in Italy and Spain as well as some minor political instability in several other countries.

USA at the same time had a predominantly good year where the economy expanded in 2014, despite the negative growth of 2.4% GDP in the first quarter of the year. The country achieved good marks in all major macroeconomic indicators with any short-term importance chief amongst them being steadily falling unemployment. Along with the soaring stock markets, such a situation convicted FED to announce a gradual end to the quantitative easing policy they have been driving for so long (the time for key interest rate hikes is also getting nearer and nearer).

In 2014, we also saw some activity in Japan, where the central bank has taken an even more active role in expanding their QE programme, although the results are mixed. Emerging markets have not behaved homogenous, with most of them missing the analysts' expectations of economic growth. Beyond their own specific problems that include unstable currencies, emerging market economies were also hit by volatile commodity prices. We also witnessed escalation of the Crimea situation in Ukraine with the region later being annexed to Russia as well as China successfully achieving the lowest GDP growth in 24 years with it being closer to the goal growth at 7.4%. The fastest growing emerging market superpower thus officially became India.

The mentioned commodity market volatility manifested itself predominantly in the second half of 2014 with oil prices more then halving to some 53 USD a barrel. Reasons behind the dynamic can besides speculative and geopolitical reasons that can mostly be attributed to long debated demand fall (emerging markets struggling with their economic recovery) on one hand and the rising supply on the other (with US strategic reserves reportedly almost maxing out in early 2015).

Outlook for the 2015 seems to be favouring general conditions in USA with more then 4 years of rising employment combined with relatively low export set to improve domestic consumption. With low oil prices the disposable income of the vast majority notably improves, further driving the economic growth. Even from a market standpoint, the macroeconomic indicators in US (especially unemployment levels) coupled with absence of other short-term problems (social problems and tax inequalities can wait) there are no noticeable hurdles to prevent market indices from completing yet another consecutive year in the green. Another bonus for the US economy are inflationary pressures in Europe and consequent low yields of EUR denominated bonds which to some extend limits US borrowing costs. The favourable conditions in USA however do not translate into European markets being any less attractive for investors. Quite the opposite is true due to ECB monetary policy changes (QE) that should translate into a couple of good years for EUs main stock indices.

Table 2: Main Economic Indicators - Slovenia:

	2011	2012	2013					2014 estimate				2015 forecast			
				4Q 13	*1Q 14*	*2Q 14*	*3Q 14*	IMAD	BS	IMF	EC	IMAD	BS	IMF	EC
Real BDP (YoY %)	0.7	-2.6	-1.0	*2.1*	*2.1*	*2.9*	*3.2*	2.5	1.6	1.4	2.6	2.0	1.3	1.4	1.8
Cur. Acc. (% BDP)	0.4	2.8	5.8	*5.4*	*4.2*	*5.7*	*6.5*	5.5	5.2	5.9	5.9	5.6	4.8	5.8	6.7
Debt/ BDP	46.2	53.4	70.4	70.4	77.1	78.3	78.1	82.2			82.2				83.0
				09 14	*10 14*	*11 14*	*12 14*								
CPI (YoY %)	1.8	2.6	1.8	*-0.3*	*-0.1*	*-0.2*	*0.2*	0.3	0.5	0.5	0.2	0.6	0.7	1.0	-0.3
Unemplo. (%)	11.8	12.0	13.1	*12.3*	*12.6*	12.5	13.0	13.1		9.9	13.9	13.0		9.5	9.5
Budget (% BDP)	-6.4	-4	-14.7					-4.4			-5.4	-2.8			-2.9

Judging by the reported growth, the economic environment in Slovenia improved in 2014 as the country is officially out of recession. Yet, in contrast with US, the Slovenian job market remained staled with much the same levels, as we have seen throughout the second half of 2013. Following five straight quarters of growth and a 1% decrease in the year 2013 official data states that gross domestic product increased by 2.5% in 2014, which is the highest recorded annual growth since 2008. Most analysts agree that we are heading for growth deceleration in 2016, which is still a vast improvement considering the consensus of about a year ago which pointed at recession continuing throughout 2015 and 2016.

It is not unusual for such an economy that the economic growth in the first part of the economic recovery is mostly a result of the improved export and a hike in investments with virtually no improvements in other GDP components as of yet. Inflation remains low with hardly any price growth in 2014 (0.2%), where excluding the effect of the excise duties on fuel actually results in a price deflation of 0.7%.

Pessimistic IMAD forecasts have also not come true in regards of further unemployment growth as the unemployment level (after a brief hike to 14.2% in the first months) fell from about 13.5% at the end of 2013 to the yearly low at 12.3% in September, followed by a slightly rise to 13% at the end of the year. On a positive note, results of the latest ESS survey of employers view for the 2015 predict a 0.5% higher employment levels.

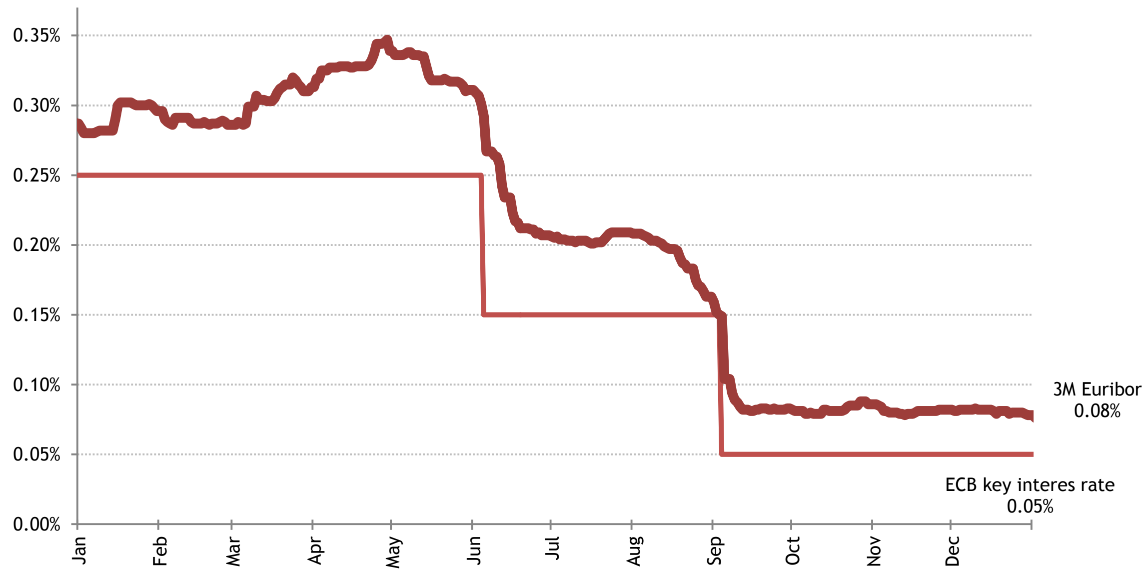
6. CAPITAL MARKETS

6.1. MONETARY MARKETS AND INTEREST RATES

ECB trend of setting record low key interest rates that started in 2012 did not disappoint in 2014 either. Monetary policy maker gradually decreased interest rates three times since the start of 2012 (when the rate was set to 1%) to 0.25% at the start of 2014. After two further decreases in June and September, the key interest rate was set at the current 0.05%. This was not unexpected at all as Mario Draghi hinted heavily to this in the previous years, however there was also heavy speculation that quantitative easing programme would be introduced in 2014 (instead it was officially announced at the start of 2015).

Similarly, Euribor achieved record lows, despite a slight increase in the second quarter of the year.

Graph 1: Key interest rate trend of the ECB and 3 M Euribor in 2014



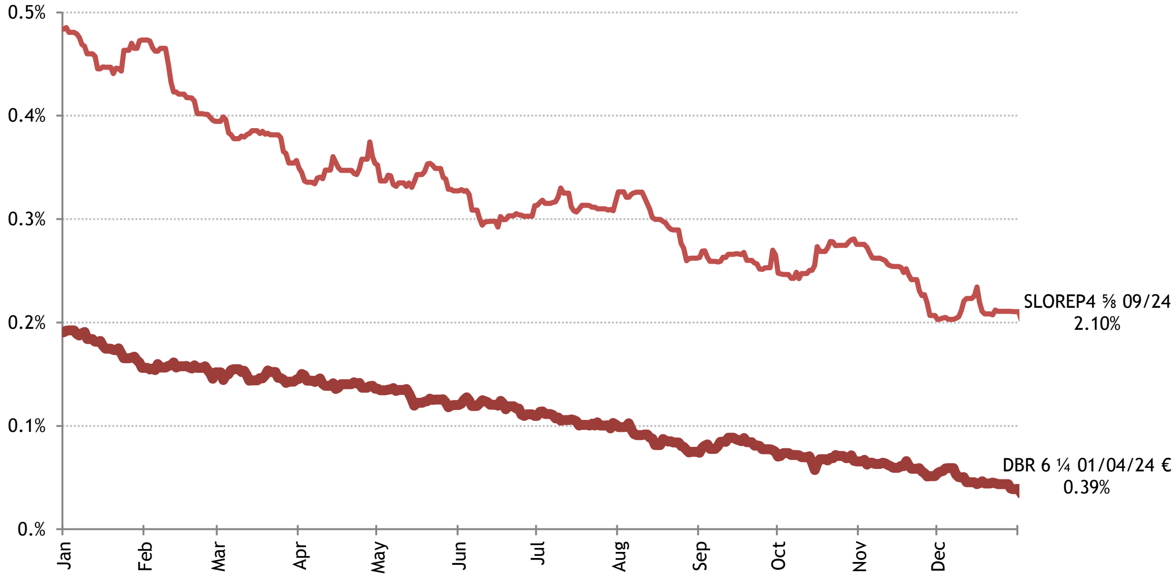
Source: Bloomberg

6.2. BOND MARKETS

The chart below encompasses only two government bonds, yet it pretty much sums up bond trends of 2014. In accordance with the inflationary pressures, the interest rate plummeted (especially Euro denominated ones) over the course of the year. German government bond with maturity in early 2024 started the year yielding about 1.9% to the investor but ended the year at just 0.4% market yield. Due to some inherit risks and recent instabilities, the Slovenian yield curve has seen shifts that are even more dramatic. The Slovenian bond maturing in 2024, presented in Graph 2, continued the trend from the last quarter of 2013 and ended the year with yield to maturity at just over 2%. Not even some prolonged domestic problems (political instability, unemployment levels etc.) managed to sway the trend, as Slovenia did not face any problems in regards to liquidity or access to funding last year.

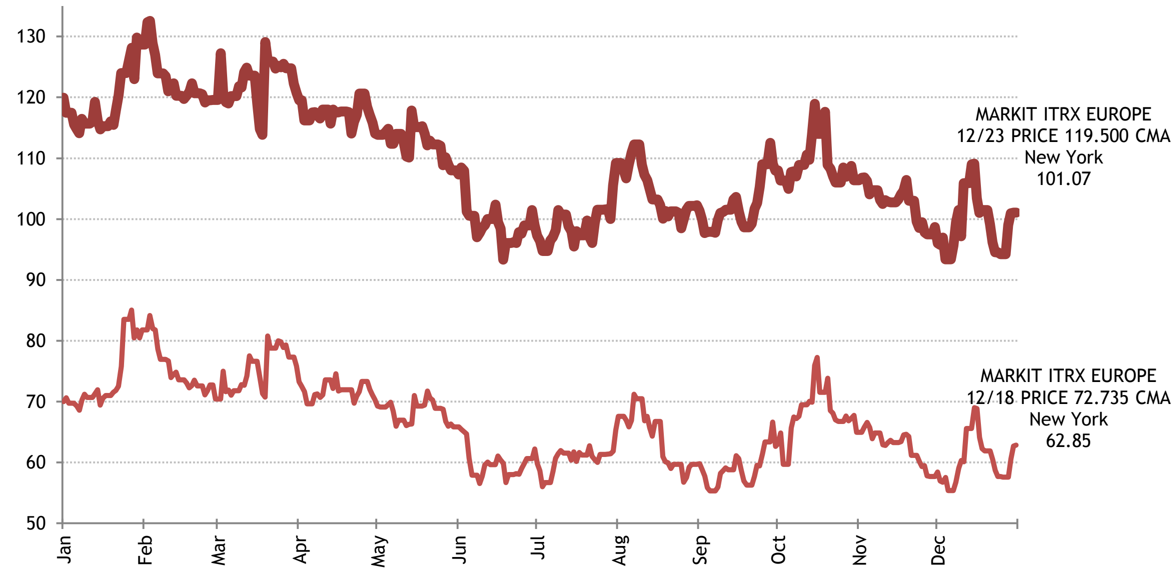
As the only agency with a speculative grade rating for Slovenian government bonds, Moody's stuck with their Ba1 rating thorough the 2014 but raised it a notch to Baa3 in early 2015, rising the grade back to investment grade joining Standards & Poor's (A-) and Fitch (BBB+).

Graph 2: Rate of return trend of Slovene and German 10-year state bonds in 2014



Source: Bloomberg

Graph 3: Risk premium trend of 5- and 10-year corporate bonds in 2014



Source: Bloomberg

6.3. STOCK MARKETS

The bullish market of 2013 had some momentum left for the 2014, though the end results were a bit less green. We were disappointed with the overall performance of the main indices from the old continent as we were left with single digit gains (Euro Stoxx 50 +1.2%, DAX +2,7%) instead of some 20% gains from the preceding year. In addition, FTSE 100 even lost 2.7% YoY. Overseas the main three indices offered better returns at around 10%

(S&P 500 gained 11%, DJIA 8%, NASDAQ Composite 13%), but were also missing high-set watermarks from the previous year. Worth noting is the Japanese Nikkei 225 that offered its investors a +7% increase last year and Indian BSE SENSEX 30 that soared 30%.

Slovenian index SBI TOP grew on a yearly basis for the third consecutive year in 2014 ending the year just shy of 20% higher.

Table 3: Market capitalisation of the Ljubljana Stock Exchange

in million €	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
EQUITY MARKET	*7,028*	*4,873*	*4,911*	*5,173*	*6,214*
Prime Market	*4,714*	*3,696*	*3,992*	*4,487*	*5,217*
Standard Market	*1,499*	*578*	*318*	*235*	*581*
BOND MARKET	*13,193*	*14,459*	*12,736*	*13,956*	*17,520*
FUND MARKET	*107*	*20*	*17*	*14*	*/*
CLOSE-END FUND MARKET	*159*	*/*	*/*	*/*	*/*
TOTAL	***20,486***	***19,352***	***17,644***	***19,143***	***23,734***

Source: LJSE

Graph 4: SBITOP index in 2014

Source: Bloomberg

Graph 5: DAX 30 index in 2014

Source: Bloomberg

Graph 6: S&P 500 index in 2014

Source: Bloomberg

6.4. Commodity markets

After 12 years of consecutive growth, gold finished the second year in a row at a lower level then it started it, although it remained roughly unchanged in 2014 at about 1,200 USD per ounce loosing only 1%. More notably, the bull scenarios surrounding a fall in demand from emerging markets and more or less unchanged supply of oil came true, which resulted in oil prices loosing 45% in the second half of the year. The general S&P GSCI Total Return index mimicked the oil price movements loosing a third of its value in the last six months.

Graph 7: Commodities index S&P GSCI Total Return in 2014

Source: Bloomberg

Graph 8: Gold spot price in 2014

Source: Bloomberg

Graph 9: CL1 oil price in 2014

Source: Bloomberg

7. FINANCIAL RESULT OF THE COMPANY AND THE GROUP

The Company ended the 2014 financial year with a net profit of EUR 1,055,841, primarily as a result of the investment part of operations. In the same period, the Group recorded a net profit of EUR 3,905,143.

Table 4: Key financial indicators of Prva Group plc. and the Group

	Prva Group		The Group	
	2014	2013	2014	2013
Net premium income	0	0	11,368,005	8,568,697
Net claims costs	0	0	-3,441,179	-2,154,811
Costs of acquiring insurants	0	0	-3,430,979	-2,725,420
Profit before tax	1,105,841	450,597	4,090,845	261,278
Net profit	1,055,841	717,000	3,905,143	580,575
Income tax	-50,000	266,403	-185,702	319,297
*Assets under management**	-	-	589,543,883	503,065,943
Number of policyholders	-	-	412,938	392,351
Net increase in the number of policyholders	-	-	20,587	27,863
Average annual premium	-	-	180	194
Management fee	-	-	0.87%	0.93%
Yields of funds (attributed weighted average)	-	-	7.70%	4.03%
Capital				
ROE from operations			8.07%	8.97%
ROE from investments			5.72%	-7.99%
Total ROE			13.80%	2.19%
Number of employees on the last day of the year			108	109

** Sum of balances in disclosure: Assets from financial contracts (Disclosure 18, table 38) in the amount of EUR 237,782,919; assets from pension annuities in disclosure of technical provisions (Disclosure 22, Table 48) in the amount of EUR 10,855,376 and in disclosure of off balance sheet liabilities of the Company (Disclosure 26, Table 55) in the amount of EUR 334,402,316; assets of unit-linked insurants in the amount of 1,458,080 (Statement of the financial position of the Company); the assets for covering other technical provisions in the amount of 4,943,939.*

8. INFORMATION TECHNOLOGY

Through close monitoring, developing and implementing of new information technology solutions, enterprises in the Group successfully enhanced their data security and business process with implementing Business continuity plan.

9. ORGANISATION AND PERSONNEL

Based on the hours worked, Prva Group, insurance holding company plc. had an average of 1.2 employees in 2014. The number of employees varies depending on the requirements in a specific period. As at the last day of 2014, 1.2 person was employed in the Company. As on 31 December 2014, the Group employs 108 employees (109 on 31 December 2013).

Table 5: The number of employees by level of education as at 31 December 2014

Organisational unit	Headcount
Management Board	0.2
Analytics	1
Total	**1.2**

Professional education level	Headcount
PhD	0.2
University degree	1
Total	**1.2**

10. RISK MANAGEMENT

- Risk management is an integral part of all business process of the Group and the Company.
- A detailed description of the risk management process is included in Sections 28 to 30 of the financial report.

Risk management has become an integral part of all business process, based on clear and specific organisation and well-thought processes, responsibilities and authorisations of individual functions and committees. Risk management provides for the control and management of uncertainties stemming from business opportunities, which is of fundamental importance for superior business decisions and consequently improved performance results.

10.1. MANAGEMENT OF CAPITAL AND CAPITAL ADEQUACY

The primary goal of capital management is to ensure sufficient and appropriate capital adequacy of all companies within the Group.

Pursuant to the current Slovene legislation, capital is measured in terms of its availability to comply with regulatory capital requirements at the level of individual insurance companies as well as at the level of the Group.

10.2. FINANCIAL RISK

In managing assets of guarantee funds and financing operations we are exposed to the following core risks as part of the capital and capital adequacy management:

- Risk of changes in prices of securities and fluctuation of interest rates
- Credit risk and
- Liquidity risk.

When forming the investment policies of individual long-term business funds, we consider the nature and characteristics of an insurance company's liabilities as we aim to achieve optimum spread of assets and an optimum return.

10.3. INTEREST RATE RISK

Interest rate risk is the risk of fluctuating market interest rates impacting the value of interest-sensitive assets, bonds and other debt securities whose value is sensitive to the interest rate fluctuation. In the event of interest rates increase, the value of debt securities usually falls. On the other hand, in the event of a fall in interest rates, the value of debt securities usually increases. Interest sensitivity of debt securities is usually increased though prolonged maturity periods, reduced absolute level of interest rate in the economy, and lower instrument coupon.

Interest rate risk is managed primarily through balancing of investment maturities (debt financial instruments) restructuring of investments from debt financial instruments at fixed interest rate to debt financial instruments with variable rates of interest, maturity balancing, and average modified duration of debt financial instruments while considering anticipated changes in interest rates, and the use of derivatives.

10.4. RISK OF CHANGES IN SHARE PRICES

The Company and the Group manage the risk of changes in prices of its portfolio securities through setting limits of acceptable exposure and through spread of investments both geographically and industry-wise. The security portfolio is comprised primarily of debt securities and as a result of this diversification, the risk of changes in prices of securities is further mitigated. Another important factor affecting investment decisions is the liquidity of securities.

10.5. LIQUIDITY RISK

Liquidity risk is the risk that due to limited liquidity of investments on securities market, the Company or the Group will not be able to trade an individual investment or trade the investment at significantly unfavourable conditions (primarily pricing conditions) than those at which the investment was valued. The risk or threat of imbalanced liquidity or imbalances between maturities of assets and liabilities may result in liquidity issues i.e. lack of monetary assets needed for the settlement of liabilities on maturity.

Liquidity risk is minimised through balancing investments' liquidity (liquidity is measured in terms of the issue's volume and the gap between its cost and its selling price), considering individual capital market's liquidity, and regular monitoring of the dynamics of inflow and outflows of portfolio assets, as well as by balancing the required additional liquidity assets under the ALM principle.

10.6. CURRENCY RISK

Currency risk is the risk of changes in foreign currency exchange rates impacting the value of the local currency investments, which are denominated in a foreign currency.

Our exposure to currency risk is only minor as most of our assets are invested in the euro.

Of other currency exposures, major exposure risk derives from currencies of the former Yugoslav countries.

Currency risk is mitigated predominantly through balancing of the assets and liabilities currency structure, by selecting investments in foreign currencies whose exchange rates in comparison with the local currency on average fluctuate in opposite directions (appropriate currency spread), and by use of derivatives.

10.7. CREDIT RISK

Credit risk, as one of the most significant financial risks is the risk of the counter party or the issuer of a financial instrument held by long-term business funds or the Company, failing to fulfil its obligations in full amount either on maturity or subsequently. It also includes the risk of a reduction in the value of securities as a consequence of increased probability of default, which is usually reflected in the reduction of the credit rating of the issuer's debt instruments.

A subgroup of the credit risk is the settlement risk, which is the risk of loss due to the process of payments between two or more parties in the settlement systems failing to proceed as expected or as agreed. This occurs mostly on exchange of assets when one of the parties to the settlement fails to settle its liabilities to one or several creditors after they had already fulfilled their individual obligations.

Credit risk is measured through daily monitoring of the issuers' operations or those of counter parties, to which the funds or the Company are exposed to in the form of deposits or receivables on account of derivative financial instruments. As part of the business performance monitoring, credit ratings, direction of changes in credit ratings, the volume of share capital of these entities, their performance result etc. are monitored particularly closely.

In addition, the basis for determining the risk of counter party default includes the contractual relationship between the Company and its counter party or the issuer, regulatory provisions, Rules of Procedures of the Central Securities Clearing Corporation in relation to transaction settlement, and rules on compliance with obligations on organised markets on which financial instruments are traded.

Settlement risk is managed by following high quality standards of business partners, their services and payment discipline, which are monitored during the business relationship duration.

10.8. Operational risk

Operational risk is the risk of a loss, including a legal risk, arising due to the following circumstances:

- inadequate or inaccurate performance of internal processes
- other inappropriate conduct of persons belonging to the internal business sphere of the legal entity
- inadequate or inaccurate operation of systems belonging to the internal business sphere of the entity, or
- other external events or actions.

Examples of operational risks include: external criminal activities, strategic risk, natural disasters, internal control system, process management, terrorist attacks and war, information technology infrastructure, software applications, legal risk, risk of loss of reputation, human error etc.

Operational risk is managed through well-defined investment process including internal and external controls, which minimise the likelihood of losses arising from operational risk. In the event that in spite of a well establishes system of preventative measures and rules a loss event occurs stemming from operational risk, the Company applies a system of specific corrective measures, aimed at mitigating and annulling the loss at the earliest opportunity.

10.9. Future plans

In the next few years, the Group will consolidate its vision of becoming the strongest provider of pension insurance in the region, with a minimum 25-percent market share on all markets on which the Group operates. Through the growth in the pension insurance, we will expand our business to life insurance on those markets, where we have competitive advantages due to our presence as the provider of pension insurance services. Life insurance development will be based on the development of pension annuities and innovative life insurance products that are available to a wider circle of individuals.

The Group expects to have over 430 thousand insurants by the end of 2015, more than EUR 600 million assets under management and over EUR 85 million of insurance premium. The consolidated profit for 2015 is planned at EUR 3.7 million. In line with the adopted strategy for 2014-2018, we expect to increase the number of insurants to nearly 550 thousand and surpassing the 1 billion threshold in assets under management in the next five years.

In the next years, we aim to focus our operations on existing markets. The major growth in assets under management is expected to be recorded in our subsidiary KB Prvo, Macedonia, whereas the Prva osebna zavarovalnica d.d., Slovenia expects to record growth primarily in its share of life insurance. Stable growth and increase in the profits are planned in subsidiaries DDOR Garant in Serbia and FSKP Kosovo.

Therefore, despite deteriorated economic conditions we remain committed to growth and progress.

10.10. Significant subsequent events

No events or circumstances occurred after the reporting date that would have an impact on the financial statements for the year ended on 31 December 2014.

11. INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the owners of Prva Group d.d.

Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of Prva Group d.d. and the consolidated financial statements of Group Prva Group, which comprise the statement of financial position and consolidated statement of financial position as of December 31, 2014, and the income statement and consolidated income statement, statement of other comprehensive income and consolidated statement of other comprehensive income, statement of changes in shareholder's equity and consolidated statement of changes in shareholder's equity and cash flow statement and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of separate and consolidated financial statements accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of 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 separate and consolidated 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 separate and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate and consolidated 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 separate and consolidated financial statements present fairly, in all material respects, the financial position of Prva Group d.d. and Group Prva Group as of December 31, 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements
Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited separate and consolidated financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the separate and consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited separate and consolidated financial statements.

Ljubljana, April 17, 2015

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Primož Kovačič
Certified Auditor

12. FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

12.1. INCOME STATEMENT

EUR	Notes	Prva Group 2014	Prva Group 2013	The Group 2014	The Group 2013
Net premium income	1.1	0	0	11,368,005	8,568,697
Other insurance income	1.2	344,100	254,476	7,342,899	7,053,105
Revenue from financial assets					
Interest income	2.1	68,240	120,920	1,415,870	1,450,098
Interest expense	2.2	0	0	-697	0
Dividend Income	3	1,231,002	2,173,876	161,618	347,366
Net foreign exchange differences	4	0	0	133,039	-13,771
Net gains/losses from disposal of investments	4	-140,043	70,775	61,211	81,906
Revaluation operating revenue (net)	4		0	49,715	67,664
Impairment loss	4	-128,756	-1,899,829	-133,815	-4,053,924
Net expenses for claims	5.1	0	0	-3,441,179	-2,154,811
Change of technical provisions	5.2	0	0	-3,654,201	-3,421,833
Operating costs					
Costs of acquiring insurants	6	0	0	-3,430,979	-2,725,420
Employee benefits	7	-107,692	-90,646	-2,855,580	-2,574,056
Depreciation and amortisation	12.13	-39,513	-42,101	-359,336	-320,721
Other costs	8	-123,356	-140,620	-2,001,000	-1,751,872
Other revenue	9.1	1,858	3,746	173,615	167,665
Other expenses	9.2	0	0	-738,340	-458,816
Profit before tax		**1,105,841**	**450,597**	**4,090,845**	**261,278**
Income tax and deferred tax	10	50,000	266,403	-185,702	319,300
Net profit		**1,055,841**	**717,000**	**3,905,143**	**580,575**
- attributable to equity holders of the parent		-	-	*3,242,905*	*14,674*
- non controlling interest		-	-	*662,238*	*565,901*
Net/diluted earnings per share	11	-	-	9.75	0.05

The notes on pages 29 through 78 are an integral part of the financial statements.

12.2. Statement of comprehensive income of the Company and the Group

EUR		Notes	Prva Group 2014	Prva Group 2013	The Group 2014	The Group 2013
I.	**Net profit/loss for the year**		1.055.841	717.000	**3.905.143**	**580.575**
II.	**Other comprehensive income after tax (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)**		64.687	607.395	**573.074**	**572.885**
4	Net gains/losses on re-measurement of AFS financial assets		40.782	711.274	906.201	646.458
4.1.	Gains / (losses) recognised in the revaluation reserve		-155.732	-96.534	955.990	-161.350
4.2.	Transfer of gains / (losses) from the revaluation reserve to profit or loss		196.514	807.808	-49.789	807.808
5	Exchange rate differences		0	0	-181.204	-49.009
6	Tax on other comprehensive income	10	-23.905	-103.879	-151.923	-24.564
III.	**Total comprehensive income for the period (I + II)**		**1.120.528**	**1.324.395**	**4.478.216**	**1.153.460**
	attributable to equity holders of the parent		-	-	3.980.958	601.031
	non-controlling interest		-	-	497.258	552.429

The notes on pages 29 through 78 are an integral part of the financial statements.

12.3. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND THE GROUP

EUR	Notes	Prva Group		The Group	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
ASSETS					
Property, plant and equipment	12	18,214	24,100	642,847	634,585
Intangible assets	13	21,240	56,296	563,126	813,356
Deferred tax assets	10	339,581	413,486	705,437	776,464
Investments in subsidiaries	14.1	16,660,326	16,706,212	0	0
Financial assets					
Assets attributable to unit holders	15	0	0	1,458,080	1,043,151
Investments in securities		1,453,377	1,873,238	31,936,479	25,463,405
1. Held-to-maturity	16.1	0	0	0	18,002,101
2. Available-for-sale	16.2	1,453,377	1,873,238	31,175,836	6,826,440
3. Measured at fair value through profit or loss	16.3	0	0	760,643	634,863
Deferred expenses and accrued income	17	1,098	15,428	254,371	234,606
Assets from financial contracts	18	0	0	237,782,319	220,001,692
Issued loans and deposits	19	1,972,416	2,516,740	7,721,494	8,144,757
Other receivables	17	188,144	197,086	1,676,928	1,348,467
Cash and cash equivalents	20	41,782	55,195	1,510,462	1,134,137
TOTAL ASSETS		**20,696,178**	**21,857,780**	**284,251,543**	**259,594,619**
EQUITY and LIABILITIES					
Equity					
1. Issued share capital		13,386,247	13,386,247	13,386,247	13,386,247
2. Reserves		6,021,220	6,021,220	6,021,220	6,021,220
3. Revaluation reserve		-52,028	-116,715	371,865	-366,189
4. Retained earnings		1,320,344	1,064,763	6,705,854	4,263,210
5. Issued shares		-1,110	-1,110	-1,110	-1,110
6. Non-controlling interest		0	0	3,162,907	3,238,458
Total capital	21	**20,674,673**	**20,354,405**	**29,646,983**	**26,541,837**
Technical provisions	22	**0**	**0**	13,718,867	9,492,426
Of that: gross provisions in favour of unit-linked insurance underwriters		0	0	*1,378,104*	*1,024,736*
Liabilities from financial contracts	23	0	0	237,435,509	220,001,692
Financial liabilities from borrowings	24	0	0	0	77,161
Other liabilities	25	16,369	1,494,261	1,502,476	2,392,375
Deferred tax liabilities		0	0	177,258	0
Other provisions	25	0	0	110,014	88,578
Short-term accrued cost and deferred income	25	5,136	9,114	1,660,437	1,000,551
TOTAL EQUITY and LIABILITIES		**20,696,178**	**21,857,780**	**284,251,543**	**259,594,619**

The notes on pages 29 through 78 are an integral part of the financial statements.

12.4. Cash flow statement of the Company and the Group

EUR	Prva Group 2014	Prva Group 2013	The Group 2014	The Group 2013
Cash flows from operating activities				
Profit or loss before taxes	1,105,841	450,597	5,189,137	2,214,809
Adjustments for:	**-941,869**	**1,552,677**	**-998,162**	**1,908,877**
Profit/loss from investments measured at	0	0	-15,889	-4,804
Net interest income	-67,240	-120,920	-1,423,513	-1,443,724
Dividend income	-1,231,002	-197,558	-161,618	-347,366
Investment impairment	174,642	1,899,829	228,411	3,967,501
Depreciation of fixed assets	39,513	42,101	365,250	-185,398
Gains/losses from disposal of investments	142,218	-70,775	142,218	-83,584
Net foreign exchange differences	0	0	-133,021	6,253
Profit from operating activities prior to changes in working capital	**163,972**	**2,003,274**	**4,190,975**	**4,123,686**
Increase in receivables/liabilities	-658,338	-1,178,410	2,589,615	1,392,237
Cash flow from operations	**-494,366**	**824,864**	**6,780,590**	**5,515,923**
Interest income	88,969	0	2,219,417	260,863
Interest paid	0	0	-1,254	88,955
Taxes paid	0	0	-12,929	0
Net cash from operating activities	**-405,397**	**824,864**	**8,985,824**	**5,865,741**
Cash flows from investing activities				
Disbursements to acquire property, plant and equipment	-1,428	0	-156,335	-109,752
Disbursements to acquire intangible assets	0	0	131,150	-134,162
Proceeds/disbursements from disposal of AFS financial assets	1,880,732	2,108,636	2,395,848	2,108,636
Disbursements to acquire financial assets measured at fair value	-1,247,157	0	-8,967,207	-4,146,749
Proceeds/disbursements for non-current investments	0	0	-14,958	-220,168
Proceeds/disbursements for non-current HTM investments	0	0	-34,666	-208,344
Net receipts from repayments and expenditure for issued loans and deposits	556,963	-237,262	-666,439	-237,262
Proceeds/disbursements for the establishment of new entities, payment of additional capital	0	0	0	0
Dividends received	3,135	0	77,712	0
Net cash from investing activities	**1,192,244**	**1,871,374**	**-7,234,895**	**-2,947,801**
Cash flows from financing activities				
Payment of preference and ordinary dividends and repayment of capital	-800,260	-2,683,847	-800,260	-2,522,249
Dividends paid to non-controlling interests	0		-572,808	
Net cash from financing activities	**-800,260**	**-2,683,847**	**-1,373,068**	**-2,522,249**
Net cash flows	**-13,413**	**12,391**	**377,861**	**395,691**
Net foreign exchange differences	0	0	-1,536	3,176
Cash and cash equivalents as at 1 January	55,195	42,804	1,134,137	728,358
Cash and cash equivalents at 31 December	**41,782**	**55,195**	**1,510,462**	**1,134,137**

The notes on pages 29 through 78 are an integral part of the financial statements.

12.5. STATEMENT OF CHANGES IN EQUITY OF PRVA GROUP

EUR	Share capital	Share premium	Treasury shares	Profit reserves and other reserves	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2013	**14,026,588**	**6,859,429**	**0**	**3,386**	**-724,109**	**1,549,674**	**21,714,968**
Comprehensive income for the year	**0**	**0**	**0**	**0**	**607,394**	**717,000**	**1,324,394**
a.) Net profit	0	0	0	0	0	717,000	**717,000**
b.) Other comprehensive income	0	0	0	0	607,394	0	**607,394**
Ordinary share dividends	0	0	0	0	0	-1,200,000	**-1,200,000**
Preference share dividends	0	0	0	0	0	-1,910	**-1,910**
Capital increase from own assets	841,596	-841,596	0				**0**
Repayment of capital	-1,481,937	0	0				**-1,481,937**
Acquisition of treasury shares	0	0	-1,110	0	0	0	**-1,110**
Balance at 31 December 2013	**13,386,247**	**6,017,833**	**-1,110**	**3,386**	**-116,715**	**1,064,764**	**20,354,405**
Balance at 1 January 2014	**13,386,247**	**6,017,833**	**-1,110**	**3,386**	**-116,715**	**1,064,764**	**20,354,405**
Comprehensive income for the year	**0**	**0**	**0**	**0**	**64,687**	**1,055,841**	**1,120,528**
a.) Net profit	0	0	0	0	0	1,055,841	**1,055,841**
b.) Other comprehensive income	0	0	0	0	64,687	0	**64,687**
Ordinary share dividends	0	0	0	0	0	-399,364	**-399,364**
Preference share dividends	0	0	0	0	0	-400,897	**-400,897**
Capital increase from own assets	0	0	0				**0**
Repayment of capital	0	0	0				**0**
Acquisition of treasury shares	0	0	0	0	0	0	**0**
Balance at 31 December 2014	**13,386,247**	**6,017,833**	**-1,110**	**3,386**	**-52,028**	**1,320,344**	**20,674,673**

The notes on pages 29 through 78 are an integral part of the financial statements.

12.6. Statement of Changes in Equity of the Group

EUR	Share capital	Share premium and profit reserves	Revaluation reserve	Retained earnings	Total equity holders of the parent	Non-controlling interest	Total
Balance at 1 January 2013	**14,026,588**	**6,862,816**	**-939,073**	**5,450,446**	**25,400,777**	**2,672,556**	**28,073,333**
Comprehensive income for the year	**0**	**0**	**572,885**	**14,674**	**587,559**	**565,901**	**1,153,460**
a.) Net profit	0	0	0	14,674	14,674	565,901	**580,575**
b.) Other comprehensive income	0	0	572,885	0	572,885	0	**572,885**
Ordinary share dividends - the Group	0	0	0	-1,200,000	-1,200,000	0	**-1,200,000**
Preference share dividends - the Group	0	0	0	-1,910	-1,910	0	**-1,910**
Capital increase from own assets - the Group	841,596	-841,596	0	0	0	0	**0**
Repayment of capital - the Group	-1,481,937	0	0	0	-1,481,937	0	**-1,481,937**
Acquisition of treasury shares - the Group	0	-1,110	0	0	-1,110	0	-1,110
Balance at 31 December 2013	**13,386,247**	**6,020,110**	**-366,189**	**4,263,210**	**23,303,379**	**3,238,458**	**26,541,837**
Balance at 1 January 2014	**13,386,247**	**6,020,110**	**-366,189**	**4,263,210**	**23,303,379**	**3,238,458**	**26,541,837**
Comprehensive income for the year	**0**	**0**	**738,054**	**3,242,905**	**3,980,958**	**497,258**	**4,478,216**
a.) Net profit	0	0	0	3,242,905	3,242,905	662,238	**3,905,143**
b.) Other comprehensive income	0	0	738,054	0	738,054	-164,980	**573,074**
Ordinary share dividends - the Group	0	0	0	-399,364	-399,364	0	**-399,364**
Preference share dividends - the Group	0	0	0	-400,897	-400,897	0	**-400,897**
Dividends paid to non-controlling interests	0	0	0	0	0	-572,808	**-572,808**
Repayment of capital - the Group	0	0	0	0	0	0	**0**
Balance at 31 December 2014	**13,386,247**	**6,020,110**	**371,865**	**6,705,854**	**26,484,076**	**3,162,908**	**29,646,983**

The notes on pages 29 through 78 are an integral part of the financial statements.

13. NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

13.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Profile of the Company and the Group

The financial statements of Prva Group, insurance holding company, plc. and the Group for the year ended 31 December 2014, were approved by the Management Board on 16 April 2015. Prva Group, insurance holding company, plc., is a public limited company, established in the Republic of Slovenia. Preference shares of the Company are listed on the free market of the Ljubljana Stock Exchange.

In line with the Insurance Act, Prva Group, insurance holding company, plc., is a mixed-activity insurance holding company since it holds a significant share in at least one insurance company. In line with its activities, the Company performs holding activities in its subsidiary companies. At the end of 2014, the Company employed 1.2 persons (2013: 1.2).

The Company is a legal successor of Prva pokojninska družba, which modified its status in 2007. The new company - Prva osebna zavarovalnica d.d. was established, to which all voluntary supplementary pension insurance operations were transferred on 1 September 2007. Prva Group, insurance holding company, plc., changed the name of the company (formerly Prva pokojninska družba, d.d.) and its activities.

In addition to the Prva Group, insurance holding company, plc. the Group includes:

Prva osebna zavarovalnica d.d.

The company was established in 2007 when the insurants from supplementary pension insurance were transferred from Prva pokojninska družba d.d.. Prva Group, insurance holding company, plc, is the 100% owner of Prva osebna zavarovalnica d.d. The operations of Prva osebna zavarovalnica, d. d. in 2013 were predominantly related to supplementary pension insurance within the framework of the third pillar in Slovenia. Beside supplementary pension insurance, which belongs to the insurance group with proceeds capitalization, the company started in 2009 to promote accident insurance, life insurance (class of insurance 19), life insurance with investment risk (class of insurance 21) and health insurance. Prva osebna zavarovalnica is currently manager of four pension funds, three funds of unit-linked insurance with different investment policies, four long-term business funds belonging to other classes of insurance, and own funds portfolio. The company offers seven pension schemes. As at 31 December 2014, the company employed 56 full-time members of staff (2013: 57).

KB Prvo penzisko društvo AD Skopje

The operations of KB Prvo penzisko društvo AD Skopje relate to the second and third pillar supplementary pension insurance in Macedonia. The company was established in 2005.

Prva Group, insurance holding company, plc., is a 51% owner of KB Prvo penzisko društvo AD Skopje. The remaining 49% stake is owned by the largest Macedonian bank, the Komercijalna banka a.d. Skopje. The company had 31 full-time employees on 31 December 2014 (2013: 31).

DDOR-GARANT društvo za upravljnanje dobrovoljnim penzijskim fondom AD Beograd

The operations of DDOR-GARANT AD Beograd relate to the third pillar supplementary pension insurance in Serbia.

On 31 December 2014, Prva Group, insurance holding company, plc., held a 60% interest in the company, which was established in May 2006. On 31 December 2014, the company had 15 full-time employees (2013: 15).

Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristhine Kosovo

The operations of Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristhine Kosovo relate to supplementary pension insurance of the third pillar in Kosovo.

Prva Group, insurance holding company, plc., held a 67.4% interest in the company, which was established on 4 September 2006. The remaining 32.6% of the company is owned by Dukagjini Sh.p.k.. The company started to perform pension insurance transactions in 2007. On 31 December 2014 the company had 5 members of staff in full-time employment (2013: 4).

Prva zavarovalniško zastopniška družba d.o.o., Slovenia

The company was established at the end of 2010 and is in the 100% ownership of Prva Group plc. The company's core activity is the sale of insurance services and products of Prva osebna zavarovalnica d.d. to current and new clients, as well as the increase of market shares of Prva osebna zavarovalnica d.d. within the personal insurance group.

Table 6: Investments into subsidiary and associated companies as at 31 December 2014

EUR	Ownership	Carrying amount	Company capital	Profit/loss for 2014
Subsidiaries				
Prva osebna zavarovalnica d.d.	100%	12,730,000	18,790,788	2,562,889
Ameriška ulica 8, 1000 Ljubljana				
KB Prvo penzisko društvo AD Skopje	51%	918,272	5,112,318	1,213,219
Blv.Ilinden 1, 1000 Skopje				
Fondi Slloveno- Kosovar I Pensioneve Sh.A Pristhine Kosovo	67.40%	511,985	420,098	11,149
Rr.UCK, nr.50/2, 10000 Prishtine				
DDOR Garant Beograd	60%	2,435,768	1,302,300	160,315
Maršala Birjuzova 3-5, 11000 Beograd				
PRVA zavarovalniško zastopniška družba, d.o.o.	100%	64,300	7,133	-195
Ameriška ulica 8, 1000 Ljubljana				
Total		**16,660,326**	**25,632,636**	**3,947,377**

Ultimate parent

A-Z Finance d.o.o.

The ultimate parent of Prva Group plc. is A-Z Finance d.o.o. based at Devinska 1, Ljubljana. A-Z Finance was founded in 1998 and is 100% owned by Alenka Žnidaršič Kranjc. The company holds a 62.5% interest in DEJ d.o.o., which holds a 50.21% stake in Prva Group plc. A-Z Finance compiles a consolidated annual report, which can be obtained at the head office of the company. DEJ d.o.o. does not prepare a consolidated annual report and is included in the consolidated annual report of A-Z Finance d.o.o.

Summary of significant accounting policies

Statement of compliance

The enclosed separate and consolidated financial statements of Prva Group plc. and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations adopted by the IFRS Interpretations Committee, as adopted by the European Union.

On the balance sheet date, in terms of the EU's standard confirmation process, there are no discrepancies in the accounting policies of Prva Group, and the International Financial Reporting Standards (IFRS) adopted by the EU.

The financial statements have been compiled in accordance with the current regulations governing reporting requirements of insurance and pension companies applicable in the financial year 2014.

Basis of preparation

The financial statements of Prva Group plc. and the Group are prepared on the basis of accounting policies shown below.

The accounting policies used are consistent with those applied in previous years, except for the newly adopted standards and interpretations effective for periods beginning on or after 1 January 2014 as presented below.

Basic Policies

The consolidated financial statements of the Group and the separate financial statements of the Company are prepared based on original values, except for the assets measured at fair value through profit or loss, and available- for-sale assets at fair value through the comprehensive income statement. The financial statements are presented in the euro. All values are rounded to one euro, except when specifically indicated otherwise.

Significant accounting assumptions and estimates

Significant accounting estimates

The preparation of financial statements requires the management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities of the Company and the Group, disclosure of potential liabilities on the reporting date and the amounts of revenues and expenses of the Company and the Group for the period ending on the reporting date.

Management estimates include but are not limited to: depreciation period and the residual value of intangible assets and property, plant and equipment, allowances for inventories and doubtful receivables, and claims arising from lawsuits. Future events and their effects cannot be determined with certainty. Accordingly, the accounting estimates made require the exercise of judgment and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Actual results may differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment property - pension funds

Investment property (land and buildings) are carried separately from all other items of property, plant and equipment. The following qualifying criteria applies for classification of real estate in the group of investment property:

- Investment property generates economic benefits Investment property is held for the purpose of lease to bring rental income or increase its cost
- The assets are not designated for sales in the immediate future during ordinary course of business.
- The asset's cost can be estimated reliably.

On its acquisition, an item of investment property is measured at cost comprising transaction costs; after initial recognition, they are measured at fair value. Fair value of investment property is its market price on the reporting date, determined by application of established valuation techniques for market values of real estate (comparable market prices, most recent transaction prices). Revaluation of investment property is made at least at the end of the financial year or, in the event of major market changes, it can also be made during the financial year as and when necessary.

Non-marketable investments - pension funds

Fair value of financial assets whose price cannot be determined on an active capital market is assessed in consideration of a number of assumptions. Potential changes in these assumptions are reflected in the amount and potentially also in the impairment of these assets. As a result of the financial crisis, uncertainty associated with the assessment of the fair value is even greater.

If no active market exists for a financial instrument, its fair value is determined using one of the valuation techniques. Valuation techniques use the most recent transactions between willing and well informed parties if available, comparison of the current fair value of an instrument with similar characteristics, consideration of discounted cash flows, and techniques used for pricing of options. When a valuation technique is most frequently used by market participants to determine prices of financial instruments and the technique has been proven reliable in assessment of prices achieved in actual market transaction, the insurance undertaking applies this particular technique.

The discounted cash flow method uses management's assessment of future cash flows and discount rate that reflects interest rates of comparable financial instruments.

When fair value cannot be determined, financial instruments are measured at cost (the amount paid or received) increased by the cost of transaction.

Technical provisions - Prva osebna zavarovalnica d.d.

Technical provisions are set aside according to the Insurance Act and its implementing regulations, and provisions of IFRS 4.

The Company and the Group recognise technical provisions for coverage of future liabilities from insurance contracts as well as losses incurred as a result of risks stemming from insurance contracts.

The Company and the Group set aside provisions for unearned premium, provisions for claims outstanding and mathematical provisions in accordance with provisions of the Insurance Act and the Regulation on Detailed Rules and Minimum Standards for Calculation of Technical Provisions. The Company sets aside special provisions that have a status of mathematical provisions for unit-linked insurance contracts were investment risk stems from changes in the value of investment funds' units.

Adequacy of the amount of technical provisions that provides assurance that the insurance undertaking will be able to fulfil all of its obligations stemming from insurance contracts, their compliance with relevant regulations, as well as the accuracy of insurance premium calculation, are checked and approved by the appointed certified actuary.

Significant assumptions include mortality tables, cancellations, discount factors, loss ratios and other assumptions, which were not changed in 2014 as compared to the previous year, and which comply with the actuarial principles.

Significant management assumptions

In the process of applying the accounting policies, management had made the following judgments apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statement.

The most significant assumptions relate to:

- The classification of financial instruments, namely the division between financial instruments the Company intends to hold to maturity and those available for trading or sale.
- Technical provisions Technical provisions are calculated based on insurance contracts, considering past development of claims events and expectations for the future.
- Fair value of financial assets and their impairment: Fair value of financial assets whose price cannot be determined on an active capital market is assessed in consideration of a number of assumptions. Potential changes in these assumptions are reflected in the amount and potentially also in the impairment of these assets. Due to the financial crisis, the uncertainty in measurement of fair value has been increased.

Investments into subsidiaries and associated companies in the separate financial statements of Prva Group, plc.

Investments into subsidiaries and associated companies are recognised at cost less impairment losses. Subsidiaries are those companies over which the parent maintains a controlling interest. Investments in associated companies refer to enterprises where although the parent has a significant influence, they are not subsidiaries of the parent.

Consolidation bases

The consolidated financial statements comprise the financial statements of Prva Group, insurance holding company, plc., and its subsidiaries as at 31 December 2014 and comparable data as at 31 December 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, as well as intra-group dividends, are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary during the financial year, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount off any non-controlling interest
- Derecognises the cumulative exchange rate differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Bases for consolidation before 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the carrying amount of the share of the net assets acquired was recognised in equity.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding commitment to cover these. Losses incurred prior to 1 January 2010 were not allocated between NCI and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained as its proportionate share of net assets at the date control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in the general administrative costs.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages (step acquisitions), the acquisition date fair value of the acquirer's previously held interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. When contingent consideration is recognised in equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating unit that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates and joint ventures

Investments in associated companies and joint-ventures are recognised using the equity method. An associated company is a company where the parent company has a considerable influence but the company is neither a subsidiary nor a joint-venture. A joint-venture is an investment in jointly controlled enterprises in line with the founding contract. Financial statements of associated companies and joint-ventures provide the basis for the use of the equity method. The reporting date of associated companies and joint-ventures is the same as for the Group. Associated companies and joint-ventures use the same accounting policies as the Group.

Investments in associated companies and joint-ventures are recognised in the statement of financial position at acquisition cost plus changes (after the purchase) in the capital of an associate company or a joint-venture, less potential impairment losses. A share of the result of an associated company or a joint-venture is reported in the income statement. If changes are recognised in the statement of comprehensive income or the capital of the associated company or a joint-venture, the Group recognises the share of these changes and discloses significant differences in the statement of comprehensive income or statement of changes in equity.

Foreign currency translation

The financial statements of the Company and the Group are presented in euro (EUR), which is the functional and reporting currency of the parent company and its subsidiaries in Slovenia. Transactions in a foreign currency are translated at the exchange rate of the European Central Bank prevailing on the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate of the functional currency on the reporting date. All differences arising from the translation of foreign currency are recognised in the profit or loss. Non-monetary assets and liabilities, recognised in terms of historical cost in a foreign currency, are translated using the exchange rate on the day of the transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate prevailing on the day when the fair value was determined.

The functional currencies of the foreign subsidiaries are as follows:

- Macedonian denar for KB Prvo penzisko drustvo Skopje
- euro for Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristhine Kosovo,
- Serbian dinar for DDOR GARANT Beograd

On the reporting day, the financial statements of the aforementioned subsidiaries were translated into the reporting currency of the consolidated financial statements. The exchange rate of the European Central Bank on the reporting day was used for the statement of financial position, while the average exchange rate for the financial year was used for the income statement.

Exchange rate differences arising from the translation of the functional currencies into the reporting currency are recognised directly in the statement of other comprehensive income until the sale of a subsidiary when the exchange rate differences are transferred to the profit or loss.

Land, buildings and equipment

Equipment is recognised at cost, which includes direct costs of acquisition, less accumulated depreciation and impairment losses. The Company and the Group use the straight-line depreciation method over the estimated useful life of the assets. The depreciation rates did not change in 2014 and are identical to those used in 2013.

Asset	Depreciation rate in %
Land and Buildings	2.5%
Equipment	10 – 33.33

Impairment test of carrying amounts of equipment is performed when events and changes in the circumstances show that the carrying amount exceeds the recoverable amount. If events occur which show that the book value of an asset exceeds its estimated recoverable value, the asset is impaired to its recoverable value. The recoverable value of an asset is the net sales value or value in use, namely the higher of the two. The value in use is determined by discounting expected future cash flows to the net current value using pre-tax discount rates, which reflect the current market estimate of the time value of money and potential risks associated with each individual asset. For assets whose future cash flows are also dependent on the remaining assets in individual cash-generating units, the value in use is calculated on the basis of future cash flows of this cash-generating unit. Impairment losses are recognised as an item of operating expenses from revaluation.

Derecognition of equipment is carried out when the asset is sold or when economic benefits are no longer expected from the continued use of the individual asset. Gains and losses on derecognition of an asset are reported in the profit or loss in the year the individual asset is deleted from the books.

Residual value of assets, assessed on the basis of their useful life or the amortisation method are reviewed or changed if necessary on an annual basis prior to the preparation of the annual financial statements.

Subsequent expenditure that increases future economic benefits of the asset, increases the value of an item of property, plant and equipment.

Borrowing costs

Borrowing costs comprise interest and other costs incurred by the Company and the Group in relation to the borrowing of financial assets. Borrowing costs may also include interest on overdrawn accounts at banks and interest on borrowings raised, foreign exchange differences from borrowings raised in foreign currency, and financial lease costs. Borrowing costs are recognised in the period to which they pertain as expenses associated with financial assets and liabilities.

Intangible assets

Intangible assets acquired individually are recognised at cost while intangible assets acquired on the basis of a business combination are recognised at fair value on the day of the takeover. After initial recognition the historical cost method is used. The value in use of an individual intangible asset is limited. Amortisation of an item of intangible assets is recognised through profit or loss.

Intangible assets are amortised according to the straight-line amortisation method over their estimated useful lives using annual amortisation rates ranging from 10.0% to 33.3%.

Intangible assets created within the Group are not capitalised. The costs represent expenses in the period in which they arise.

Intangible assets are tested on an annual basis for impairment individually or as a portion of the cash-generating unit. The useful life of an individual intangible asset is assessed once a year and adjusted as required.

Subsequent expenditure that increases future economic benefits of the asset, increases the value of an item of intangible assets.

Investments

The Company and the Group classify investments into the following categories:

- Investments at fair value through profit or loss
- Available-for-sale investments,
- Investments held to maturity,
- Issued loans and receivables.

The classifications are dependent on the purpose of acquisition.

Recognition of financial assets

The Company and the Group initially recognise all investments, except for investments classified at fair value through profit or loss, at fair value, which includes the purchase costs that are directly attributable to the acquisition. Investments classified at fair value through profit or loss are recognised at fair value (direct costs of acquisition are not included in the acquisition value).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value. Realised gains and losses on investments classified at fair value through profit or loss are recognised directly in the profit or loss.

The fair value of investments which are actively traded on organised markets is their closing quoted price on the reporting date. If the financial instruments are not listed on the stock exchange, the fair value is determined on the basis of a similar instrument or, the fair value may be determined as the net current value of future cash flows which the Company or the Group expect from the financial investment.

Acquisition and sale of individual financial investments classified at fair value through profit or loss are recognised on the trading day, which is the day the Company or the Group commit to purchase or sell an individual asset.

Available-for-sale investments

After the initial recognition, all investments which the Company or the Group classify as available-for-sale are stated at fair value. Gains or losses from available-for-sale investments are recognised in the statement of comprehensive income as net unrealised gains or losses on available-for-sale investments until the investment is sold or otherwise divested. If the investment is impaired, the impairment is recognised in the profit or loss.

The acquisition and sale of individual financial assets classified as available-for-sale are recognised on the trading day; this is the day the Company or the Group commit to purchase or sell an individual asset.

On the reporting date the Company assesses whether there is objective evidence that an impairment loss on available-for-sale financial assets has been incurred. Financial assets available for sale are assessed for any important and long term decrease in fair value which means that the assets are overestimated. In assessing the prolonged decrease of fair value of equity securities below their cost, the Company checks whether the period from the first decrease of fair value of an equity instrument below its cost exceeds 9 months and if the decrease was below cost for the whole duration of the nine month period. An important decrease of fair value is considered at least 40-percent decrease in fair value of an asset compared to its cost.

If any such signs of impairment of available-for-sale investments are present, the cumulative loss, measured as the difference between the estimated costs and the present fair value, less impairment losses previously recognised in profit or loss, is recognised and the expenses are recognised in the profit or loss.

Investments held to maturity

The Company or the Group recognise financial assets with fixed or determinable payments and fixed maturities which are not derivative instruments, as financial investments held to maturity, if the Company has a positive intention and ability to hold the investment until maturity. Investments which the Company maintains for an indefinite period of time are not classified into this group.

Investments which are recognised as held-to-maturity are carried at amortised cost using the effective interest rate method. The amortised cost is computed through the allocation of the premium or discount upon acquisition throughout the holding period until maturity. Gains and losses on investments designated at amortised cost are recognised in the profit or loss (disposal, impairment or effects of amortised discounts/premiums).

Investments classified as held-to-maturity financial assets are recognised on the transaction date.

Loans and receivables

Loans and receivables are financial assets with fixed and determinable payments which are not traded on the organised market. This group includes both loans and receivables obtained by the Company, as well as loans and receivables originating from the Company. Loans and receivables are carried at amortised cost using the effective interest rate method. Investments classified into loans and receivables are recognised on the transaction date.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value of an asset or a liability considers the asset's or liability's characteristics assuming exchange of an asset or a liability in an ordinary transaction in current market conditions, on the principal market or the most advantageous market for the asset or liability.

In the fair value measurement on non-financial assets, the ability of market participants to generate economic benefits from the highest and best use of the asset or from the asset's sale to another market participant who would use the asset to its highest and best use.

Fair value of financial instruments traded on organised financial markets is their quoted price on the reporting date. If the price is not quoted on an active market, the stockbrokers' bid price is used as the reference price. If no active market exists for a financial instrument, the Company and the Group determine its fair value based on one of the valuation techniques. Valuation techniques use the most recent transactions between willing and well informed parties if available, comparison of the current fair value of an instrument with similar characteristics, consideration of discounted cash flows, and techniques used for pricing of options. When a valuation technique is most frequently used by market participants to determine prices of financial instruments and the technique has been proven reliable in assessment of prices achieved in actual market transaction, the Company and the Group apply this particular technique.

The discounted cash flow method uses management's assessment of future cash flows and discount rate that reflects interest rates of comparable financial instruments.

When fair value cannot be determined, financial instruments are measured at cost (the amount paid or received) increased by the cost of transaction.

The following fair value hierarchy is used to disclose fair value measurement of financial assets:

Level 1: quoted inputs in active markets for identical assets (quoted prices).

Level 2 comparable market inputs (other than quoted inputs of identical assets) obtained directly or indirectly for identical or similar assets and includes also generic prices obtained from Bloomberg.

Level 3: the use of valuation models using mostly unobservable market inputs.

Derecognition of financial instruments

A financial asset is written-off when the risks and benefits and the control over contractual rights related to financial instruments are transferred. A financial liability is derecognised once it has been paid, extinguished or has become statute-barred.

Investment property - pension funds

Investment property (land and buildings) are carried separately from all other items of property, plant and equipment. The following qualifying criteria applies for classification of real estate in the group of investment property:

1. Investment property generates economic benefits Investment property is held for the purpose of lease to bring rental income or increase its cost
2. The asset is not designated for sales in the immediate future during ordinary course of business.
3. The asset's cost can be estimated reliably.

On its acquisition, an item of investment property is measured at cost comprising transaction costs; after initial recognition, they are measured at fair value. Fair value of investment property is measured at market prices on the reporting date, determined by application of established valuation techniques used in measurement of real estate's market values (comparable market prices, most recent transaction prices). Revaluation of investment property is made at least at the end of the financial year or, in the event of major market changes, it can also be made during the financial year as and when necessary.

Operating and other receivables

Operating receivables are recognised in the amounts arising from invoices issued less any bad debt allowances. The assessed bad debt allowances are based on the reasonable expectation of the Company that payment is no longer probable either in full or in a certain amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks and cash in hand as well as deposits with maturity of up to three months.

Equity

The equity of the Company consists of ordinary and preference shares.

Direct additional costs of issuing new shares less tax effects are recognised in equity. In the event that any of the Group companies purchase shares of the parent, the payment including the direct transaction costs less tax effects is recognised in equity as treasury shares until these shares are reissued, sold or withdrawn. In the event of a subsequent sale or reissue of these shares, all effects of the sale or issue are included in the equity.

Ordinary shares

An ordinary share entitles its owner to a voting right and, based on the decision of the General Meeting, to dividends.

Preference shares

Preference shares are cumulative shares without voting rights which entitle their owners to a fixed 6% dividend per annum. The General Meeting adopts decisions on the payment of dividends at its sessions upon the proposal of the Management Board. Preference shares are considered as a part of equity, since holders of ordinary shares decide at the General Meeting whether dividends will be paid out to preference shareholders or not.

Borrowings

All borrowings are initially recognised at fair value less the cost of acquisition. At initial recognition, borrowings are recognised at amortised cost using the effective interest rate method through profit or loss, taking into consideration the costs of acquisition and any discount or premium upon acquisition.

Upon elimination of these liabilities, gains or losses are recognised in the profit or loss.

Employee benefits

Employee benefits include salaries and other allowances in accordance with the collective employment agreement. Contributions to the pension fund at the national level, social security, health insurance and unemployment insurance are recognised by the Company as expenses of the period. The Company also recognises any potential future costs arising from the collective agreement in connection to employees in accordance with IAS 19. The aforementioned expenses are calculated in accordance with the actuarial method and are recognised over the entire employment period for individual employees for whom the collective agreement applies.

In the calculation, the following assumptions are used:

- Full mortality table for Slovenia 2007,
- Retirement age and pension qualifying years in accordance with ZPIZ-2
- 2.5% salary increase,
- Amount of termination benefit on retirement pursuant to the law, which is equal to the value of two average salaries of an employee or two average salaries in Slovenia, whichever is the highest,
- Amount of jubilee awards and solidarity assistance pursuant to the Decree,
- Discounted interest rate of 2.54%

Assumptions used in 2014 are the same as those used in 2013, except for discount rate, which is 2.45% in year 2014 (2013 it was 3.9%). The Company or the Group do not recognise actuarial gains or losses from changes in each significant actuarial assumptions used in calculation of provisions for termination benefits on retirement in the equity, as prescribed by the amended IAS 19, since the impact on the financial position of the Company or the Group would be insignificant. For the same reason the Company or the Group do not provide additional disclosures pursuant to requirements of the amended IAS 19.

Operating and finance lease

A lease is a contractual relationship in which the lessor transfers to the lessee the right to use of an asset for a set period of time in exchange for payment.

When the Company or the Group appears as a lessor, the lease is classified as a finance lease if substantially all of the risks and benefits associated with the ownership of an asset are transferred. When an asset is subject to a finance lease, the present value of the lease is recognised as a receivable and reported under the item “Loans”. The difference between the gross amount and the receivable's present value is recognised as a financial income. Lease income is recognised over the duration of the lease using the net investment method (before tax) that reflects fixed periodical rate of earnings and is reported as the interest income.

When the Company or the Group appears as a lessee, the item of property, plant and equipment obtained under finance lease is reported at the lower of fair value or present amount of minimum lease payments until the end of the lease, less accumulated depreciation and accumulated impairment losses. These assets are depreciated over their useful life. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Ally leases other than finance leases are considered operating leases. In operating lease, the book value of the leased asset is increased by initial costs of the operating lease and recognised on a straight-line basis over the lease term much like the lease income. Rental income is recognised when received.

Insurance contracts classification

Classification of insurance contracts of subsidiary Prva osebna zavarovalnica is consistent with:

- International Financial Reporting Standard 4 (IFRS 4)
- International Actuarial Standard of Practice IASP 3

An insurance contract is a contract under which one party (the insurer) accepts significant risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

IFRS 4 states that uncertain event is when at the time of agreeing the contract it is not clear:

- Whether the insured event will happen,
- When will it happen and
- What the policy benefit will be.

The insurance risk is deemed significant if an insured event could cause the policyholder to pay significant extra amounts by whatever scenario other than those that do not include market component (they do not affect the economy of business). If under a scenario that includes a market component, significant extra amounts must be paid, condition specified in the previous sentence may be fulfilled even when there is an extremely low probability that the insured event will occur or when the expected (i.e. probability-weighted) present value of conditional cash flows accounts for a minor share of expected present value of all remaining cash flows.

The insurer assesses the importance of insurance risk in each individual case rather than based on the importance of financial statements. Therefore, the insurance risk is important also when there is a minimal probability of material claim for the whole group of contracts. Such assessment of individual contracts facilitates their classification as insurance contracts. However, when a relatively homogeneous group of contracts is comprised of contracts that transfer insurance risks, the insurer does not need to verify each individual contract in the group to identify a few contracts that transfer an insignificant insurance risk.

Prva osebna zavarovalnica d.d. and the Group classify insurance contracts into homogeneous groups for which the insurance company estimates the significance of insurance risk. Contracts in individual groups have common characteristics such as the class of insurance, insurance conditions, type of cover and premium payment method (one time premium or regular payments of a premium).

Insurance contracts that bear significant risk are accounted for in line with IFRS 4. If the insurance contracts do not have significant insurance risk, they are accounted for as financial contracts in line with IAS 39.

Detailed accounting treatments of individual categories stated above are explained below.

Liabilities for insurance contracts – technical provisions

Long term technical provisions for insurance contracts are set aside according to the Insurance Act and its implementing regulations, as well as in compliance with IFRS 4.

For all insurance transactions, Prva osebna zavarovalnica d.d. and the Group have to make adequate technical provisions which are designed to cover future liabilities from insurances and risk losses arising from insurance transactions. The insurance company is required to set aside the following technical provisions:

- Provisions for unearned premiums
- Provision for bonuses, rebates and reversals
- Claim reserves
- Other technical provisions
- Mathematical provisions
- Provisions for unit–linked insurances

Technical provisions are calculated based on the balance as at the last day of the period.

At least once a year Prva osebna zavarovalnica and the Group assess the adequacy of the technical provisions. In case they are not adequate, additional provisions are formed and charged to the profit for the period.

Revenue and expenses from investments are recognised in the income statement. Written premium and written gross claims are also included in the income statement of the insurance company. The same applies to entry, exit and management fees.

Accounting treatment of technical provisions is classified by type of provision as specified in the chart of accounts of insurance companies.

Assets and liabilities from financial contracts

These represent pension funds' assets, which guarantee the fulfilment of liabilities to the insurants. The subsidiary Prva osebna zavarovalnica manages four pension funds in accordance with the pension and Disability Insurance Act (ZPIZ-1).

The assets comprise investments and cash. Investments in funds are categorised into:

- Investments at fair value through profit or loss
- Held-to-maturity investments
- Loans and receivables and
- Investment property.

Revenues and expenditures in respect of investments are recognised directly to insurants. Payment of premiums, realised and unrealised capital gains or losses are also included under this item rather than in the income statement of the Company. Entry, exit and management fees are included in Group income statement as revenues.

Liabilities in respect of voluntary supplementary pension insurance are mathematical provisions, which are divided into mathematical provisions for net premium paid, and provisions for guaranteed return and excess over the guaranteed return. All pension plans have a guaranteed yield in range of 40-50% of guaranteed yield calculated in line with pension regulation (ZPIZ-1).

Net liabilities to pension policyholders represent mathematical provisions which are managed separately for each individual pension fund. Mathematical provisions must comply with the Decision on Detailed Rules and Minimum Standards to be Applied in the Calculation of Technical Provisions and at any time equal at least the amount of the redemption value of the insurance. Thus, provisions are formed for each individual long-term business fund, which comprises the guaranteed funds on the personal account of policyholders and provisions for excess returns over the guaranteed return.

The guaranteed value of the fund consists of the net premium paid and the prescribed guaranteed return. Under the Slovenian legislation, the Company is liable for guaranteed liabilities and guaranteed yields.

Mathematical provisions from voluntary supplementary pension insurance are not reinsured.

Reinsurance

With reinsurance the insurance company transfers part of the risk to the Reinsurance Company and pays reinsurance fee.

Prva osebna zavarovalnica plc. draws up reinsurance calculation at the end of each quarter of the year. Reinsurance premium is recognised as a liability towards Reinsurance Company. At each end of the quarter, claim calculation is drawn up A and reinsurance claims are recognized as a receivable from Reinsurance Company. Changes in unearned premium reinsured and changes in outstanding claim reserve reinsured are determined by Prva osebna zavarovalnica at the end of every month when calculating unearned premium and claim reserve.

The reinsurance part of technical provisions in the statement of financial position is stated as an item of the insurance company's assets.

Revenue

Revenues are recognised if it is likely that the Company will acquire economic benefits from them and if such benefits can be reliably measured. Revenues originate from services offered by the Company to its subsidiary companies, namely services relating to investment, internal auditing, and lease of hardware and software.

The majority of revenues of the Group originate from:

- ***Revenues from insurance premiums***
  Net revenues from insurance premiums are calculated as gross insurance premiums less the reinsurers' share adjusted for the change in gross unearned premium, which is further adjusted by the reinsurance undertaking's share in the unearned premium. The written gross insurance premium in insurance contracts is the insurance premium written in a period.
  Gross insurance premiums are recognised in accounting records on the day of settlement of account rather than on the day of payment.
- ***Fee and commission income***
  - *Entry fees*
  The Group, in performing its activity in accordance with the pension schemes, and general terms and conditions, charges an entry fee, meaning that the collected assets transferred into an individual long-term business fund are decreased by the amount of the entry fees and the fund is managed with assets which represent net premiums. The entire amount of revenue from entry fees is recognised when statements of account are made.
  - *Management fees*
  The Group manages eleven pension funds, for which it charges a management fee, meaning that the monthly value of assets in individual pension fund is decreased by the amount of the management fee.
  - *Exit fees*
  The Group is entitled to an exit fee in accordance with the pension schemes and general terms and conditions, meaning that the redemption value is decreased by the exit fee and this net value is then paid to the individual terminating the insurance.

Interest

Interest income is calculated and recognised on the basis of the effective interest rate.

Dividends

Dividends are recognised when the Company or the Group obtain the right to issue dividend pay-outs.

Other financial income

Income from changes in fair value of financial assets arises on subsequent re-measurement of fair value of financial assets designated at fair value through profit or loss. Gains on disposal arise on derecognition of financial assets other than financial assets measured at fair value through profit or loss. Gains on disposal is the difference between the asset" carrying amount and its selling price.

Costs and expenses

Net claims costs

Net expenses for claims are gross claims (compensation and appraisal expenses), deducted for reinsured part and amended for the change in gross claim reserves, which are adjusted for the share of reinsurance in these reserves. Appraisal expenses include external and internal expenses for assessing the eligibility of claims for loss events.

Net operating expenses and acquisition costs

Net operating expenses comprise of direct and indirect acquisition costs as well as other operating expenses such as depreciation, payroll, costs of natural persons not engaged in activity and other operating expenses which are not included under other items of costs.

IFRS, BC 116, neither prohibits nor requires the deferral of acquisition costs. The standard does not state which costs can be deferred, the period of the deferral or the method of depreciation. Majority of direct and indirect acquisition costs are the costs of the period, whereas the direct costs of the insurances which are marketed via external network, are deferred over a prolonged period of time. Deferred costs are recognised as an asset in the statement of financial position, whereas the change between the opening and closing balance of the period is stated as a separate item of acquisition costs in the income statement. The depreciation rate is set by actuary based on the dynamics of the utilisation of future corresponding premiums collected.

Financial expenses

Financial expenses comprise expenses arising as a result of fair value changes, loss on disposal of financial assets, impairment losses and other financial expense.

Expenses resulting from fair value changes of financial assets arise on subsequent re-measurement of fair value of financial assets designated at fair value through profit or loss.

Gains on disposal arise on derecognition of financial assets other than financial assets designated at fair value through profit or loss. Loss on disposal is the difference between the asset's carrying amount and its selling price.

Taxes

Current tax

Current tax assets or liabilities for current and past periods are measured at amounts the Company or the Group expect to pay or at amounts of tax credits. Current tax assets or liabilities are measured using tax rates valid on the reporting date.

Deferred tax

Deferred income tax assets and liabilities are accounted for using the balance sheet liability method. Only deferred tax assets and liabilities originating from temporary differences are recognised.

Deferred tax assets are also recognised for unused tax losses and unused tax credits which are carried over into the following period if it is probable that the relevant amount of taxable profits will be available in future periods against which unused tax losses may be utilised.

Deferred tax assets are reviewed on the reporting date and are impaired for that portion of the assets for which it is no longer probable that a sufficient taxable profit will be available against which the unused tax losses could be utilised.

Deferred tax assets and liabilities are measured using tax rates expected to be effective when the asset is realised or the liability is settled. The tax rates (and tax regulations) valid on or substantially valid on the reporting date are used.

Deferred tax is recognised directly in the statement of comprehensive income if it refers to items recognised directly in the statement of comprehensive income.

Deferred tax assets and liabilities are offset when the Company:

- has a legal right to offset assessed tax assets and assessed tax liabilities, and
- deferred tax assets and deferred tax liabilities relate to the same tax authority in relation to
  - the same taxable unit, or to
  - different taxable units who intend to either settle the assessed tax liabilities and assessed tax assets with the difference, or simultaneously recover tax assets and settle tax liabilities in each of the future financial periods in which significant amounts of deferred tax assets or liabilities are expected to be either recovered or settled.

Impairments

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. When objective evidence exist that an available-for-sale financial asset is impaired, the accrued impairment loss transitionally recognised in other comprehensive income, is reclassified to profit or loss. Objective evidence of equity securities' impairment includes statutory changes of the issuer (bankruptcy, liquidation), significant reduction in fair value of securities (a reduction in of 40 percent or more), or a prolonged reduction in the securities' fair value that continues over a period of more than 9 months. Objective evidence of debt securities' impairment includes statutory changes of the issuer (bankruptcy, liquidation), delay in repayments, or other significant negative events that impact the issuer's creditworthiness.

Reversals of impairment on equity securities classified as available for sale financial assets, is recognised in other comprehensive income.

Impairment loss incurred on a financial asset recognised at amortised cost is the difference between its carrying amount and present value of future cash flows, determined using the effective interest rate method.

For financial assets measured at amortised cost and available-for-sale financial assets that are debt instruments, the impairment reversal is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Investment property is checked annually for any indication of impairment. When an item of investment property has been impaired, its recoverable amount is assessed. The asset's recoverable amount is the higher of its net selling amount less cost of sales and its value in use. When the net carrying amount of investment property exceeds its recoverable amount, the difference is recognised as an impairment loss.

Amendments to standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2014:

- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC Interpretation 21: Levies

Effects of the adoption of the standard or interpretation on the Group/Company's financial statements or its performance is described below.

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**

As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Revision does not effect the financial position or performance of the Group.

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Amendment does not effect the financial position or performance of the Group.

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. New standard does not effect the financial position or performance of the Group.

- **IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. New standard does not effect the financial position or performance of the Group.

- **IFRS 12 Disclosures of Interests in Other Entities**

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. All required disclosures are included in financial statements of the Group.

- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**

Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. Amendment does not effect the financial position or performance of the Group.

- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. Amendment does not effect the financial position, performance or disclosures of the Group.

- **IFRIC Interpretation 21: Levies**

The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. Interpretation does not effect the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

In line with requirements of IFRS and EU, Group will have to take into account in future periods new or amended standards and interpretations. Group is examining the effects of these standards that will become aplicable on or after 1 January 2015, when they are approved by IASB and endorsed by EU.

IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendment has not yet been endorsed by the EU. Group does not expect that amendment will have effect on its financial statements.

IAS 16 Property, Plant & Equipment and IAS 41 Agriculture (Amendment): Bearer Plants

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment has not yet been endorsed by the EU. Group does not expect that amendment will have effect on its financial statements.

IAS 19 Employee benefits (Amended): Employee Contributions

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Group does not expect that amendment will have effect on its financial statements.

IFRS 9 Financial Instruments – Classification and measurement

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU. The Group is assessing the effect of new standards on financial performance and financial statements.

IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has not yet been endorsed by the EU. Group does not expect that amendment will have effect on its financial statements.

IFRS 14 Regulatory Deferral Accounts

The standard is effective for annual periods beginning on or after 1 January 2016. This standard has not yet been endorsed by the EU. Group does not expect that amendment will have effect on its financial statements.

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The Group is assessing the effect of new standards on financial performance and financial statements.

IAS 27 Separate Financial Statements (amended)

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment has not yet been endorsed by the EU. Group does not expect that amendment will have effect on its financial statements

Amendment in 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

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU. Group does not expect that amendment will have effect on its financial statements

Annual improvements - 2010 – 2012 Cycle

The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. Group does not expect that amendment will have effect on its financial statements.

- **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Annual improvements - 2011 – 2013 Cycle

The IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015. Group does not expect that amendment will have effect on its financial statements.

- **IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 Fair Value Measurement:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- **IAS 40 Investment Properties:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

Annual improvements - 2012 – 2014 Cycle

The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. These annual improvements have not yet been endorsed by the EU. Group does not expect that amendment will have effect on its financial statements.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
- **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU. Group does not expect that amendments will have effect on its financial statements

IAS 1: Disclosure Initiative (Amendment)

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. These amendments have not yet been endorsed by the EU. Group does not expect that amendment will have effect on its financial statements.

13.2. ADDITIONAL DISCLOSURES OF THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT ITEMS

Disclosures which the Company is obliged to include in its annual report in compliance with the Companies Act and International Financial Reporting Standards are presented under separate headings and under the items to which they correspond.

13.3. Segment reporting

1. Geographic segments

The Group operates or has operated in two main geographic areas. The primary geographic segment of the Group is Slovenia. In addition, the Group is present in other non-member countries of the south-eastern Europe.

The following table displays revenues, data on profits, assets and certain liabilities broken down by geographical segments.

Table 7: Geographical segments

Year Ended on 31 December 2014	*Slovenia*	*Third countries*	*Total*
Revenues by segment in 2014	18,134,480	4,098,071	22,232,551
Other data by segment			
Assets by segment	277,123,495	7,216,979	284,340,474
Financing:			
Property, plant and equipment	80,152	72,033	152,184
Intangible assets	219,611	26,913	246,525
Total financing	299,763	98,946	398,709

* before consolidation entries

Year Ended on 31 December 2013	*Slovenia*	*Third countries*	*Total*
Revenues by segment in 2013	13,962,354	3,660,941	17,623,295
Other data by segment			
Assets by segment	252,212,486	7,000,090	259,212,576
Financing:			
Property, plant and equipment	80,401	72,257	152,658
Intangible assets	389,722	47,761	437,483
Total financing	470,123	120,018	590,141

Revenues earned in Slovenia by individual segment relate to income generated by Prva Osebna zavarovalnica d.d., the Group, and Prva zavarovalno zastopniška družba. Amounts earned by segments in third countries relate to subsidiaries in Kosovo, Macedonia and Serbia. The amounts presented are exclusive of consolidation entries.

2. Operating segments

Primary operating segments of the Group include:

- Non-life insurance,
- Life assurance,
- Other

Table 8: Operating segments

Year Ended on 31 December 2014	Non-life insurance	Life insurance	Other	Total
Revenues by segment	2,023,216	18,704,178	1,505,157	22,232,551
Net profit	257,956	3,689,421	1,055,841	5,003,218
Total assets	3,768,497	276,536,125	4,035,852	284,340,474

* before consolidation entries

Year Ended on 31 December 2013	Non-life insurance	Life insurance	Other	Total
Revenues by segment	546,815	14,452,687	2,623,793	17,623,295
Net profit	271,103	1,549,604	717,000	2,537,707
Total assets	3,358,368	250,702,640	5,151,568	259,212,576

Non-life insurance represents amounts earned by Prva osebna zavarovalnica; Other relates to income generated by the Group, Life insurance relates to amounts earned by Prva osebna zavarovalnica from sale of life insurance and the remaining amount relates to other pension funds included in the consolidation. The amounts presented are exclusive of consolidation entries.

13.4. Notes to the income statement

1. Operating income

Operating income of the Company refers only to services the Company charges to subsidiary companies for services rendered. These incomes are eliminated from the consolidated revenues.

Income of the Group consists of:

- Net income from insurance premiums
- Other insurance income

1.1 Net income from insurance premiums

Table 9: Net income from insurance premiums

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Gross insurance premiums written	0	0	11,963,190	9,097,099
Premiums written re-insured	0	0	-587,216	-508,818
Change of unearned premium	0	0	-7,969	-19,584
Total	**0**	**0**	**11,368,005**	**8,568,697**

1.2 Other insurance income

Other insurance income is composed from:

- entry fees,
- management fees,
- exit fees,
- other services.

Table 10: Other insurance income

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Entry fees	0	0	1,896,892	1,955,903
Management fees	0	0	5,253,286	4,879,486
Exit fees	0	0	182,288	202,874
Revenues from operations	344,100	254,476	10,433	14,842
Total	**344,100**	**254,476**	**7,342,899**	**7,053,105**

Main part of other insurance income represents entry and management fees from supplementary pension insurance.

The entry fees are charged from paid-in premiums, not exceeding 2.95% of the paid-in premium at the year-end (2013: 2.95%).

The Group also charges annual management fee ranging from 1.0% to 1.5% for the administration and management of all pension funds (2013: 1.0% to 1.5%).

Upon the termination of the supplementary pension insurance, the administrator is entitled to an exit fee in the amount of 1% of the redemption value upon termination of the insurance contract (2013: 1%).

2. INTEREST INCOME AND EXPENSE

Interest income mainly includes interest from issued loans and deposits and interest from investments earned in 2014.

2.1 Interest income

Table 11: Interest income

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Financial assets	66,953	112,718	1,374,221	1,399,880
1. Held to maturity	66,953	0	911,376	907,287
2. Available-for-sale	0	112,718	435,160	462,139
3. Measured at fair value through profit or loss	0	0	27,685	30,455
Issued loans and deposits	1,287	8,202	41,145	50,218
Other	0	0	504	0
Total	**68,240**	**120,920**	**1,415,870**	**1,450,098**

2.2 Interest expense

Table 12: Interest expense

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Other interest expense	0	0	-697	0
Total	**0**	**0**	**-697**	**0**

In 2014, the Company raised no loans and incurred no related expense. The interest expense of the Group relates to the interest expense incurred by Prva Osebna Zavarovalnica d.d. (2013: The Company and the Group raised no loans and incurred no related expense).

3. DIVIDEND INCOME

Table 13: Dividend Income

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Dividend income on available-for-sale financial assets	1,231,002	2,173,876	161,618	347,366
Total	**1,231,002**	**2,173,876**	**161,618**	**347,366**

4. NET GAINS/LOSSES FROM INVESTMENTS

Table 14: Net gains/losses from investments

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Net gains from revaluation of investments measured at fair value through profit or loss	0	0	49,715	67,664
Net gains/losses from disposal of securities	-140,043	70,775	61,211	77,212
Impairment of investments not measured at fair value through profit or loss	-128,756	-1,899,829	-133,815	-4,053,924
Net foreign exchange differences	0	0	133,039	-13,771
Total	**-268,800**	**-1,829,054**	**110,150**	**-3,918,124**

Net gains from revaluation and net gains from investments relate to various shares and bonds of the Company and the Group. Investment impairment in 2013 was primarily recognised on investments in subordinated bonds of Slovenian banks. As a result of the write-off of subordinated bonds, the Company and other affected companies in the Group instigated a legal dispute against each of the Bank of Slovenia's decisions and resolution.

5. NET EXPENSES FOR CLAIMS AND CHANGES IN TECHNICAL PROVISIONS

5.1 Net expenses for claims

Table 15: Net expenses for claims

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Gross claims charged	0	0	-3,208,964	-2,531,696
Re-insurance share of gross claims	0	0	132,075	332,419
Change of provisions for outstanding claims	0	0	-570,277	-45,446
Change of provisions for outstanding claims re-insured	0	0	205,986	89,912
Total	**0**	**0**	**-3,441,179**	**-2,154,811**

5.2 *Changes in technical provisions*

Table 16: Changes in technical provisions

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Change of gross mathematical provisions				
- Life insurance guarantee fund	0	0	-3,297,745	-3,145,850
- Investment risk guarantee fund	0	0	-353,368	-276,544
- Health insurance guarantee fund	0	0	-3,088	561
Total	0	0	**-3,654,202**	**-3,421,833**

6. Costs of acquiring insurants

Commissions to agents and marketing promotion costs directly attributed to the acquisition of insurants are included under costs of acquiring insurance. Commissions to agents refer to fees that are paid to outside contractors as an award for the successful acquisition of insurants. The presented item comprises also changes in deferred insurance acquiring costs.

Table 17: Costs of acquiring insurants

	Prva Group		The Group	
EUR	2014	2013	2014	2013
Commissions to agents costs	0	0	-3,092,949	-2,507,321
Marketing campaigns costs	0	0	-338,030	-218,098
Total	0	0	**-3,430,979**	**-2,725,420**

7. Employee benefit costs

Salaries, holiday pay, reimbursements for meals and transportation to work, employer contributions and taxes for remitted salaries and payments of supplementary pension insurance are included under labour costs for 2014.

Prva Group plc. employed 1.2 employee at the end of 2014 (2013:1.2), while there were 108 persons employed in the Group at the end of 2014 (2013: 109).

Table 18: Employee benefit costs

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Employee salaries	-91,079	-77,434	-2,272,918	-2,052,157
Holiday pay	-800	-267	-53,129	-48,195
Reimbursements for meals and transportation to work	-832	-214	-119,864	-91,710
Employer's contributions and taxes on salaries paid	-14,499	-12,451	-314,370	-297,957
- *Pension insurance contributions*	-7,974	-6,845	-149,109	-141,531
- *Social security contributions*	-6,526	-5,606	-165,261	-156,426
Payments to employees for supplementary pension insurance	-378	-281	-81,684	-81,341
Other labour costs	-103	0	-13,615	-2,696
Total	**-107,692**	**-90,646**	**-2,855,580**	**-2,574,056**

8. Other costs

Other costs comprise the cost of services by individual persons, material operating costs, service operating costs, marketing costs, supervisory board costs, rental costs, deferred employee benefits and other costs.

Table 19: Other costs

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Reimbursement of work-related costs	-11,092	-7,770	-142,180	-128,637
Costs of intellectual and personal services	-40,070	-43,290	-381,824	-326,024
Rental costs	-11,841	-14,206	-422,196	-409,577
Costs of other services	-49,589	-62,187	-533,148	-567,832
Other costs	-10,764	-13,167	-578,252	-433,809
Profit sharing from reinsurance	0	0	56,600	114,007
Total	**-123,356**	**-140,620**	**-2,001,000**	**-1,751,872**

Table 20: Audit fees

EUR	Prva Group		The Group	
	2014	2013	2014	2013
Audit of the annual report	-8,540	-13,464	-68,359	-79,933
Other non-auditing services	0	0	0	0
Other auditing services	0	0	0	0
Tax advisory services	0	0	0	0
Total	**-8,540**	**-13,464**	**-68,359**	**-79,933**

9. Other revenue and expenses

9.1 *Other revenue*

The majority of other revenue of the Group represent fee and commission received for acquiring of insurances amounting to EUR 173,615 in 2014 (2013: EUR 167,665)

9.2 *Other expenses*

Table 21: Other expenses

	Prva Group		The Group	
EUR	2014	2013	2014	2013
Other expenses	0	0	-738,340	-458,816
Total	0	**0**	-738,340	**-458,816**

Other expenses were incurred by Prva osebna zavarovalnica d.d.. These costs are charged to the Company and cannot be included under any other income statement item.

10. Deferred and current tax

Table 22: Deferred tax - Prva Group

EUR	Statement of financial position 31.12.2014	31.12.2013	Recognised in statement of comprehensive income 2014	Recognised in profit or loss 2014
Impairment of investments and receivables	117,682	126,284	0	-8,602
Unutilised tax losses	221,899	263,297	0	-41,398
Revaluation of AFS investments to fair value	0	23,905	-23,905	0
Total deferred income tax assets (+)/liabilities (-)	339,581	413,486	-23,905	-50,000

Table 23: Deferred tax – The Group

EUR	Statement of financial position 31.12.2014	31.12.2013	Recognised in statement of comprehensive income 2014	Recognised in profit or loss 2014
Deferred income tax assets	**705,437**	**801,799**	**0**	**-47,384**
Fixed asset depreciation	5,966	0	0	5,966
Impairment of investments and receivables	117,682	127,062	0	-9,380
Provisions for employees	2,542	0	0	2,542
Unutilised tax losses	579,247	674,737	0	-46,512
Deferred income tax liabilities	**177,258**	**25,335**	**151,923**	**0**
Revaluation of AFS investments to fair value	177,258	25,335	151,923	0
Total deferred income tax assets (+)/liabilities (-)	528,179	776,464	-151,923	-47,384

As at 31 December 2014, deferred tax amounts were restated using tax rates effective at the time the Company expects to utilise these tax assets i.e. at the rate of 17% (2013: 17%).

Table 24: Reconciliation of tax and accounting profit multiplied by the tax rate applicable in Slovenia

EUR	Prva Group 2014	2013	The Group 2014	2013
Pre-tax profit	1,105,841	450,597	4,090,845	261,279
Income tax paid in Slovenia at 17% (2012 – 18%)	-1,011,437	-2,065,183	-1,075,644	-2,169,502
Net increase/decrease in the tax basis	136,695	246,480	200,902	315,280
Expenses not recognised for tax purposes	0	0	103,074	54,257
Tax relief	0	0	103,074	0
Deduction of foreign tax	0	0	0	0
Deferred tax	-50,000	266,403	-47,384	324,372
Income tax payable	0	0	-138,318	-5,075
Total tax	-50,000	266,403	-185,702	319,297
Effective tax rate	4.52%	-59.12%	4.54%	-122.21%

In the financial year under review, the Company /the Group accounted for the amount of current income tax payable using the applicable tax rate of 17% (2013: 17%).

11. NET EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit for the financial period belonging to ordinary shareholders by the weighted average number of outstanding ordinary shares in the financial period. The weighted average number of outstanding ordinary shares is calculated using data on the number of outstanding ordinary shares while taking into consideration eventual purchases and sales within the period and the period in which the shares participated in the generating of profit. The adjusted earnings per share also take into account all potential ordinary shares. The Company does not have any potential ordinary shares, therefore the net earnings per share equals to the adjusted earnings per share.

Table 25: Earnings per share

EUR	The Group 2014	2013
Net profit for the year attributable to the Group	3,242,905	16,584
Less dividends paid out to owners of preference shares	-400,897	-1,910
Net profit attributable to ordinary equity holders of the parent (EUR)	2,842,008	14,674
Weighted average number of ordinary shares for basic earnings per share	291,484	283,256
Earnings per share (in EUR)	9.75	0.05

13.5. NOTES TO THE STATEMENT OF FINANCIAL POSITION

12. PROPERTY, PLANT AND EQUIPMENT

Table 26: Movement in property, plant and equipment in 2014

EUR	Prva Group		The Group	
	Equipment	TOTAL	Buildings and equipment	TOTAL
COST				
Balance at 31 December 2013	166,521	166,521	1,524,031	1,524,031
Additions	0	0	152,184	152,184
Disposals	-14,238	-14,238	-11,513	-11,513
Balance at 31 December 2014	152,283	152,283	1,591,390	1,591,390
ACCUMULATED AMORTISATION				
Balance at 31 December 2013	142,421	142,421	889,445	889,445
Amortisation in 2014	5,886	5,886	110,121	110,121
Disposals	-14,238	-14,238	-17,472	-17,472
Balance at 31 December 2014	134,069	134,069	948,543	948,543
CARRYING AMOUNT				
Balance at 31 December 2013	24,100	**24,100**	634,585	**634,585**
Balance at 31 December 2014	18,214	**18,214**	642,848	**642,848**

The Company has not pledged any items of property, plant and equipment as collateral for loans.

Table 27: Movement in property, plant and equipment in 2013

	Prva Group		The Group	
EUR	Equipment	TOTAL	Buildings and equipment	TOTAL
COST				
Balance at 31 December 2012	167,281	167,281	1,409,538	1,409,538
Additions	0	0	152,658	152,658
Disposals	-760	-760	-38,165	-38,165
Balance at 31 December 2013	166,521	166,521	1,524,031	1,524,031
ACCUMULATED AMORTISATION				
Balance at 31 December 2012	136,136	136,136	818,652	818,652
Amortisation in 2013	7,045	7,045	87,934	87,934
Disposals	-760	-760	-17,142	-17,142
Balance at 31 December 2013	142,421	142,421	889,445	889,445
CARRYING AMOUNT				
Balance at 31 December 2012	31,145	**31,145**	590,886	**590,886**
Balance at 31 December 2013	24,100	**24,100**	634,585	**634,585**

13. INTANGIBLE ASSETS

Table 28: Movements in intangible fixed assets in 2014

EUR	Prva Group				The Group			
	Software	Investments in progress	Long-term deferred acquisition costs	TOTAL	Software	Investments in progress	Long-term deferred acquisition costs	TOTAL
COST								
Balance at 31 December 2013	178,858	0	0	178,858	1,830,647	7,360	169,126	2,007,132
Additions	0	0	0	0	90,743	78,479	77,304	246,525
Transfers	0	0	0	0	58,412	-58,412	-108,336	-108,336
Disposals	0	0	0	0	-303,497	0	-11,879	-315,376
Balance at 31 December 2014	178,858	0	0	178,858	1,676,305	27,426	126,215	1,829,945
ACCUMULATED AMORTISATION								
Balance at 31 December 2013	122,562	0	0	122,562	1,193,777	0	0	1,193,777
Amortisation in 2014	35,056	0	0	35,056	250,659	0	22,050	272,709
Disposals	0	0	0	0	-199,666	0	0	-199,666
Balance at 31 December 2014	157,618	0	0	157,618	1,244,771	0	0	1,266,821
CARRYING AMOUNT								
Balance at 31 December 2013	56,296	0	0	56,296	636,870	7,360	169,126	813,356
Balance at 31 December 2014	21,240	0	0	91,352	494,039	41,140	202,330	563,124

Table 29: Movements in intangible assets in 2013

EUR	Prva Group				The Group			
	Software	Investments in progress	Long-term deferred acquisition costs	TOTAL	Software	Investments in progress	Long-term deferred acquisition costs	TOTAL
COST								
Balance at 31 December 2012	178,858	0	0	178,858	1,457,500	41,140	202,330	1,700,970
Additions	0	0	0	0	340,900	904	95,678	437,483
Transfers	0	0	0	0	32,246	-34,684	128,882	126,444
Disposals	0	0	0	0	0	0	0	0
Balance at 31 December 2013	178,858	0	0	178,858	1,830,647	7,360	169,126	2,007,132
ACCUMULATED AMORTISATION								
Balance at 31 December 2012	87,506	0	0	87,506	963,462	0	0	963,462
Amortisation in 2013	35,056	0	0	35,056	230,315	0	0	230,315
Disposals	0	0	0	0	0	0	0	0
Balance at 31 December 2013	122,562	0	0	122,562	1,193,777	0	0	1,193,777
CARRYING AMOUNT							0	
Balance at 31 December 2012	91,352	0	0	91,352	494,039	41,140	202,330	737,510
Balance at 31 December 2013	56,296	0	0	56,296	636,870	7,360	169,126	813,356

14. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

14.1 Interests in subsidiaries

Interests in subsidiaries represent investments of Prva Group plc. in the following companies: Prva osebna zavarovalnica d.d., KB Prvo penzisko društvo AD, Skopje, Fondi Slloveno-Kosovar I Pensioneve sh.A Pristhine Kosovo, DDOR GARANT Beograd, PRVA zavarovalniško zastopniška družba, d.o.o.. These companies and the parent company Prva Group plc. form the Group.

Table 30: Interests in subsidiaries

EUR	Ownership	Prva Group 31.12.2014	31.12.2013	Changes during the year
Prva osebna zavarovalnica d.d.	100%	12,730,000	12,730,000	
KB Prvo penzisko društvo AD Skopje	51%	918,272	918,272	
Fondi Slloveno- Kosovar I Pensioneve Sh.A Pristhine Kosovo	67%	511,985	511,985	
DDOR Garant Beograd	60%	2,435,768	2,481,654	Investment impairment to fair value
PRVA zavarovalniško zastopniška družba, d.o.o.	100%	64,300	64,300	
Total		**16,660,326**	**16,706,212**	

In 2014 the Company Prva Group plc. recognised impairment of its investment in DDOR GARANT Beograd in the amount of EUR 45,886. The impairment loss was recognised based on the assessment of expected future cash flows.

Voting rights in subsidiaries are equal to the ownership share.

15. Assets of unit-linked policy holders

Table 31: Assets of unit-linked policy holders

EUR	Prva Group 31.12.2014	31.12.2013	The Group 31.12.2014	31.12.2013
Assets of unit-linked policyholders	0	0	1,458,080	1,043,151
Total	**0**	**0**	1,458,080	1,043,151

16. Investments in securities

Investments in securities represent investments in shares and bonds.

Table 32: Investments in securities

EUR	Prva Group 31.12.2014	31.12.2013	The Group 31.12.2014	31.12.2013
Investments into securities held-to-maturity	0	0	0	18,002,101
Investments into securities available for sale	1,453,377	1,873,238	31,175,836	6,826,440
Investments into securities designated at fair value through profit or loss	0	0	760,643	634,863
Total	**1,453,377**	**1,873,238**	**31,936,479**	**25,463,405**

Table 33: Structure of securities based on type of interest rate

EUR	Prva Group		The Group	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Investments into securities held to maturity:	0	0	0	18,002,101
- debt securities at fixed rate of interest	0	0	0	18,002,101
- debt securities at variable rate of interest	0	0	0	0
Investments into securities available for sale	1,453,377	1,873,238	31,175,836	6,826,440
- debt securities at fixed rate of interest	1,453,377	887,297	31,175,836	5,219,565
- debt securities at variable rate of interest	0	0	0	0
- equity securities		985,940	0	1,606,875
Investments into securities designated at fair value through profit or loss	0	0	760,643	634,863
- debt securities at fixed rate of interest	0	0	760,643	634,863
- debt securities at variable rate of interest	0	0	0	0
- equity securities	0	0	0	0
Total	**1,453,377**	**1,873,238**	**31,936,479**	**25,463,405**

The effective interest rate on securities ranges from 1.0% to 7.6% (2013: from 2.13% do 8.26%)

16.1 Investments in securities held to maturity

Table 34: Investments in securities held to maturity

EUR	Prva Group		The Group	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Investments traded on the organised market	0	0	0	16,682,094
Investments not traded on the organised market	0	0	0	1,320,008
Total	**0**	**0**	**0**	**18,002,101**

Non-trading securities held to maturity for the year 2013 are securities issued by the Republic of Macedonia.

16.2 Investments in securities, available for sale

Table 35: Investments in securities, available for sale

EUR	Prva Group		The Group	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Investments traded on the organised market	1,453,377	1,873,238	31,175,836	6,826,440
Investments not traded on the organised market	0	0	0	0
Total	**1,453,377**	**1,873,238**	**31,175,836**	**6,826,440**

Investments traded on the organised market are valued on the basis of market prices. Investments not traded on the organised market are valued using valuation technique models, taking into account variables, gained on available market data.

16.3 *Investments in securities measured at fair value through profit and loss*

Table 36: Investments in securities measured at fair value through profit and loss

EUR	Prva Group		The Group	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Investments traded on the organised market	0	0	760,643	634,863
Investments not traded on the organised market	0	0	0	0
Total	**0**	0	760,643	634,863

Investments traded on the organised market are valued on the basis of market prices.

17. Other receivables and short-term deferred costs and accrued income

Table 37: Other receivables and short-term deferred costs and accrued income

EUR	Prva Group		The Group	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Receivables arising out of insurance operations	0	0	221,612	148,733
Short-term trade receivables	50,224	19,976	380,330	313,115
Short-term advance payments	1,312	1,613	1,312	1,613
Income tax assets	0	0	0	0
Other receivables and assets	136,609	175,497	1,073,675	885,005
Deferred expenses and accrued income	1,098	15,428	254,371	234,606
Total	**189,242**	**212,515**	**1,931,299**	**1,583,073**

18. Assets from financial contracts

Assets from financial contracts relate to the Prva osebna zavarovalnica d.d. pension funds. Assets from financial contracts abroad are recognised in the off balance sheet accounts.

Table 38: Assets from financial contracts

EUR	Carrying amount		Fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Investments in securities	186,255,383	171,649,825	186,255,383	180,170,354
1. Held-to-maturity	0	141,802,180	0	150,322,709
2. Available-for-sale	0	0	0	0
3. Measured at fair value through profit or loss	186,255,383	29,847,645	186,255,383	29,847,645
Investment property	17,531,795	18,610,762	17,531,795	18,610,762
Issued loans and deposits	31,338,557	27,659,543	31,338,557	27,659,543
Short-term trade receivables	0	0	0	0
Other receivables and assets	671,392	712,172	671,392	712,172
Cash and cash equivalents	1,985,193	1,369,390	1,985,193	1,369,390
Total assets	**237,782,319**	**220,001,692**	**237,782,319**	**228,522,221**
Technical provisions	237,435,509	219,690,995	237,435,509	219,690,996
Other liabilities from financial contracts	346,810	310,697	346,810	310,697
Total liabilities	**237,782,319**	**220,001,692**	**237,782,319**	**220,001,692**

Table 39: Assets less receivables on accounts of pension insurants

EUR		31.12.2014	31.12.2013
Pension fund 1	Investments in securities held to maturity	0	0
	Investments measured at fair price	19,738,979	21,756,066
	Issued loans and deposits	6,969,396	4,735,614
	Investment property	1,594,981	1,711,938
	Cash and cash equivalents	300,937	289,680
Pension fund 2	Investments in securities held to maturity	0	36,163,216
	Investments measured at fair price	43,009,989	2,217,973
	Issued loans and deposits	6,249,723	5,226,847
	Investment property	3,671,420	4,078,672
	Cash and cash equivalents	439,968	199,624
Pension fund 3	Investments in securities held to maturity	0	61,950,704
	Investments measured at fair price	71,567,271	3,379,381
	Issued loans and deposits	10,407,631	9,655,140
	Investment property	7,116,551	7,418,501
	Cash and cash equivalents	584,724	486,894
Pension fund 4	Investments in securities held to maturity	0	43,688,262
	Investments measured at fair price	51,939,144	2,494,225
	Issued loans and deposits	7,711,807	8,041,941
	Investment property	5,148,844	5,401,651
	Cash and cash equivalents	659,565	393,192
Total		**237,110,927**	**219,289,521**

Investments of pension funds in deposits with banks and savings banks represent long-term and short-term deposits, denominated in euros. The annual interest rate ranges from 1.40% - 8.20% (2013: 3.00% - 7.70%)

Investments in held-to-maturity securities represent bonds of the Republic of Slovenia, EC/OECD countries and other countries, and corporate bonds from the organised markets of the Republic of Slovenia and EC and OECD countries as well as other countries. On pension funds 2, 3 and 4 the Company has fully switched to fair value pricing (On pension fund 1 the company has switched to fair value pricing in 2013).

Investments in securities designated at fair value through profit or loss represent shares traded on the securities market, shares not traded on the securities market, and corporate bonds from the organised markets of the Republic of Slovenia and EC and EOCD countries as well as other countries.

Investments in property are investments in investment property measured at fair value. New purchases and a revaluation to the fair value was made in 2014, which is the reason behind the decrease in the investment property value compared to 2013.

Table 40: Movement in investments on accounts of pension insurants

EUR	2014	2013
Balance at 1 January	**219,289,521**	**218,886,109**
Increase	41,578,349	31,797,314
Restatement	22,644,508	-10,708,078
Decrease	-46,401,451	-20,685,824
Balance at 31 December	**237,110,927**	**219,289,521**

Table 41: Structure of securities based on type of interest rate on accounts of policy holders of Prva osebna zavarovalnica

EUR	31.12.2014	31.12.2013
Debt securities	180,303,925	*165,289,839*
- Fixed interest rate	178,835,420	*161,999,041*
- Variable interest rate	1,468,505	*3,290,797*
Equity securities	5,951,457	*6,359,986*
Total	**186,255,383**	**171,649,825**

The effective interest rate on securities of pension funds ranges from 0.01% to 10.29% (2013: from 0.60% to 8.40%).

19. Issued loans and deposits

Table 42: Issued loans and deposits

EUR	Prva Group		The Group	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Issued loans and deposits	1,972,416	2,516,740	7,721,494	8,144,757
Total	**1,972,416**	**2,516,740**	**7,721,494**	**8,144,757**

Issued loans and deposits of Prva Group plc. represent deposits in banks. The interest rate for new deposits amounts to an average 1.10 – 2.25% nominal interest rate. The interest rates on deposits are fixed.

58% of the Company's deposits mature in 2015. As for the Group, 49% of deposits will mature in the next financial year.

All of the Company's deposits are denominated in euros. Within the Group, 5.8% of the deposits are denominated in the Macedonian denar; all other deposits are denominated in euro.

20. Cash and cash equivalents

Table 43: Cash and cash equivalents

EUR	Prva Group		The Group	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Cash in hand	0	0	322	851
Cash on current accounts (local currency)	1,582	7,176	111,492	74,695
Cash on current accounts (foreign currency)	0	0	8,234	6,432
Deposits with up to 3-month maturity at banks	40,199	48,019	1,390,414	1,052,159
Total	**41,782**	**55,195**	**1,510,462**	**1,134,137**

Deposits with up to three month maturity are disclosed inclusive of related interest as accrued in accordance with contractual terms. These funds are intended for the current coverage of costs and current placements.

21. Equity

At 31 December 2014, the share capital of the Company amounted to EUR 13,386,247, of which EUR 6,704,638 relates to ordinary shares, with the difference in the amount of EUR 6,681,609 relating to preference shares.

The capital of the Group represents the capital of Prva Group plc. and the capital of the non-controlling interest.

Table 44: Share capital

EUR	31.12.2014	31.12.2013
Approved share capital (ordinary shares with a face value of EUR 23.00)	6,704,638	6,704,638
Approved share capital (preference shares with a face value of EUR 33.00)	6,681,609	6,681,609
Share capital (ordinary shares with a face value of EUR 23.00)	6,704,638	6,704,638
Share capital (preference shares with a face value of EUR 33.00)	6,681,609	6,681,609
Total share capital (issued and paid-up shares)	13,386,247	13,386,247

Table 45: Number of issued and paid-up shares

EUR	Ordinary shares		Preference shares	
	2014	2013	2014	2013
At 1 January	291,420	275,006	202,372	191,012
Issued	64	16,414	65	11,360
At 31 December	291,484	291,420	202,437	202,372

The Company/the Group owns 18 ordinary and 51 preference shares on 31.12.2014

21.1 Reserves

Share premium comprises the surplus of capital paid (payments above the minimum emission values of shares or stakes) in the amount of EUR 6,017,833 (2013: EUR 6,017,833) and cannot be distributed. Other profit reserves amount to EUR 3,386 (2013: EUR 3,386).

Reserves for exchange rate differences arising from the translation of the functional currencies into the reporting currency are recognised directly in the statement of comprehensive income until the sale of a subsidiary when the exchange rate differences are transferred to the profit or loss. These reserves cannot be distributed.

Retained earnings have not been earmarked for any specific purpose and can be used to finance dividend payments in subsequent years.

Table 46: The structure and movement of reserves in 2014

	Prva Group				The Group			
	Share premium and other profit reserves	Revaluation reserves	Retained earnings	Total	Share premium and other profit reserves	Revaluation reserves	Retained earnings	Total
1.1.2014	6,020,110	-116,715	1,064,763	6,968,158	6,020,110	-366,189	4,263,210	9,917,132
Change	0	64,687	255,580	320,267	0	738,054	2,442,644	3,180,697
31.12.2014	6,020,110	-52,028	1,320,343	7,288,425	6,020,110	371,865	6,705,854	13,097,830

Table 47: The structure and movement of reserves in 2013

	Prva Group				The Group			
	Share premium and other profit reserves	Revaluation reserves	Retained earnings	Total	Share premium and other profit reserves	Revaluation reserves	Retained earnings	Total
1.1.2013	6,862,816	-724,111	1,549,674	7,688,379	6,862,816	-939,073	5,450,446	10,835,204
Change	-842,706	607,396	-484,911	-720,221	-842,706	572,884	-1,187,235	-1,455,947
31.12.2013	6,020,110	-116,715	1,064,763	6,968,158	6,020,110	-366,189	4,263,210	9,379,257

21.2 Dividends proposed and paid

At 31 December 2014, the distributable profit of Prva Group plc. amounts to EUR 1,320,344 and is comprised of retained earnings of EUR 264,503 and of the current year's profit amounting to EUR 1,055,841.

The Company intends to pay dividends to ordinary and preference shareholders for the 2014 financial year in total amount of EUR 0.8 million and the proposal will be submitted for approval to the General Meeting which will be held in June 2015. Dividends, which are announced after the reporting period, are not included in the liabilities item in the statement of financial position.

Dividends were paid out also in previous years. In 2014 a total of EUR 0.8 million of dividends were paid to holders of preference and ordinary shares.

22. Technical provisions

Table 48: Technical provisions

EUR	31.12.2014	31.12.2013
Non-life insurance	**489,302**	**429,250**
Gross unearned premiums	86,873	85,688
Gross provision for outstanding claims	390,421	334,642
Gross mathematical provisions	12,008	8,920
Life insurance	**13,229,565**	**9,063,176**
Gross unearned premiums	74,691	67,906
Gross mathematic provisions	10,855,376	7,563,637
Gross provisions in favour of unit-linked insurance underwriters	1,378,104	1,024,736
Gross provision for outstanding claim	921,395	406,897
Total	**13,718,867**	**9,492,426**

23. Liabilities from financial contracts

While Prva Group plc. does not have any liabilities from financial contracts, its subsidiaries do. Only Prva osebna zavarovalnica recognised these liabilities in the statement of financial position in accordance with IFRS.

Table 49: Liabilities from financial contracts

EUR	31.12.2014	31.12.2013
Other liabilities from financial contracts	346,810	310,695
Net liabilities to pension policyholders	237,435,509	219,690,996
TOTAL LIABILITIES	**237,782,319**	**220,001,692**

Liabilities from financial contracts of the Group companies abroad are reported in the off balance sheet records in accordance with IFRS. Furthermore, these liabilities are reported in the off balance sheet records also in the consolidated financial statements as required by IFRS.

Prva osebna zavarovalnica reports its financial contracts in the statement of financial position in accordance with IFRS and consequently, these are reported also in the consolidated statement of financial position.

Table 50: Other liabilities from financial contracts

EUR	31.12.2014	31.12.2013
Liabilities from insurance operations	314,191	294,137
Other liabilities	32,619	16,558
Total	**346,810**	**310,695**

Liabilities from insurance operations are liabilities for fees and commission and liabilities to insurants of Prva osebna zavarovalnica d.d.

Table 51: Net liabilities to pension policyholders

EUR		Pension fund 1	Pension fund 2	Pension fund 3	Pension fund 4	Total
Guaranteed value of mathematical provisions						
	in 2013	28,309,669	47,577,847	82,251,040	59,625,198	217,763,754
	in 2014	28,315,175	48,952,482	82,513,954	60,198,564	219,980,174
Value of mathematical provisions not guaranteed						
	in 2013	254,460	382,486	798,331	491,965	1,927,242
	in 2014	391,087	4,468,120	7,278,299	5,317,829	17,455,335
Total mathematical provisions						
	in 2013	28,564,129	47,960,333	83,049,371	60,117,163	219,690,996
	in 2014	28,706,261	53,420,602	89,792,253	65,516,393	237,435,509

Net liabilities to pension policyholders represent mathematical provisions, which are managed separately by the subsidiary Prva osebna zavarovalnica and the Group for each individual long term business fund.

Mathematical provisions must comply with the Decision on Detailed Rules and Minimum Standards to be Applied in the Calculation of Technical Provisions and at any time equal at least the amount of the redemption value of the insurance.

Thus, provisions are formed for each individual pension fund and comprise the guaranteed funds on the personal account of policyholders and provisions for returns exceeding the guaranteed return. The guaranteed value of the fund consists of the payment of the net premium and prescribed guaranteed return. Mathematical provisions are not reinsured.

Table 52: Movement in liabilities due to pension insurance policyholders in 2013 and 2012

EUR	Pension fund 1	Pension fund 2	Pension fund 3	Pension fund 4	TOTAL
Balance at 1 January 2014	28,564,128	47,960,333	83,049,372	60,117,164	219,690,996
Payments	2,959,430	5,973,154	7,543,490	5,005,149	21.481.222
Redemption and net transfers	-3,562,193	-5,364,429	-8,410,960	-5,237,889	-22,575,470
Net result from investments	1,109,968	5,611,274	9,144,949	6,720,151	22,586,343
Fees	-365,073	-759,730	-1,534,597	-1,088,181	-3.747.581
Balance at 31 December 2014	**28,706,261**	**53,420,602**	**89,792,253**	**65,516,393**	**237,435,509**

EUR	Pension fund 1	Pension fund 2	Pension fund 3	Pension fund 4	TOTAL
Balance at 1 January 2013	28,254,525	46,742,160	83,438,425	60,797,395	219,232,504
Payments	2,637,389	5,918,605	8,179,918	5,830,459	22.566.371
Redemption and net transfers	-2,505,050	-3,930,568	-6,929,403	-5,579,409	-18,944,430
Net result from investments	573,422	-47,918	-78,731	170,439	617,213
Fees	-396,158	-721,945	-1,560,839	-1,101,720	-3.780.662
Balance at 31 December 2013	**28,564,128**	**47,960,333**	**83,049,372**	**60,117,164**	**219,690,996**

24. Financial liabilities from borrowings

The Company and the Group do not have any financial liabilities from borrowings. In 2014, the Company has repaid the borrowings in Macedonia, for which the Company has pledged real estates as collateral. Thus the real estates are free of burden at 31.12.2014.

25. Other liabilities, other provisions and short-term accrued costs and deferred income

Table 53: Liabilities

EUR	Prva Group		The Group	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Other provisions	0	0	110,014	88,578
Other liabilities	16,369	1,494,261	1,502,476	2,392,375
Short-term accrued cost and deferred income	5,136	9,114	1,660,437	1,000,551
Total	**21,505**	**1,503,375**	**3,272,927**	**3,481,504**

The Group companies settle their liabilities at maturity. Only larger companies i.e. KB Prvo, Macedonia and Prva osebna zavarovalnica, Slovenia have open liabilities above EUR 100,000. These are accounts payable to suppliers, to employees and liabilities relating to the purchase of securities. Short-term accrued and deferred items of the Group represent deferred income from insurance premiums.

26. Off balance liabilities of the Company

The Company's and the Group's off balance sheet liabilities refer to liabilities arising from the lease contract for business premises and the assets of the companies' funds abroad.

Table 54: Movements in rent liabilities (EUR)

	Prva Group		Skupina	
Maturity	2014	2013	2014	2013
In one year	11,832	11,832	247,896	247,896
In one to five years	5,136	16,968	477,775	725,671
In more than 5 years	0	0	0	0
TOTAL	16,968	28,800	725,671	973,567

In accordance with IFRS, liabilities from financial contracts of subsidiaries abroad are carried in the off balance sheet records.

Table 55: Assets of long-term business funds of subsidiaries abroad recognised in the off balance sheet items (Group disclosure)

EUR	31.12.2014	31.12.2013
Fondi Kosovo	5,775,240	5,407,759
KB Prvo Makedonija	291,259,746	235,827,991
DDOR Garant Srbija	37,367,330	33,221,713
Skupaj	**334,402,316**	**274,457,463**

13.6. Other disclosures to the financial statements of the Company and the Group

27. Remunerations of members of the Management Board and the Supervisory Board, and related party transactions

In 2014, a total of EUR 78,567 was paid to the Management Board and members of the Supervisory Board of Prva Group plc. (2013: EUR 80,824), which is 2.8% less than in 2013.

Table 56: Costs of the Management and Supervisory Boards (including attendance fees of subsidiaries) for Prva Group

	2014	2012
Management Board	67,311	66,352
Supervisory Board	11,256	14,472
Total pay-outs	**78,567**	**80,824**

In 2014, Prva Group did not provide members of its Management or Subsidiary boards with any prepayments or loans, nor did it assume any liabilities on their behalf. Remunerations made in 2014 are presented below.

Table 57: Remunerations to members of the Management and Supervisory Boards of Prva Group plc. in 2014

	Salary	Pension insurance	Benefits	Holiday pay	Attendance fee	Reward	Total
Alenka Žnidaršič Kranjc	31,000	0	311	0	0	36,000	67,311
Total	31,000	0	311	0	0	36,000	67,311

Members	Function	Attendance fee	Total gross	Income tax	Net	Contr. for pension and disab. insurance
Tanja Tuš	1,250	358	1,608	336	1,272	151
Jože Mermal	2,500	716	3,216	672	2,544	302
Lindsay Stuart	2,500	716	3,216	672	2,544	302
Andreja Moraru - EBRD	3,216	-	-	-	-	-
Total	**9,466**	**1,790**	**8,040**	**1,681**	**6,359**	**754**

Table 58: Remunerations to members of the Management and Supervisory Boards of Prva Group plc. in 2013

	Salary	Pension insurance	Benefits	Holiday pay	Attendance fee	Reward	Total
Alenka Žnidaršič Kranjc	24.031	0	322	0	0	42.000	66.352
Total	24.031	0	322	0	0	42.000	66.352

Members	Function	Attendance fee	Total gross	Income tax	Net	Contr. for pension and disab. insurance
Tanja Tuš	1.250	358	1.608	362	1.246	142
Jože Mermal	2.500	716	3.216	724	2.492	285
Zvonimir Kristančič	1.250	358	1.608	362	1.246	142
Lindsay Stuart	2.500	716	3.216	724	2.492	285
Dušan Šešok	1.250	358	1.608	362	1.246	142
Andreja Moraru - EBRD	3.216	-	-	-	-	-
Total	**11.966**	**2.506**	**11.256**	**2.533**	**8.722**	**996**

The following other entities are considered related to Prva Group plc. and the Group:

- A-Z Finance d.o.o.
- EBRD, United Kingdom
- Dej d.o.o.
- Druga d.o.o
- Makrofin d.o.o.
- Deos, d.d.

Table 59: Transactions of Prva Group plc. with subsidiaries in 2014

PG - related parties	Costs - purchases from related parties	Revenue - sales to related parties	Receivables due from subsidiaries	Liabilities to subsidiaries
POZ	14,958	142,500	35,812	35,810
KB Prvo	0	165,000	13,750	0
DDOR	0	14,400	850	0
FONDI	0	60,719	38,519	0

POZ - PZZD, DEOS	Costs - purchases from related parties	Revenue- sales to related parties	Receivables due from subsidiaries	Liabilities to subsidiaries
Prva zavarovalno zastopniška družba d.d.	0	0	0	0
Deos d.d.	27	0	0	0

PG - related parties	Dividend Income	Interest income	Interest expense
POZ	620,000	0	0
KB Prvo	478,075	0	0
DDOR	45,886	0	0
FONDI	0	0	0

The Company, the Group and individual subsidiaries recorded no other significant related-party transactions in 2014.

The parent charged to its subsidiaries fees for investment management and internal audit services, as well as rent for hardware and software.

All transactions with subsidiaries have been carried out under market conditions.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

28.1 Insurance risk management

Each insurance contract is exposed to uncertainties whether insurance event will appear, when it will appear and what the repayment will be. By nature, the insurance risks that arise from insurance contrast are coincidental and thus unpredictable.

Insurance risks relate to uncertainty of the insurance transactions. The most important components of insurance risks are:

- Risk of unsuitable amount of premium (premium risk) and
- Risk of inappropriate amount of technical provisions (provision risk)

Premium risk is the risk that costs and claims will be higher than written premiums. This can occur when the frequency or the amount of claims is higher than expected. Claim events are random variables and therefore actual numbers and amounts vary from statistical average. Provision risk is the risk of inappropriate amount of technical provisions set aside.

Experiences show that portfolio size and spread decrease these variances. Prva osebna zavarovalnica has implemented a process of accepting insurances that differentiates among different types of risks and aims to achieve appropriate portfolio size risks in order to decrease variability of expected claims.

The insurance company manages risks with the help of criteria set for accepting insurances which depends on the amount of the sum insured and the type of risk. Furthermore, the insurance company manages these risks through appropriate development of products, pricing and reinsurance.

28.2 Financial risk management

The basic financial instruments of the Company and the Group comprise financial investments, bank loans, money deposits and cash on accounts at banks. The main purpose of these financial instruments is to attain the long-term yields of the insurance company. The insurance company also has other financial instruments such as trade receivables and supplier payables which arise upon its business operations.

The main types of risk originating from the financial instruments of the insurance company include market risk, liquidity risk and credit risk. The Management Board reviews and approves risk management policies which are summarised below.

28.3 Capital management

Prva Group manages its capital with an aim of ensuring both smooth and continued operations of the Company and maximum profitability for its shareholders through optimal capital adequacy.

The Group monitors capital balances of its subsidiaries to ensure adequate amount of capital. All of the subsidiaries fully comply with the relevant capital adequacy requirements.

29. CREDIT RISK

The Company and the Group operate only with well established, trustworthy clients. They are exposed to credit risk in terms of investments in securities, issued loans, deposits, cash and other receivables. The credit risk arises from the fact that the Company is exposed to the risk of insolvency of counterparties.

The following table presents the exposures to credit risk based on different credit ratings. When determining a credit rating, the credit rating of agencies Moody's, S&P and Fitch are used. In case when there are different credit ratings from different agencies, the second best rating is used. The table consists of debt instruments, issued loans and deposits, cash and other receivables. Equity and real estate exposure are not presented in the table, because no credit risk arises from this type of investments.

Table 60: The credit quality of the financial assets of Prva Group plc.

in EUR	31.12.2014	%	31.12.2013	%
1. Rating - AAA	0	0.00%	0	0.00%
2. Rating - AA	0	0.00%	0	1.22%
3. Rating - A	279,857	0.85%	0	7.24%
4. Rating - BBB	631,450	1.92%	448,983	22.07%
5. Below BBB	814,881	2.47%	387,080	37.70%
6. Without rating	1,929,531	5.85%	3,806,196	31.77%
Total	**3,655,719**	**11.09%**	**4,642,259**	**100.00%**

Table 61: The credit quality of the financial assets of the Group

in EUR	31.12.2014	%	31.12.2013	%
1. Rating - AAA	20,693	0.06%	0	0.00%
2. Rating - AA	626,116	1.90%	305,106	1.22%
3. Rating - A	5,747,214	17.44%	1,812,245	7.24%
4. Rating - BBB	15,444,473	46.86%	5,977,054	22.07%
5. Below BBB	9,782,161	29.68%	13,880,270	37.70%
6. Without rating	10,464,063	31.75%	13,481,227	31.77%
Total	**42,084,720**	**127.69%**	**35,455,902**	**100.00%**

In the rating group below BBB are in 2014 mainly investments in securities issued by domestic entities of the Company and its subsidiaries and deposits of local banks with below BBB ratings. In the rating group without rating are mainly deposits of local banks without rating and securities issued by domestic entities of the Company and its subsidiaries.

Table 62: the structure of assets of Prva Group plc. exposed to credit risk

in EUR	31.12.2014	31.12.2013
Financial assets:	3,425,793	4,389,978
• Deposits and loans	1,972,416	2,516,740
• HTM	0	0
• AFS	1,453,377	1,873,238
• FVTPL	0	0
Receivables and other financial assets	188,144	197,086
Cash and cash equivalents	41,782	55,195
Total	**3,655,719**	**4,642,259**

Table 63: the structure of assets of the Group plc. to credit risk

in EUR	31.12.2014	31.12.2013
Financial assets:	38,897,330	32,973,298
• Deposits and loans	7,721,494	8,144,757
• HTM	0	18,002,101
• AFS	31,175,836	6,826,440
• FVTPL	760,643	634,863
Receivables and other financial assets	1,676,928	1,348,467
Cash and cash equivalents	1,510,462	1,134,137
Total	**42,084,720**	**35,455,902**

The investments are highly spread, therefore the Company and the Group are not significantly exposed to one individual issuer. The investments are not pledged as collateral.

Table 64: The credit quality of the financial investments of pension funds

	31.12.2014	%	31.12.2013	%
1. Rating - AAA	2,515,773	1.17%	4,163,059	2.13%
2. Rating - AA	2,027,602	0.95%	967,371	0.50%
3. Rating - A	38,231,308	17.84%	25,890,770	13.28%
4. Rating - BBB	93,070,827	43.43%	49,183,451	25.22%
5. Nižje od BBB	45,230,016	21.11%	76,122,972	39.03%
6. Brez ratinga	33,223,541	15.50%	38,703,321	19.84%
Total	**214,299,067**	**100.00%**	**195,030,944**	**100.00%**

In accordance with the Insurance Act, investments are spread, therefore the long term business funds are not significantly exposed to one individual issuer. As a result of the financial crisis in the euro zone, the amount of no rating investments and investments with low creditworthiness of debtors has risen. The "no rating" class includes mainly investments in cash deposits held at Slovenian banks and debt securities of Slovenian issuers. Class 5 "Below BBB" includes mainly the bonds of Slovenian issuers and bonds of companies engaged in cyclical industries, whose credit rating deteriorated due to the economic crisis. Equity securities and real estate are not included in the analysis as they carry no direct credit risk.

The Company and pension funds have no outstanding receivables or investments. None of the investments are pledged as collateral.

The Company and Group regularly assess credit risk arising from deposits at banks and by following a conservative investments policy invest any surplus assets in deposits of local banks for which the Company and the Group believe there is no risk of default on repayment i.e. no significant credit risk.

Table 65: Credit risk structure of pension funds per investment type

	31.12.2014	31.12.2013
Investments in securities	211,642,483	192,949,383
1. in loans and deposits	31,338,557	27,659,541
2. Held-to-maturity	0	141,802,183
3. Available-for-sale	180,303,926	23,487,659
Other receivables and assets	671,392	712,170
Cash and cash equivalents	1,985,193	1,369,391
Total	**214,299,067**	**195,030,944**

Table 66: Maturity structure of receivables

Gross receivables (EUR)	Prva Group 31.12.2014	31.12.2013	Skupina 31.12.2014	31.12.2013
Not matured	188,144	197,086	1,622,296	1,284,151
Up to 90 days	0	0	85,086	55,790
More than 90 days	0	0	29,840	186,176
Total	188,144	197,086	1,737,222	1,526,117

Receivable allowances (EUR)	Prva Group 31.12.2014	31.12.2013	Skupina 31.12.2014	31.12.2013
Not matured	0	0	0	0
Up to 90 days	0	0	33,878	10,087
More than 90 days	0	0	26,416	167,563
Total	0	**0**	60,294	**177,650**

Carrying amount of receivables (EUR)	Prva Group 31.12.2014	31.12.2013	Skupina 31.12.2014	31.12.2013
Not matured	188,144	197,086	1,622,296	1,284,151
Up to 90 days	0	0	51,208	45,703
More than 90 days	0	0	3,424	18,613
Total	188,144	197,086	1,676,928	1,348,467

30. LIQUIDITY RISK

The Company and the Group manage liquidity risk through cash flow forecasting. The Company uses cash flow forecasts to take into account the maturity of financial investment including planned outflows which relate to the Company's operations.

Financial investments of the Company and the Group are financed with the Company's capital. At the end of the year, the Company and the Group report only liabilities for running costs with maturity of up to 3 months. The following tables represent the structure of assets and liabilities according to maturities.

Table 67: Overview of the contractual liquidity of the financial assets and liabilities of Prva Group plc.

EUR	31.12.2014 TOTAL	Maturity up to 12 months	Maturity above 12 months	31.12.2013 TOTAL	Maturity up to 12 months	Maturity above 12 months
ASSETS						
Investments	18.113.702	**232.240**	**17.881.462**	**18.579.450**	**452.730**	**18.126.720**
Share in subsidiaries	16.660.326	0	16.660.326	16.706.212	0	16.706.212
Share in associated company	0	0	0	0	0	0
Investments into securities	1.453.377	232.240	1.221.137	1.873.238	452.730	1.420.508
1. Held to maturity	0	*0*	*0*	*0*	*0*	*0*
2. Available-for-sale	1.453.377	*232.240*	*1.221.137*	*1.873.238*	*452.730*	*1.420.508*
Issued loans and deposits	1.972.416	1.142.416	830.000	2.516.740	2.516.740	0
Cash	41.782	41.782	0	55.195	55.195	0
Other receivables	188.144	188.144	0	197.086	197.086	0
Assets from financial contracts	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**20.316.044**	**1.604.582**	**18.711.462**	**21.348.471**	**3.221.751**	**18.126.720**
LIABILITIES						
Other liabilities	16.369	16.369	0	1.494.261	1.494.261	0
TOTAL LIABILITIES	**16.369**	**16.369**	**0**	**1.494.261**	**1.494.261**	**0**

Table 68: Overview of the contractual liquidity of the financial assets and liabilities of the Group

EUR	31.12.2014 TOTAL	Maturity up to 12 months	Maturity above 12 months	31.12.2013 TOTAL	Maturity up to 12 months	Maturity above 12 months
ASSETS						
Investments	33,394,559	5,524,768	27,869,791	26,506,555	2,650,972	23,855,583
Share in associated company	0	0	0	0	0	0
Assets of unit-linked insurants	1,458,080	0	1,458,080	1,043,151	0	1,043,151
Investments into securities	31,936,479	5,524,768	26,411,711	25,463,404	2,650,972	22,812,432
1. Held to maturity	0	0	0	18,002,101	1,179,523	16,822,578
2. Available for sale	31,175,836	5,492,203	25,683,633	6,826,440	1,429,252	5,397,188
3. Measured at fair value through profit or loss	760,643	32,565	728,078	634,863	42,197	592,666
Issued loans and deposits	7,721,494	3,757,948	3,963,546	8,144,757	7,044,133	1,100,624
Cash	1,510,462	1,510,462	0	1,134,137	1,134,137	0
Other receivables	1,676,928	1,676,928	0	1,348,467	1,348,467	0
Assets from financial contracts	237,782,319	51,049,833	186,732,486	220,001,692	17,771,972	202,229,720
TOTAL ASSETS	**282,085,763**	**63,519,939**	**218,565,824**	**257,135,608**	**29,949,681**	**227,185,927**
LIABILITIES						
Other liabilities	1,502,476	1,502,476	0	2,392,375	2,392,375	0
Liabilities from financial contracts	237,435,509	19,060,403	218,375,106	220,001,692	17,771,972	202,229,720
TOTAL LIABILITIES	**222,394,067**	**20,164,347**	**202,229,720**	**222,394,067**	**20,164,347**	**202,229,720**

Table 69: Overview of the structure of liabilities of Prva Group considering expected non-discounted cash flow in 2014

The Company	31.12.2014					
EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	Up to 1 year / demand	Total	Carrying amount
ASSETS						
Deferred tax assets	0	339,581	0	0	339,581	339,581
Investments into securities	108,997	1,222,794	118,019	0	1,449,809	1,453,377
1, Held-to-maturity	0	0	0	0	0	0
2, Available-for-sale	108,997	1,222,794	118,019	114,749	1,564,558	1,453,377
3, Investments into securities designated at fair value through profit or loss	0	0	0	0	0	0
Deferred expenses and accrued income	1,098	0	0	0	1,098	1,098
Assets from financial contracts	0	0	0	0	0	0
Issued loans and deposits	1,155,739	849,112	0	0	2,004,852	1,972,416
Other receivables	188,144	0	0	0	188,144	188,144
Cash	0	0	0	41,782	41,782	41,782
TOTAL ASSETS	**1,793,559**	**2,071,906**	**118,019**	**156,531**	**4,140,015**	**3,996,398**
LIABILITIES						
Other liabilities and short-term accrued costs and deferred income	16,369	0	0	0	16,369	16,369
TOTAL LIABILITIES	**16,369**	**0**	**0**	**0**	**16,369**	**16,369**

Table 70: Overview of the structure of assets and liabilities of Prva Group considering expected non-discounted cash flow in 2013

The Company	31.12.2013					
EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	Up to 1 year / demand	Total	Carrying amount
ASSETS						
Deferred tax assets	0	413,486	0	0	413,486	413,486
Investments into securities	416,914	385,770	202,117	0	1,004,801	887,298
1. Held-to-maturity	0	0	0	0	0	0
2. Available-for-sale	416,914	385,770	202,117	0	1,004,801	887,298
3. Investments into securities designated at fair value through profit or loss	0	0	0	0	0	0
Deferred expenses and accrued income	15,428	0	0	0	15,428	15,428
Assets from financial contracts	0	0	0	0	0	0
Issued loans and deposits	2,592,242	0	0	48,019	2,640,261	2,516,740
Other receivables	197,086	0	0	0	197,086	197,086
Cash	55,195	0	0	0	55,195	55,195
TOTAL ASSETS	**3,690,351**	**385,770**	**202,117**	**48,019**	**4,326,257**	**4,085,233**
LIABILITIES						
Other liabilities and short-term accrued costs and deferred income	1,494,261	0	0	0	1,494,261	1,494,261
TOTAL LIABILITIES	**1,494,261**	**0**	**0**	**0**	**1,494,261**	**1,494,261**

Table 71: Overview of the structure of assets and liabilities of the Group considering expected non-discounted cash flow in 2014

The Group	31.12.2014					
EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	Up to 1 year / demand	Total	Carrying amount
ASSETS						
Investments into securities	5,579,690	15,084,095	7,542,048	5,843,409	34,049,242	31,936,479
1. Held to maturity	0	0	0	0	0	0
2. Available for sale	5,547,125	14,999,426	7,499,713	5,192,109	33,238,373	31,175,836
3. Held for trading	32,565	84,669	42,335	651,300	810,869	760,643
Assets of unit-linked insurants Risk	0	0	1,458,080	0	1,458,080	1,458,080
Issued loans and deposits	3,795,528	4,003,182	0	0	7,798,709	7,721,494
Cash	1,510,462	0	0	0	1,510,462	1,510,462
Other receivables	1,676,928	0	0	0	1,676,928	1,676,928
Assets from financial contracts	33,977,778	144,757,983	63,099,398	25,999,837	267,834,996	237,782,319
TOTAL ASSETS	**46,540,386**	**163,845,260**	**72,099,526**	**31,843,246**	**314,328,418**	**282,085,763**
LIABILITIES						
Other liabilities	1,502,476	0	0	0	1,502,476	1,502,476
Liabilities from financial contracts	19,060,403	30,869,009	187,506,097	0	237,435,509	237,435,509
TOTAL LIABILITIES	**20,562,879**	**30,869,009**	**187,506,097**	**0**	**238,937,985**	**238,937,985**

Table 72: Overview of the structure of assets and liabilities of the Group considering expected non-discounted cash flow in 2013

The Group EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	Up to 1 year / demand	Total	Carrying amount
	31.12.2013					
ASSETS						
Investments into securities	3,173,650	15,978,222	6,438,010	1,491,814	27,081,696	25,463,404
1. Held to maturity	1,240,157	10,976,438	6,226,298	0	18,442,893	18,002,101
2. Available for sale	1,889,978	4,930,661	204,422	545,526	7,570,587	6,826,440
3. Held for trading	43,515	71,123	7,290	946,288	1,068,216	634,863
Assets of unit-linked insurants Risk	0	0	1,043,151	0	1,043,151	1,043,151
Issued loans and deposits	7,397,414	758,074	0	48,019	8,203,507	8,144,757
Cash	1,134,137	0	0	0	1,134,137	1,134,137
Other receivables	1,348,467	0	0	0	1,348,467	1,348,467
Assets from financial contracts	28,774,787	128,122,711	83,497,821	24,970,747	265,366,066	220,001,692
TOTAL ASSETS	**41,828,455**	**144,859,007**	**90,978,982**	**26,510,580**	**265,366,066**	**257,135,608**
LIABILITIES						
Other liabilities	2,392,375	0	0	0	2,392,375	2,392,375
Liabilities from financial contracts	17,771,972	27,028,396	220,565,698	0	265,366,066	220,001,692
TOTAL LIABILITIES	**20,164,347**	**27,028,396**	**220,565,698**	**0**	**267,758,441**	**222,394,067**

31. INTEREST RATE RISK

The exposure of the Company and the Group to changes in market interest rates is very low as they did not have investments with variable interest rate on 31.12.2014 (as on 31.12.2013).

An overview of the classification of assets per fixed and variable interest rate per type of financial investment is presented in the disclosure of investments.

The Company and the Group adopt decisions for mitigating interest risk on the basis of active monitoring of the development of events on international capital markets. At the same time, interest rate risk of funds managed by Prva osebna zavarovalnica relates to guaranteed return that the fund must ensure to policyholders in line with pension schemes. The Group mitigates its interest rate risk through active portfolio management.

Table 73: Interest rate risk - pension funds

Change in market interest rate	2014 Impact on assets (EUR)	2013 Impact on assets (EUR)
+/-10 bps	3,362	8,013

32. CURRENCY RISK

The Group's liabilities and receivables are converted according to the reference exchange rate of the European Central Bank as at 31 December 2014. Due to regulating exposure by currencies on individual level of subsidiaries, the Group is not exposed to major currency risk. Foreign currency translation reserves arising due to exchange rates are recognized through statement of comprehensive income.

As at 31 December 2014 the pension funds have no investments in foreign currency. All liabilities are denominated in euro.

Table below represents sensitivity to changes in important currencies to which the Group is exposed given that all other parameters remain the same.

The MKD currency represents the volatility in the assets of the Macedonian subsidiary. The same applies to bonds denominated in RSD which are included in the portfolio of the Belgrade subsidiary. The Group has lowered its exposure to BAM to zero, as it has sold all the shares of Nova Banka Bjelina.

Table 74: Currency risk of the Group

Valuta	2014 sprememba tečaja	2014 Vpliv na dobiček pred obdavčitvijo	2013 sprememba tečaja	2013 Vpliv na dobiček pred obdavčitvijo
BAM	5%	0	5%	70,848
	-5%	0	-5%	-70,848
MKD	5%	22,508	5%	28,514
	-5%	-22,508	-5%	-28,514
RSD	5%	2,728	5%	1,032
	-5%	-2,728	-5%	-1,032

As at 31 December 2014, the Company's does not have financial assets denominated in foreign currencies.

Table 75: Values of foreign currencies in the Group

v EUR	31.12.2014	31.12.2013
BAM	0	1,416,956
MKD	450,154	570,281
RSD	54,556	20,630

33. THE RISK OF CHANGES TO THE MARKET PRICES OF SECURITIES

The Company is exposed to the risk of changes of market prices of securities in case of equity securities quoted on financial markets. As on 31 December 2014, the Company recorded EUR 114,758 of such investments (2013: EUR 985,940).

Table 76: The effect of changes to the market prices of equity securities - Prva Group

	Index change in %	2014 Impact on capital (EUR) (EUR)	2013 Impact on capital (EUR) (EUR)
Other	+/-10	11,476	98,594

The Group is exposed to the risk of changes of market prices of securities in relation to equity securities quoted on financial markets. As of 31 December 2014, the Group recorded EUR 410,078 of such investments (2013: EUR 1,531,470).

Table 77: The effect of changes to the market prices of equity securities - the Group

	Index change in %	2014 Impact on capital (EUR) (EUR)	2013 Impact on capital (EUR) (EUR)
Other	+/-10	41,008	153,147

The Company and the Group are also exposed to the risk of changes of market prices of securities due to their exposure to fixed income securities. If the market interest rate was to grow by 100 bp, the value of the Company's capital would fall for EUR 45,601 and the capital of the Group would fall for 1,226,058 as the following table shows.

Table 78: The effect of changes of market prices of securities sensitive to market interest rates - Prva Group

Interest rate change	2014 Impact on capital (EUR) (EUR)	2013 Impact on capital (EUR) (EUR)
+/-100 bps	45,601	21,473

Table 79: The effect of changes of market prices of securities sensitive to market interest rates – the Group

Interest rate change	2014 Impact on capital (EUR) (EUR)	2013 Impact on capital (EUR) (EUR)
+/-100 bps	1,226,058	135,873

Neither of the illustrations above includes securities of the long-term business fund carrying investment risk, with respect to which the insurance company is not exposed to market risk as a result of the management arrangement.

34. Fair value

Table 80: Overview of the carrying and fair value of financial instruments of the Company

EUR	Carrying amount		Fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Total financial assets	**6,515,497**	**6,515,497**	**6,515,497**	**6,515,497**
Investment into securities:	1,453,377	1,873,238	1,453,377	1,873,238
1. Held to maturity	*0*	*0*	0	*0*
2. Available for sale	*1,453,377*	*1,873,238*	1,453,377	*1,873,238*
Issued loans and deposits	1,972,416	2,516,740	1,972,416	2,516,740
Trade receivables (insurants)	0	0	0	0
Other receivables (assets)	188,144	197,086	188,144	197,086
Cash	41,782	55,195	41,782	55,195
Assets on accounts of pension insurance holders	0	0	0	0

Table 81: Overview of the carrying and fair value of financial instruments held by the Group

EUR	Carrying amount		Fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Total financial assets	**282,085,763**	**257,135,607**	**282,085,763**	**265,709,324**
Investment into securities:	31,936,479	25,463,405	31,936,479	25,516,594
1. Held to maturity	0	18,002,101	0	18,055,291
2. Available for sale	31,175,836	6,826,440	31,175,836	6,826,440
3. Designated at fair value through profit or loss	760,643	634,863	760,643	634,863
Issued loans and deposits	7,721,494	8,144,757	7,721,494	8,144,757
Trade receivables (insurants)	145,589	148,733	145,589	148,733
Other receivables (assets)	1,531,339	1,199,733	1,531,339	1,199,733
Cash	1,510,462	1,134,137	1,510,462	1,134,137
Investments in favour of unit-linked insurants	1,458,080	1,043,151	1,458,080	1,043,151
Assets on accounts of pension insurance holders	237,782,319	220,001,692	237,782,319	228,522,219
Total financial liabilities	**238,813,613**	**221,026,428**	**238,813,613**	**229,546,955**
Liabilities to pension insurance holders	237,435,509	220,001,692	237,435,509	228,522,219
ZTR in favour of unit-linked insurants	1,378,104	1,024,736	1,378,104	1,024,736

34.1 Assets and liabilities according to fair value hierarchy

In fair value measurement of assets and liabilities, the Company and the Group followed the following fair value hierarchy:

- ***Level 1:*** quoted prices in active markets for identical assets (quoted prices and generic prices from the Bloomberg system).

- ***Level 2*** comparable market prices (other than quoted prices of identical assets) obtained directly or indirectly for identical or similar assets and also includes the generic prices obtained in the Bloomberg sxtem.
- ***Level 3:*** the use of valuation models using mostly unobservable market inputs.

Table 82: Assets and liabilities of the Company in terms of fair value hierarchy in 2014

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	1,453,377	0	0	1,453,377
Investments into securities	1,453,377	0	0	1,453,377
Held for sale	1,453,377	0	0	1,453,377
ASSETS whose fair value is disclosed				
Receivables	0	0	188,144	188,144
Issued loans and deposits	0	0	1,972,416	1,972,416
Cash	41,782	0	0	41,782
LIABILITIES whose fair value is disclosed				
Other liabilities	16,369	0	0	16,369

There were no transfers from level 1 to level 2 or 3 in 2014.

Table 83: Assets and liabilities of the Company in terms of fair value hierarchy in 2013

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	1,720,436	0	0	1,873,238
Investments into securities	1,873,238	0	0	1,873,238
Held for sale	1,873,238	0	0	1,873,238
ASSETS whose fair value is disclosed				
Receivables	0	0	197,086	197,086
Issued loans and deposits	0	0	2,516,740	2,516,740
Cash	55,195	0	0	55,195
LIABILITIES whose fair value is disclosed				
Other liabilities	0	0	1,494,261	1,494,261

Table 84: Assets and liabilities of the Group in terms of fair value hierarchy in 2014

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value	**5,969,891**	**27,412,151**	**12,517**	**33,394,559**
Investments	5,969,891	27,412,151	12,517	33,394,559
Assets of unit-linked policyholders	522,942	922,621	12,517	1,458,080
Investments into securities	5,446,948	26,489,530	0	31,936,479
Designated at fair value through profit or loss	760,643	0	0	760,643
Held for sale	2,341,284	24,456,164	0	26,797,448
ASSETS whose fair value is disclosed	11,886,392	172,734,702	64,070,110	248,691,204
Receivables	0	0	1,676,928	1,676,928
Assets from financial contracts	10,375,931	172,734,702	54,671,687	237,782,319
Issued loans and deposits	0	0	7,721,494	7,721,494
Cash	1,510,462	0	0	1,510,462
LIABILITIES whose fair value is disclosed	0	0	254,034,957	254,034,957
Technical provisions	0	0	13,718,867	13,718,867
ZTR in favour of unit-linked insurants	0	0	1,378,104	1,378,104
Other liabilities	0	0	1,502,476	1,502,476
Liabilities from financial contracts	0	0	237,435,509	237,435,509

In order to reach the required return, to manage liquidity requirements and due to asset liability management the Group sold / reclassified part of the securities in 2014, which it had previously classified as held-to-maturity (HTM). Given the significance of sales / reclassification The Group had to reclassify complete HTM portfolio and marked it to market in accordance with IFRS. Since Group values certain investments at BGN model (®Bloomberg) it ha to transfer them to level 2. The amount of securities that were transferred to level 2 was € 22,665,546. There were no other transfers between the levels in 2014.

Table 85: Assets and liabilities of the Group in terms of fair value hierarchy in 2013

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value	**8,407,500**	**0**	**86,931**	**8,494,431**
Investments	8,407,500	0	86,931	8,494,431
Assets of unit-linked policyholders	946,197	0	86,931	1,033,128
Investments into securities	7,461,303	0	0	7,461,303
Designated at fair value through profit or loss	634,863	0	0	634,863
Held for sale	6,826,440	0	0	6,826,440
ASSETS whose fair value is disclosed	23,282,113	1,429,312	225,330,778	250,042,203
Investments into securities	0	0	18,002,101	18,002,101
Held to maturity	0	0	18,002,101	18,002,101
Receivables	0	0	1,348,467	1,348,467
Assets of unit-linked policyholders (loans and deposits)	0	0	10,023	10,023
Assets from financial contracts	22,147,976	1,429,312	196,424,404	220,001,692
Issued loans and deposits	0	0	8,144,757	8,144,757
Cash	1,134,137	0	0	1,134,137
LIABILITIES whose fair value is disclosed	22,147,976	1,429,312	209,411,102	232,988,390
Technical provisions	0	0	9,492,426	9,492,426
ZTR in favour of unit-linked insurants	0	0	1,024,736	1,024,736
Borrowings	0	0	77,161	77,161
Other liabilities	0	0	2,392,375	2,392,375
Liabilities from financial contracts	0	0	220,001,692	220,001,692

Table 86: Level 3 valuation technique

Investments into securities - Level 3	Valuation techniques	Significant assumptions	Valuation technique's sensitivity to inputs and market value impact
Non-marketable equity securities	The model takes into account the median of the ratio between the market and carrying price (P/B ratio) and the median of the ratio between the total value of the company, its market price, and earnings per share (P/E ratio) for comparable entities.	Inputs from entities in the comparable sector are based on the latest available business information (annual reports for 2013).	
		Liquidity discount for non-marketable securities of between 10 and 20% is considered.	
		Changes in prices and/or valuation of comparable entities and subsequent change in the P/E and P/B ratios.	In the event of a 20% fall in stock markets or share prices and subsequent reduction in ratios, the market value of total portfolio would on average fall by 0.3% assuming that all other parameters remain unchanged.

35. OTHER DETAILS

Prva Group had not issued any participation rights instruments, convertible bonds or similar securities or issued rights.

36. SIGNIFICANT SUBSEQUENT EVENTS

No events or circumstances occurred after the reporting date that would impact the financial statements for the year ended 31 December 2014.

14. INDEX OF TABLES

15. INDEX OF DIAGRAMS