Illyria Life Sh.a.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

WITH INDEPENDENT AUDITORS’ REPORT THEREON

TABLE OF CONTENTS

Ernst & Young Certified Auditors Ltd Kosovo
Pashko Vasa 16/7 Pejton

Tel: (+381 38) 220 155
Fax: (+381 38) 220 151
www.ey.com

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the shareholders and management of Illyria Life Sh.a - Prishtina

We have audited the accompanying financial statements of Illyria Life sh.a ("the Company), which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give true and fair view of the financial position of the Company as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Report on regulatory requirements of the supervisory authority, the Central Bank of Kosovo, for Solvency Margin and Assets Deemed to Insurance Liabilities

Pursuant to the requirements of the Central Bank of Kosovo ("CBK"), we have read the accompanying Supplementary Schedules of Solvency Margin and Assets Deemed to Back Insurance Liabilities ("Supplementary Schedules"). These Supplementary Schedules prepared by management are not part of accompanying financial statements. The historical financial information, presented in the Supplementary Schedules prepared by management, is consistent, in all material respects, with the annual financial information disclosed in the accompanying financial statements of the Company as of 31 December 2013, prepared in accordance with International Financial Reporting Standards, applicable for insurance companies in Kosovo. Management is responsible for the preparation of the Supplementary Schedules, in accordance with CBK Rule No.31 "Rule on Life Insurance" dated 1 January 2008.

Other Matter

The financial statements of the Company for the year ended 31 December, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on March 6, 2013.

Ernst & Young Certified Auditors Ltd, Pristina

Pristina, 18 March 2014

Statement of Financial Position as at December 31, 2013

(amounts in EUR, unless otherwise stated)

	Note	2013	2012
Assets			
Cash and cash equivalents	7	710,069	535,813
Term deposits, net	8	3,900,000	3,540,000
Reinsurance Share of Insurance Liabilities	9	18,310	9,791
Property and Equipment, net	10	590,055	577,373
Other Assets	11	255,675	150,976
Total Assets		**5,474,109**	**4,813,953**
Liabilities			
Insurance Liabilities for Losses and Loss Adjustment Expenses	12	1,552,494	970,069
Unearned Premium Insurance Liabilities	13	108,950	116,464
Deferred Revenue	14	34,863	44,099
Other Liabilities	15	128,897	200,032
Total Liabilities		**1,825,204**	**1,330,664**
Equity			
Share Capital	16	3,285,893	3,285,893
Retained Earnings		197,396	59,154
Current Year Profit		165,616	138,242
Total Equity		**3,648,905**	**3,483,289**
Total Liabilities and Equity		**5,474,109**	**4,813,953**

The notes on pages 6 to 29 are an integral part of these separate financial statements.

The financial statement set out on pages 2 to 29 were authorized for issue on 06 March 2014

Ramis Ahmetaj	Elvira Ibrahimi
General Director	Chief Accountant

Statement of Comprehensive Income for the year ended December 31, 2013

(amounts in EUR, unless otherwise stated)

	Note	2013	2012
Gross Written Premiums	17	1,420,871	1,236,526
Premium Tax	17	(71,044)	(61,826)
Change in the Gross Provision for Unearned Premiums	13	7,514	18,016
Net Written Premiums		**1,357,341**	**1,192,716**
Premiums Ceded to Reinsurer	18	(34,493)	(24,921)
Change in Reinsurer Share of Provision for Unearned Premiums	9	8,519	(13,068)
Net Insurance Premium Revenue		**1,331,367**	**1,154,727**
Investment Income	8	202,086	179,972
Tax on Interest Income	8	(20,209)	(17,997)
Reinsurance Recoveries	12	34,053	-
Reinsurance Commission	19	4,320	7,518
Total revenues		**1,551,617**	**1,324,220**
Losses and Loss Adjustment Expenses	12	(582,425)	(501,614)
Policy Acquisition Costs	20	(343,703)	(321,658)
Claims Expenses		(182,744)	(63,683)
Administrative Expenses	21	(277,129)	(299,023)
Total Losses and Expenses		**(1,386,001)**	**(1,185,978)**
Net Profit for the Year		**165,616**	**138,242**

The notes on pages 6 to 29 are an integral part of these separate financial statements.

Statement of cash flows for the year ended December 31, 2013

(amounts in EUR, unless otherwise stated)

	Note	2013	2012
Cash flows from operating activities			
Net profit for the period		**165,616**	**138,241**
Adjustments to reconcile net profit to net cash flows from operating activities:			
Depreciation and amortization	10	25,294	21,528
Increase in losses and loss adjustment insurance liabilities	12	582,425	501,614
Increase in unearned premium insurance liabilities	13	(7,514)	(18,015)
Premium tax expense	17	71,044	61,826
Investment income, net		(181,878)	(161,975)
Cash flows from operating activities before changes in operating assets and liabilities		***654,987***	***543,219***
Changes in operating assets and liabilities			
Increase in reinsurance share of insurance liabilities	9	(8,519)	13,068
(Increase)/Decrease in other assets, excluding accrued interest	11	(47,769)	29,113
Increase in deferred revenue	14	(9,236)	(18,807)
Increase in other liabilities, excluding premium tax payable	15	(67,690)	(15,527)
Cash flows generated from operations		**521,773**	**551,066**
Premium tax paid		(50,967)	(38,304)
Net cash generated from operating activities		**470,806**	**512,762**
Cash flows from investing activities			
Purchase of fixed assets	10	(37,976)	(3,762)
Increase in term deposits	8	(360,000)	(630,000)
Interest received		101,426	161,616
Net cash used in investing activities		**(296,550)**	**(472,146)**
Net cash from financing activities		**-**	**-**
Net increase in cash and cash equivalents		174,256	40,616
Cash and cash equivalents at the beginning of the year	7	535,813	495,197
Cash and cash equivalents at 31 December		**710,069**	**535,813**

The notes on pages 6 to 29 are an integral part of these separate financial statements.

Statement of Changes in Equity for the year ended December 31, 2013

(amounts in EUR, unless otherwise stated)

	Equity	Retained Earnings	Total
Balance on 01 January 2012	**3,285,893**	**59,154**	**3,345,047**
Comprehensive Income for the Period			
Net Profit for the Period	-	138,242	138,242
Other Comprehensive Income	-	-	-
Total Comprehensive Income	**-**	**138,242**	**138,242**
Total Transactions with Owners Reported Directly in Equity	-	-	-
Balance on 31 December 2012	**3,285,893**	**197,396**	**3,483,289**
Balance on 01 January 2013	**3,285,893**	**197,396**	**3,483,289**
Comprehensive Income for the Period			
Net Profit for the Period	-	165,616	165,616
Other Comprehensive Income	-	-	-
Total Comprehensive Income	**-**	**165,616**	**165,616**
Total Transactions with Owners Reported Directly in Equity	-	-	-
Balance on 31 December 2013	**3,285,893**	**363,012**	**3,648,905**

The notes on pages 6 to 29 are an integral part of these separate financial statements.

1. Reporting entity

Illyria Life sh.a. (formerly "Dukagjini Life", hereafter " Illyria Life" or "the Company") is a joint-stock company registered by the Kosovo Business Registration Agency on 28 August 2008. Illyria Life was the first licensed life insurance company in Kosovo and was established under UNMIK regulation 2001/25 and Rule 31 of Central Bank of Kosovo on licensing of life insurance companies in Kosovo.

The Company is a wholly owned subsidiary of Save Re Group, a Slovenian company which is present in Kosovo through K.S. Illyria, sh.a. and K.S.J. Illyria Life, sh.a.

The Company operates from one building located at Mother Theresa Boulevard, no. 33, Prishtina, Kosovo. At 31 December 2013, the Company employed 121 staff and senior management (2010: 81 staff and senior management)

2. Basis of preparation

a. Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In the absence of specific guidance under IFRS concerning the accounting treatment of insurance transactions, the Directors have considered the requirements and guidance in International Financial Reporting Standards dealing with similar and related issues; the definitions, recognition and measurement criteria for assets, liabilities, income and expenses set out in the IASB Framework; and pronouncements of other standard setting bodies and accepted industry practices, as envisaged by IAS 8. In particular, the Company has referred to the measurement and recognition requirements of IFRS 4 Insurance contracts for guidance. The Company has continued to use the Kosovo statutory basis (in accordance with rules issued by the Central Bank Kosovo ("CBK"), its lead regulator to account for insurance contracts, as amended by the specific requirements of IFRS 4 in respect of liability adequacy and reinsurance.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments (if any), financial instruments at fair value through profit or loss (if any), and available-for-sale financial assets (if any), which are measured at fair value.

c. Functional and presentation currency

The financial statements are presented in euro ("EUR"), which is the Company's presentation and functional currency.

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

2. Basis of preparation (continued)

d. Use of estimates and judgments (continued)

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Recognition and measurement of insurance liabilities

Note 12 and 13 and the respective accounting policy note 3.c (i) contain information about the assumptions and uncertainties related to insurance liabilities.

Impairment losses on receivables

The Company reviews its insurance and non-insurance receivables to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of receivables before the decrease can be identified with an individual debtor in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtor that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

3. Significant accounting policies

a. Foreign currency

Foreign currency transactions are transactions undertaken by the Company other than in its functional currency. Foreign currency transactions are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

b. Classification of insurance and investment contracts (liabilities)

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

Contracts under which the transfer of insurance risk to the Company from the policy holder is not significant are classified as investment contracts. All contracts currently written by the Company involve the transfer of significant insurance risk.

3. Significant accounting policies (continued)

c. Insurance contracts (liabilities)

i. Recognition and measurement

General insurance contracts

Insurance liabilities are calculated separately for all insurance products and are composed of premium contingency (unearned), risk contingency (unexpired) and loss contingency (not paid as at the closing date of the financial year). Insurance liabilities (provisions) represent estimates of future payments for reported and unreported claims. The Company does not discount its insurance liabilities. Any changes in estimates are reflected in results of operations in the period in which estimates are changed. Insurance liabilities estimation is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments.

Revenue

Gross premiums on insurance contracts are recorded on receipt of payment of the premium and are accreted to earnings on a pro-rata basis over the term of the related policy coverage. Gross written premium reflect business written during the year, and include applicable taxes or duties based on premiums. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

Unearned premiums

The provision for unearned premium comprises the proportion of gross premiums written which is estimated will be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method.

Claims (loss adjustments)

Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims provisions.

Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as the changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material.

Whilst the Board of Directors considers that the insurance liabilities for claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the insurance liabilities are reflected in the financial statements for the period in which the adjustments are made.

The life assurance provision has been computed by the Company’s actuary, having due regard to principles laid down in the regulation for the calculation of the mathematical provision for life assurers, issued by the Insurance Regulator.

3. Significant accounting policies (continued)

c. Insurance contracts (liabilities) (continued)

ii. Reinsurance assets

The Company cedes insurance premiums and risk in the normal course of business with net loss potential through the diversification of its risk. Assets and liabilities arising from ceded reinsurance contracts are presented separately as assets and liabilities from related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligation to its policy holders. The Company's reinsurance policy is established in order to limit its potential losses arising from longer exposures to Life insurance policies. Such reinsurance includes all insurance policies above certain limits of insured amounts.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk, are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognized as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance coverage is provided based on the pattern of the reinsured risk. The unexpended portion of the ceded reinsurance premiums is included in the reinsurance assets. The amounts recognized as reinsurance assets are measured on a basis that is consistent with the measurement of the provision held in respect of the related insurance contracts.

Reinsurance receivables include reinsurance commission in respect of premiums ceded to the reinsurer. These are classified as receivables and are disclosed separately, if any.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that the event has a reliable measurable impact on the amounts that the Company will receive. Impairment loss is recorded in the Income Statement

iii. Insurance receivables and payables

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

d. Financial instruments

Recognition

The Company initially recognizes loans, advances and deposits on the date that they originate. All other financial assets and liabilities are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Classification

See accounting policy 3.(e),(f) and (g).

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially

3. Significant accounting policies (continued)

d. Financial instruments (continued)

Derecognition (continued)

all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all risk and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Offsetting

Financial assets and liabilities are set off and the net amount presented when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Fair Value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Notes to the financial statements for the year ended December 31, 2013

(amounts in EUR, unless otherwise stated)

3. Significant accounting policies (continued)

d. Financial instruments (continued)

Identification and measurement of impairment (continued)

Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a debtor will enter bankruptcy or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with banks and short-term highly liquid investments with maturities of three months or less when purchased.

f. Term deposits

Term deposits are stated at the amount of principal outstanding and are classified according to their maturities. Term deposits with maturities less than three months are classified as cash equivalents, those with maturities between three to twelve months are classified as term deposits. Interest is calculated on an accrual basis and interest receivable is reflected in other assets.

g. Other receivables

Other receivables are stated at their amortized costs less impairment losses (see accounting policy 3.d.vii).

h. Property, plant and equipment

Owned Asset

Property, plant and equipment are stated at acquisition cost. Where part of an item of these assets has a different useful life it is accounted for as a separate item of property, plant and equipment.

Subsequent costs

The Company recognizes in the carrying amount of an item of fixed assets the costs of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as an expense as incurred.

Depreciation and amortization

Depreciation and amortization on all categories of fixed assets is calculated on a straight-line basis over the estimated useful lives of the assets. The annual depreciation rates are:

Buildings and premises	1.30%
Computer equipment	33.33%
Office and other furniture	10%
Other equipment	20%
Software	20%

3. Significant accounting policies (continued)

i. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

j. Provision

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre tax rate. Provisions reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

k. Revenue recognition

Earned Premiums from insurance contracts

The accounting policies for recognition of revenue from insurance contracts are disclosed in note 3.c.(i).

Investment income

Investment income represents income from financial assets and is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

l. Employee benefits

Compulsory social security contributions

The Company makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The Company's contributions to the pension plan are charged to profit or loss as incurred.

3. Significant accounting policies (continued)

m. Policy acquisition costs

Acquisition costs are defined as the costs arising on the acquisition of new insurance contracts, including direct costs, such as acquisition commissions and the cost of drawing up the insurance document, and apportioned administrative expenses connected with processing of proposals and issuing of policies. Policy acquisition costs are expensed as incurred.

n. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

o. Income tax

Effective 1 January 2010 in accordance with Law no.03/L- 162, insurance companies are required to pay a premium tax of 5% on their quarterly gross premiums. Premiums returned and retrospective premium adjustments are deducted from gross premiums to arrive at the tax base.

Tax on gross premiums written is presented separately as a deduction from the gross premiums written. Premium tax constitutes a part of acquisition costs and is expensed when incurred.

Insurance companies are not liable to tax on profit in Kosovo.

p. Standards, Interpretations and amendments to published Standards that are not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these financial statements. None of these standards are expected to have an effect on the financial statements of the Company.
Standards that became effective on 1 January 2013 also did not lead to material changes to the Company’s accounting policies. Most significant standard was IFRS 13, which establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company since it has no items measured at fair value and fair value disclosures are generally similar to carrying amounts due to the simple nature of the Company’s financial instruments.

4. Accounting estimates - Evaluation of uncertainty regarding technical reserves

The most significant estimates in the financial statements of the Company relate to technical provisions. The Company has a reasonably cautious approach to provisioning. Management believes that the current level of technical reserves is sufficient.

5. Insurance risk management

a. Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organizations that are directly subject to the risk. Such risks may relate to life or other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Company also has exposure to market risk through its insurance and investment activities.

Insurance risk relates to the uncertainty in the insurance business. The significant components of insurance risk are premium risk and reserve risk. These risks affect the adequacy of insurance premium rates, insurance liability provisions and the capital base.

Premium risk is present when the policy is issued before any insured event has occurred. The risk is that expenses and incurred losses will be higher than the premium received. Reserve risk represents the risk that the absolute level of the technical provisions is incorrectly estimated.

Underwriting risk components of the life assurance business include biometric risk (comprising mortality and disability) and lapse risk. Lapse risk relates to unanticipated higher or lower rate of policy lapses, terminations, changes to paid-up status (cessation of premium payments) and surrenders. Mortality rates and guaranteed interest rates have the largest impact on the risk that the premium will not be sufficient to cover the expenses and incurred losses.

Guaranteed interest rates are capped, while the Company utilizes the most recent mortality rate tables available in Kosovo, which were produced by UNMIK in 2003 and include separate statistics for both the male and female population.

Life assurance provisions are computed by the Company’s actuary for all long term active insurance policies and those capitalized, pursuant to the Company’s internal policies and regulatory requirements. Provisions are computed utilizing the gross Zillmer method and are separately calculated for each policy. In applying the gross Zillmer method to calculate life assurance provisions, the Company includes acquisition costs, including alpha expenses, up to 3.5% of the sum insured, which is within the limits prescribed by the Insurance regulator. Policy acquisition costs are not included in calculating life assurance provisions for insurances policies in which the insuring party is no longer required to pay premiums, such as capitalized insurance or single-premium insurance policies. Use of the gross method does not affect the disbursement of the agreed sum insured. The assumptions used for calculation of premiums are the same ones that are used for calculation of provisions.

a. Underwriting strategy

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing, product design and management of reinsurance.

The Company’s underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years, which reduces the variability of the outcome.

b. Reinsurance Strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources. The Company buys proportionate reinsurance treaties to reduce the net exposure

5. Insurance risk management (continued)

for an individual risk to less than EUR 15,000 for traditional Mix-Life (endowment policies) and Scholarship policies, and EUR 10,000 for Group Term Life policies respectively.

Ceded reinsurance contains credit risk and such reinsurance recoverable is reported after deductions for known uncollectible items. The Company monitors the financial condition of its reinsurer on an ongoing basis and reviews its reinsurance arrangements periodically.

c. Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

Products

The products offered by the Company are:

Mix Life, which is an endowment policy that pays the sum insured on the earlier of death of the insured and the maturity date of the policy;

Scholarship, which is an endowment policy that pays a fixed term annuity starting on the maturity date of the policy;

Additional Death Coverage, a death benefit which is paid at the occurrence of death of the insured person. Not contracted separately, but only as a rider to the above noted Scholarship product.

Group Term Life, which provides coverage for death only during the term of the policy; and

Personal accidents (accidental death, invalidity, medical expenses, daily allowances), the benefit for which is payable upon the occurrence of any of the above listed events. Personal accident products are not sold separately, but are sold as riders to the main covers.

The Company does not offer unit linked products.

Premiums

The premiums are paid in regular installments (monthly, quarterly, semi-annual and yearly premiums), but also as a lump sum. Premiums are denominated in EUR, and the Company is not exposed to currency risk.

Indexation is the increase of the sum insured during the term of insurance validity. Indexation is optional and can be purchased for an additional premium. For contracts that include the indexation option, indexation is performed every five years, unless the retail price index increased cumulatively by at least 10%. Indexation can only be performed up to five years before the expiry of the insurance contract. No indexation is performed during the last five years of the insurance contract.

Profit sharing

Policyholders of classical Mix Life (endowment policies) are entitled to a share of up to 85% of the profits generated by the Company while managing assurance funds. The remaining 15% of profits generated remain with the Company. The profit is calculated based on audited financial statements for the previous year. Profit is calculated for each and every life insurance policy, which in accordance with the general conditions is eligible for participation in profit. Profit for policies which do not participate in profit sharing, remain with the Company. Profit allocated to policy holders are not paid out, instead they are included in the insured sum.

5. Insurance risk management (continued)

d. Concentration of insurance risks

An aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk, which determines the extent to which a particular event or series of events could impact significantly upon the Company's liabilities. Concentrations of risk can arise in situations where the Company is exposed to unexpected changes in trends, for example, unexpected changes in human mortality or in policyholder behavior.

The risks underwritten by the Company are located in the Republic of Kosovo. The Company is exposed to concentration risk through its Group Term Life policies. Management does not consider that there is a significant insurance risk concentration as of 31 December 2013.

e. Exposure relating to catastrophic events

The Company considers that in its major insurance activity it has not accumulated exposures related to catastrophic events.

6. Financial risk management

Transactions in financial instruments may result in the Company undertaking more financial risks. These include credit risk, market risk, currency risk and liquidity risk. Each of these financial risks is described below.

Determination of fair values

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments, if any, valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;

Level 3: Valuation techniques using significant unobservable inputs. In addition in this level are included investments in subsidiaries, associates and other equity shares stated at cost, that do not have reliable market value, if any. The table below presents an analysis of financial instruments at fair value according to valuation methods used in 2013:

	Level 1: Quoted market prices in active markets	**Level 2: Valuation techniques - observable inputs**	**Total**
Cash and cash equivalents	710,069	-	710,069
Term deposits in financial institutions	3,900,000	-	3,900,000
Total financial assets	**4,610,069**	**-**	**4,610,069**

Statement of Changes in Equity for the year ended December 31, 2013

(amounts in EUR, unless otherwise stated)

6. Financial risk management (continued)

Credit risk

In the normal course of its business, as premiums are received, they are invested to pay for future policy holder obligations. The Company is exposed to credit risk on its cash at bank, debt securities-held to maturity, term deposits and reinsurance counterparties. The Company manages its exposure to credit risk on a regular basis by closely monitoring its exposure to debt securities and term deposit counterparties.

Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates.

Interest rate risk

Interest rate risk is comprised of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets. The length of time for which the rate of interest is fixed on a financial instrument indicates to what extent it is exposed to interest rate risk. The financial assets and liabilities of the Company carry market interest rates.

Risk Arising from Changes in Interest Rates

The Company's exposure to risks arising from changes in interest rates is relatively limited. The Company is not a borrower, and its investments are primarily focused on fixed interest rate instruments. The Company's exposure to risks from changes in interest rates is greater when considering future cash flows from interest bearing instruments if the returns from those investments fall below the guaranteed technical interest rate over a prolonged period of time.

Type of Financial Instrument	31 December 2013			
	Non-Interest bearing	Fixed interest up to 1 year	Fixed interest over 1 year	Total
Term Deposits	-	1,000,000	2,900,000	3,900,000
Cash and Cash Equivalents	710,069	-	-	710,069
Total	**710,069**	**1,000,000**	**2,900,00**	**4,610,069**

Type of Financial Instrument	31 December 2012			
	Non-Interest bearing	Fixed interest up to 1 year	Fixed interest over 1 year	Total
Term Deposits	-	2,030,000	1,510,000	3,540,000
Cash and Cash Equivalents	535,813	-	-	535,813
Total	**535,813**	**2,030,000**	**1,510,000**	**4,075,813**

6. Financial risk management (continued)

Currency risk

The Company undertakes transactions mainly in Euro to satisfy regulatory and self-imposed capital requirements. Currency risk in the investment portfolio is managed using assets/liabilities matching principles.

Liquidity risk

Liquidity risk is moderately inherent to the Company's business as certain assets purchased and liabilities sold could have liquidity characteristics that are specific. If the Company requires significant amounts at short notice, in excess of normal cash requirements, it may face difficulties to obtain attractive prices. The Company monitors its liquidity on a daily basis in order to manage its obligations when they fall due.

Maturity Structure

The Company has to meet potential daily calls on its cash resources, notably from claims arising on its insurance contracts. This gives rise to the risk that cash will not be available to settle liabilities when due at a reasonable cost. The Company manages this risk by setting minimum limits on the proportion of maturing assets that will be available to settle these liabilities. The maturity structure of the financial assets of the Company presented below is based on the remaining term to maturity:

Type of Financial Instrument	31 December 2013				
	No Maturity	**Up to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Term Deposits	-	810,000	800,000	2,290,000	3,900,000
Cash and Cash Equivalents	710,069	-	-	-	710,069
Total	**710,069**	**810,000**	**800,000**	**2,290,000**	**4,610,069**

Type of Financial Instrument	31 December 2012				
	No Maturity	**Up to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Term Deposits	-	1,000,000	1,030,000	1,510,000	3,540,000
Cash and Cash Equivalents	535,813	-	-	-	535,813
Total	**535,813**	**1,000,000**	**1,030,000**	**1,510,000**	**4,075,813**

Reserves and actuarial assumptions adequacy test

The Company calculates and charges a life insurance reserve (mathematical reserve) to provide for future payments under long term insurance policies. Many factors affect the calculation of these reserves including, mortality, cancellations and technical interest.

6. Financial risk management (continued)

Reserves and actuarial assumptions adequacy test (continued)

Life insurance reserve is calculated based on current assumptions for the basic parameters. The liability adequacy test is limited to analysis of the main parameters that have the most significant impact on the reserve calculation.

"Mortality" is the risk covered by all insurance products, underwritten by the Company. "Mortality" risk occurrence data for 2013 including estimations used are as follows:

Number of people currently insured susceptible to the risk of death	2,802 people
Average age of people susceptible to the risk of death	39 years
Number of payments following deaths of insured in 2013	3 cases
Estimated number of deaths per 1000 people	3.33
Number of deaths in 1000 people	1.10

Therefore, the actual "Mortality" risk occurrence shown on this table is below the expectation.

Surrender

Surrenders can take place for the Mix Life Product. When the premium is calculated, the probability of surrender is taken into account. The estimated probability for surrender is highest in the third year at 5%, while leveling off in year twenty at 1%.The Company's product allows for surrender costs after the second year, if the policy term is shorter or equal to 15 years, and after the third year, if the policy term is greater than 15 years. In the year 2013, 108 insured persons surrendered their policies, with the corresponding surrender value of EUR 86,880.

Technical Interest

The technical interest rate of 2.75% p.a. is used when calculating the reserve. The technical interest rate is the minimum guaranteed return for every life insurance contract. There is a risk that income from investments will not cover the minimum guaranteed return. In 2013 the generated net income on investments (including mathematical reserves) covers the minimum guaranteed income, granting additional profit above the technical interest.

The analysis of the actuarial parameters used in the calculation of the tariffs and life insurance reserves shows that the assumptions made are reliable and prudent. The favorable development of the risks compared to the expected values, guarantees that the reserves are adequately charged.

Reinsurance Risk

The Company cedes insurance risk to limit exposure to underwriting losses under separate agreements for each type of insurance. These reinsurance agreements spread the risk and minimize the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

When selecting a reinsurer the Company considers their relative security. The security of the reinsurer is assessed from public rating information and from internal investigations. The current reinsurer has a Standard and Poor's rating of BBB+, and an AM Best rating of A-.

6. Financial risk management (continued)

Sensitivity Analysis

The main factors affecting the profit of the company are the level of claims ratio and expenses.

Simulation as at 31 December 2013	Profit / (Loss)	Net Equity	Required Guarantee Fund
Current	165,616	3,648,905	3,000,000
Claims Increase by (+40%)	92,519	3,575,808	3,000,000
Expenses Increase by (+10%)	36,384	3,519,673	3,000,000

The table above presents a simulation, taking into account changes to claims incurred or increases in expenses, and its effect on the Net Equity of the Company and the available solvency margin.

Operational Risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk may arise with inadequate information system, technological errors, breach in the internal control, frauds, unforeseen circumstances and other problems having operational character in result of which there is a possibility of unexpected losses.

Operational risks arise from all operations of the Company. The purpose of the Company is to manage the operational risk in a way to achieve a balance between avoiding financial losses and reputation risk and the Company's effective cost management.

Other risks

Changes in governmental regulations in the business segments in which the Company operates may affect profitability. The insurance business is subject to comprehensive and developing supervision in Kosovo. The primary purpose of such regulations is to protect policyholders. Changes in existing insurance laws and regulations may affect the way in which the Company conducts its business and the products offered. Additionally, the insurance laws or regulations adopted and amended from time to time may be more restrictive or may result in higher costs than current requirements.

Volatility in global and Kosovo's financial markets

The ongoing global financial and economic crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the financial sector, and, at times, higher interbank lending rates and volatility in stock markets. Further adverse developments resulting from the crisis might result in negative implications on the financial and liquidity position of the Company.

Disclosures and estimation of fair values

Fair value estimates, if any, are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments.

7. Cash and cash equivalents

	31 December 2013	31 December 2012
Cash on hand	408	177
Cash equivalent at banks	709,661	535,636
Total	**710,069**	**535,813**

Cash equivalent at banks include current accounts of Euro 710 thousand (2012: Euro 535 thousand) at Raiffeisen Bank, ProCredit Bank, TEB, NLB Prishtina, Banka Private per Biznes, Banka Kombetare Tregtare, Central Bank of Kosovo and Banka Ekonomike.

8. Term deposits

The breakdown of term deposits with maturities exceeding three months, but less than one year by bank is as follows:

	31 December 2013	31 December 2012
Banka Ekonomike	1,200,000	1,000,000
Banka Kombetare Tregtare	400,000	480,000
Banka Private per Biznes	410,000	510,000
NLB Prishtina	1,200,000	900,000
ProCredit Bank	-	130,000
Raiffeisen Bank Kosovo	-	-
TEB Sh.a.	690,000	520,000
Total	**3,900,000**	**3,540,000**

According to the administrative instruction no. 01/2009 issued by the Central Bank of Kosovo, Life Insurance Companies are permitted to invest money from the funding capital upon approval of the investment plan from CBK, which was granted on 8 April 2009. The annual deposit interest rates with respect to 2013 term deposits ranged from 4.2% to 6.0%.

Interest income of EUR 202,086 (2012: EUR 179,972) was earned from deposits with the banks listed above. Withholding tax of 10% (2012: 10%) is applied to interest income and is withheld by the banks upon payment of interest to the Company.

9. Reinsurer share of insurance liabilities

At year end, the reinsurer's share of insurance liabilities is as follows:

	31 December 2013	Change for the period	31 December 2012
Reinsurer's share on insurance liability on unearned premium			
Capital life	10,191	3,485	6,706
Riders	8,119	5,034	3,085
	18,310	**8,519**	**9,791**
Reinsurance share on insurance liability on claims reserves	-	-	-
Total	**18,310**	**8,519**	**9,791**

10. Property, plant and equipment

	Buildings and Premises	Computer Equipment	Office and Other Furniture	Other Equipment	Software	Total
Cost						
Balance at 1 Jan. 2012	586,692	8,339	10,790	660	57,920	664,401
Additions	-	1,395	2,367	-	-	3,762
Balance at 31 Dec. 2012	**586,692**	**9,734**	**13,157**	**660**	**57,920**	**668,163**
Balance at 1 Jan. 2013	586,692	9,734	13,157	660	57,920	668,163
Additions	-	-	405	-	37,571	37,976
Balance at 31 Dec. 2013	**586,692**	**9,734**	**13,562**	**660**	**95,491**	**706,139**
Accumulated depreciation and amortization						
Balance at 1 Jan. 2012	(24,039)	(6,602)	(3,541)	(328)	(34,752)	(69,262)
Charge for the year	(7,627)	(1,106)	(1,079)	(132)	(11,584)	(21,528)
Balance at 31 Dec. 2012	**(31,666)**	**(7,708)**	**(4,620)**	**(460)**	**(46,336)**	**(90,790)**
Balance at 1 Jan. 2013	(31,666)	(7,708)	(4,620)	(460)	(46,336)	(90,790)
Charge for the year	(7,627)	(917)	(1,277)	(132)	(15,341)	(25,294)
Balance at 31 Dec. 2013	**(39,293)**	**(8,625)**	**(5,897)**	**(592)**	**(61,677)**	**(116,084)**
Carrying amounts						
Balance at 1 Jan. 2012	**562,653**	**1,737**	**7,249**	**332**	**23,168**	**595,139**
Balance at 31 Dec. 2012	**555,026**	**2,026**	**8,537**	**200**	**11,584**	**577,373**
Balance at 31 Dec. 2013	**547,399**	**1,109**	**7,665**	**68**	**33,814**	**590,055**

11. Other assets

Other assets comprised:

	31 December 2013	31 December 2012
Premium receivables	75,366	71,045
Interest accrued on deposits with financial institutions	127,606	70,675
Due from Sava Re	40,145	4,446
Deferred Acquisition Cost	1,938	2,090
Receivables from Employees	10,620	2,720
Total	**255,675**	**150,976**

Gross Premium receivable at the end of 2013 is EUR 165,970. In accordance with company policy, this amount has been impaired with a value equivalent to EUR 90,604 (2012: EUR 58,644). Due from Sava Re in the amount of EUR 40,145 represents receivable amounts for reinsurance commission (EUR 6,091), a part of which is deferred revenue, and the reinsurance share in claims (EUR 34,054).

Deferred Acquisition Cost ("DAC") is created only for rider products. DAC is calculated consistent with the unearned premium reserve using the pro-rata temporis method, for agents' commissions, CBK fees and premium tax.

12. Insurance liabilities for losses and loss adjustment expenses

	2013	2012	2011
As at 1 January			
Gross insurance liabilities for losses and loss adjustment expenses	970,069	468,455	119,936
Reinsurance recoverable	34,053	-	-
Net insurance liabilities for losses and loss adjustment expenses	1,004,122	468,455	119,936
Losses and loss adjustment expenses incurred	731,116	565,297	369,185
Losses and loss adjustment expenses paid	(182,744)	(63,683)	(30,666)
Net insurance liabilities for losses and loss adjustment expenses as at 31 December	1,552,494	970,069	458,455
Reinsurance recoverable	-	-	10,000
Gross insurance liabilities for losses and loss adjustment expenses	**1,552,494**	**970,069**	**468,455**

The insurance liabilities for losses and loss adjustment expenses consist of life assurance provision amounting to EUR 1,476,054 and IBNR reserves amounting to EUR 76,440. The life assurance provision is recorded on a per policy basis using standard computation factors based on actuarial formulae, pricing assumptions on mortality and interest rates used.

12. Insurance liabilities for losses and loss adjustment expenses (continued)

A significant measure of experience and judgment is involved in assessing outstanding insurance liabilities; the ultimate costs cannot be assessed with certainty as at the reporting date. The insurance liabilities for losses and loss adjustment expenses are determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

13. Unearned premium insurance liabilities

Unearned premium reserve by product is comprised as follows:

Product	**31 December 2013**	**Change for the period**	**31 December 2012**
Capital life:			
Mix life assurance	99,936	(6,806)	106,742
Group life assurance	-	-	-
Riders:			
Accidental death	3,672	(338)	4,010
Disability from accident	3,836	(186)	4,022
Daily compensation	106	(47)	153
Medical expense	1,400	(137)	1,537
Total	**108,950**	**(7,514)**	**116,464**

14. Deferred revenue

	31 December 2013	**Change for the period**	**31 December 2012**
Premiums collected in advance	31,663	(11,007)	42,670
Unearned reinsurance commission	3,200	1,771	1,429
Total	**34,863**	**(9,236)**	**44,099**

Premiums collected in advance, represents payments by clients which are not due until after 31 of December 2013. Unearned reinsurance commission relates to commissions for unearned premiums at the reporting date.

15. Other liabilities

Other liabilities comprise

	31 December 2013	31 December 2012
Due to Adacta, software implementation	-	24,320
Due to broker ("WVP")	2,669	10,583
Due to Tax Authorities (see below)	40,188	37,688
Due to employees and pension contributions	10,529	9,954
Due to SAVA Re	34,493	24,921
Due to CBK	6,023	7,057
Accruals for Staff Bonuses	-	50,394
Other payables	34,995	35,115
Total	**128,897**	**200,032**

Due to Tax Authorities relates to the following:		
Premium tax payable	20,077	23,522
Tax on interest income payable	17,883	12,190
Personnel income tax	2,228	1,976
Total	**40,188**	**37,688**

Other payables relate to audit fees for the year ending 31 December 2013, certain administrative expenses, and payments made which at the 31 of December 2013, have been received, but have yet to be identified and allocated to the appropriate account.

16. Share capital

The authorized, issued and fully paid-up share capital of the Company is EUR 3,285,000, comprised of 6,570 ordinary shares with a nominal value of EUR 500 each of which EUR 500 was paid by the reporting date. Share capital consists of:

Shareholder	Number of shares	Nominal value per share	Paid capital per share	Nominal amount (EUR)	Paid amount (EUR)	Percentage
Sava RE	6,570	500	500	3,285,000	3,285,893	100.00%
Total	**6,570**	**500**	**500**	**3,285,000**	**3,285,893**	**100.00%**

The amount of capital recorded and paid until 31 December 2013 is EUR 3,285,893.

17. Gross written premiums and premium tax

Gross written premiums (GWP) and premium tax by product at year end are comprised as follows:

Product	31 December 2013		31 December 2012	
	GWP	Premium Tax	GWP	Premium Tax
Capital life:				
Mix life assurance	1,303,935	65,179	1,130,199	56,510
Scholarship	13,134	656	2,847	142
Group life assurance	5,365	288	16,742	837
Riders:				
Term Life	703	36	161	8
Accidental death	37,733	1,886	33,723	1,686
Disability from accident	40,232	2,011	35,944	1,797
Daily compensation	759	38	892	45
Medical expense	19,010	950	16,018	801
Total	**1,420,871**	**71,044**	**1,236,526**	**61,826**

The Premium tax rate is 5% p.a. (2012: 5% p.a.).

18. Premiums ceded to reinsurers

Premiums as per products ceded to reinsurer at year end are comprised as follows:

Product	31 December 2013	31 December 2012
Capital life:		
Mix life assurance	15,748	11,378
Scholarship	-	-
Group life assurance	-	-
Riders:		
Term Life	-	-
Accidental death	7,704	5,566
Disability from accident	11,041	7,977
Total	**34,493**	**24,921**

19. Reinsurance commission

Reinsurance commission by product at year end is comprised as follows:

	31 December 2013	31 December 2012
Capital life:		
Mix life assurance	547	772
Scholarship	-	-
Group life assurance	-	-
Riders:		
Term Life	-	-
Accidental death	1,070	1,510
Disability from accident	1,532	2,163
Total reinsurance commission calculated	3,149	4,445
Unearned part of reinsurance commission (Note 14)	1,171	3,073
Total reinsurance commission	**4,320**	**7,518**

20. Policy acquisition costs

Policy acquisition costs at year end are comprised as follows:

	31 December 2013	31 December 2012
Broker’s commission	57,809	85,742
Agents’ commission, including tax and social expense	264,430	216,923
Product related marketing expenses	-	-
CBK fees	21,313	18,548
Deferred Acquisition Costs	151	445
Total	**343,703**	**321,658**

The Company utilizes a broker named “WVP – Broker for insurance LLC” in order to sell insurance policies on the Company’s behalf.

(amounts in EUR, unless otherwise stated)

21. Administrative expenses

Administrative expenses at year end are comprised as follows:

	31 December 2013	31 December 2012
Payroll and related expenses **(Note 22)**	132,559	157,022
Professional service fees	28,480	28,480
Depreciation and amortization	25,294	21,528
Office supplies	10,264	4,452
Phone and postage expenses	8,942	10,860
Internet expenses	-	139
Travel and accommodation	7,406	9,467
Representation expenses	1,158	230
Impairments of receivables	31,960	58,644
Core System Maintenance	18,626	-
Other	12,440	8,201
Total	**277,129**	**299,023**

22. Payroll and related expenses

	31 December 2013	31 December 2012
Net salaries	110,330	108,173
Withholding income tax	9,519	10,284
Social insurance	12,710	12,433
Accrued Expenses for Bonuses	-	26,132
Total	**132,559**	**157,022**

23. Commitment and contingencies

i. Legal

The Company is involved in routine legal procedures in the ordinary course of business. There are no outstanding lawsuits as at 31 December 2013.

There are no additional known commitments or contingencies as at 31 December 2013.

24. Related party transactions

The Company has related party relationships with its shareholders, sister company, board of directors and management. The following are the Company's related parties and the respective relationships:

- Sava RE. – Parent Company (100%);
- Illyria Sh.a. – Subsidiary of Sava Re
- Primoz Mocivnik, Chairman of the Board of Directors (BoD);

24. Related party transactions (continued)

- Ramis Ahmetaj, member of the BoD and General Director of the Company;
- Rok Moljk, member of the BoD
- Gianni Sokolic, member of the BoD
- Robert Sraka, member of the BoD
- Albin Podvorica, Deputy General Director

Transactions with related parties

A summary of related party transactions, conducted on an arm's length basis, for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	**31 December 2012**
Key management personnel remuneration	81,492	92,692
Accrued bonuses for key management	-	50,394
Advances to management	-	2,000
Due to Sava RE	34,493	24,921
Due from Sava RE	40,145	4,445
Due to Illyria sh.a.	-	3,013
Total	**156,130**	**177,465**

Transactions with parent company

The Company signed a reinsurance contract with Sava Re on 19 November 2008, which is also the Company's 100% shareholder.

During 2013 the Company ceded EUR 34,493 (2012: EUR 24,921) to Sava Re related to gross written premiums contracted during 2013. The entire amount remains outstanding to be paid to SAVA RE as at 31 December 2013. See note 18 for details of premiums ceded to SAVA RE by life assurance products.

During 2013 the Company became entitled to EUR 40,145 (2012: EUR 4,445) from SAVA RE representing reinsurance commission in the amount of EUR 6,091,see note 19 for details of reinsurance commission by life assurance products, and EUR 34,054 (2012: EUR 0) for the reinsurance share in claims.

Transactions with Illyria sh.a – sister company and subsidiary of Sava Re

The Company has contracted professional services consisting of information technology, legal, office maintenance, medical censorship, and internal audit, from the sister company Illyria sh.a totaling to EUR 19,200 for the year ended 31 December 2013 (2012: EUR 19,200).

25. Subsequent events

There are no subsequent events that would require either adjustments or additional disclosures in the financial statements.

Supplementary Schedules

Supplementary Schedules for the year ended December 31, 2013

(amounts in EUR, unless otherwise stated)

Table 1: Required solvency margin supplementary insurance - Personal Accident

Premium basis (€)		**31-Dec-13**
written premium	1	98,434
unearned premium reserve at the begining of the year	2	9,722
unearned premium reserve at the end of the year	3	9,014
Earned premium ([1] + [2] - [3])	4	**99,142**
Premium received from reinsurance	5	-
Total premium ([4] + [5])	6	**99,142**
sum up to 10 mio x 18/100	7	17,846
sum above 10 mio x 16/100	8	-
Total premium basis ([7] + [8])	8	**17,846**
Reinsurance ratio	9	0.82
Required margin on premium basis([8]*[9])	10	**14,633**

Claims basis (€)		**31-Dec-13**
Claims paid	11	20,864
Claims reserves at the begining of the year	12	62,604
Claims reserves at the end of the year	13	76,439
Total claims ([1] - [2] + [3])	14	**34,699**
claims up to 7 mio EUR x 26/100	15	9,022
claims above 7 mio EUR x 23/100	16	-
Total ([15] + [16])	17	**9,022**
Reinsurance ratio	18	1
Required margin on claims basis ([17]*[18])	19	**9,022**

Required solvency margin (€)		**31-Dec-13**
Max (([10],[19])	20	**14,633**

Supplementary Schedules for the year ended December 31, 2013

(amounts in EUR, unless otherwise stated)

Table 2 Required Solvency Margin

Required solvency margin (€)			**31-Dec-13**
			12.2. a,b
factor (12.2. d)		1	4%
Gross mathematical provisions	without profit sharing bonus	2	1,459,003
	profit sharing bonus	3	17,052
	total	4	1,476,055
net mathematical provisions	without profit sharing bonus	5	1,459,003
	profit sharing bonus	6	17,052
	total	7	1,459,003
ratio (not less than 0,85)		8	1
First result (12.2.d)		9	**59,042**
Capital at risk	death with term up to three years	11	1,030,000
	death with term three to five years	12	40,813
	other life insurances	13	32,745,462
	total ([11] * 0,1% + [12] * 0,15% + [13] * 0,3%)	14	**99,328**
Capital at risk net of reinsurance		15	28,067,508
ratio (not less than 0,5)		16	1
Second result (12.2.e)		17	**82,442**
Sum first and second result		18	**141,484**

		This year
Required solvency margin life (12.2)	19	141,484
Required solvency margin suplementary insurance (12.3)	20	14,633
Required solvency margin capital redemption (12.4)	21	-
Required solvency margin tontine (12.5)	22	-
Required solvency margin unit linked (12.6)	23	-
Required solvency margin	24	156,119
Guarantee fund (13.1) ([24] / 3)	25	52,040
Guarantee fund (13.2)	26	3,000,000
Guarnatee fund (max([25] , [26])	27	3,000,000
Required available solvency margin (max([24] , [27])	28	**3,000,000**

Supplementary Schedules for the year ended December 31, 2013

(amounts in EUR, unless otherwise stated)

Table 3: Available solvency margin

Section 11.2		31-Dec-13
Paid-up share capital (a)	1	3,285,893
reserves (b)	2	-
profit brought forward (c)	3	363,013
losses brought forward (c)	4	-
profit reserves (d)	5	-
own shares (d)	6	-
Total (1+2+3-4+5-6)	7	**3,648,906**
Guarantee fund	8	**3,000,000**
Adequacy (Section 13)	9	**648,906**
Other available solvency margin (12.3., 12.4.)	10	
Total available solvency margin (7+ 10)	11	**3,648,906**
Required solvency margin	12	156,118
Adequacy of solvency margin (11-12)	**13**	**3,492,788**

Supplementary Schedules for the year ended December 31, 2013

(amounts in EUR, unless otherwise stated)

Table 4 Assets deemed to back insurance liabilities

In accordance with CBK Rule no. 31 on Life insurance, life insurance companies operating in Kosovo may invest in the following categories of assets covering technical and mathematical reserves:

Gross technical and mathematical provisions

	31 December 2013	
Section 8	**Amount of investment limit as per regulation**	**Assets deemed to back insurance liabilities**
(a) investments	-	-
(i) debt securities, bonds and other money- and capital-market instruments	-	-
(ii) loans	-	-
(iii) shares and other variable-yield participations	-	-
(iv) units in undertakings for collective investment in transferable securities (UCITS) and other investment funds	-	-
(v) land, buildings and immovable-property rights	-	-
(b) debts and claims	-	-
(vi) debts owed by reinsurers, including reinsurers' shares of technical provisions	-	-
(vii) deposits with and debts owed by ceding undertakings	-	-
(viii) debts owed by policy holders and intermediaries arising out of direct and reinsurance operations	-	-
(ix) advances against policies	-	-
(x) tax recoveries	-	-
(xi) claims against guarantee funds	-	-
(c) others	**2,194,519**	**2,194,519**
(xii) tangible fixed assets, other than land and buildings, valued on the basis of prudent amortization	-	-
(xiii) cash at bank and in hand, deposits with credit institutions and any other body authorized to receive deposits	2,194,519	2,194,519
(xiv) deferred acquisition costs	-	-
(xv) accrued interest and rent, other accrued income and prepayments	-	-
(xvi) reversionary interests	-	-
Total	**2,194,519**	**2,194,519**
Technical provision		**1,552,494**
Coverage level in percentage		**141.35%**

Note: The whole amount of assets deemed to cover technical provision are invested in term deposits and other deposits. Based in section 9 of Rule 31, no limits exist for such investments.