

JSIC OZK - INSURANCE AD

ANNUAL SEPARATE REPORT
ON THE ACTIVITIES,
INDEPENDENT AUDITOR'S REPORT,
AND SEPARATE FINANCIAL STATEMENTS

31 December 2015

Unofficial translation from the original in Bulgarian

JSIC OZK-INSURANCE AD

SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

	Notes	As of 31.12.2015	As of 31.12.2014
Assets			
Non-current assets			
Investment properties	4	6,058	3,892
Financial assets available for sale	5	22,950	19,476
Property, plant and equipment	6	6,202	4,991
Intangible assets	7	774	931
Investments in subsidiaries	8	2,735	4,348
Deferred tax assets	9	70	23
Total non-current assets		38,789	33,661
Current assets			
Inventory	14	359	412
Receivables from insurance activities	11	33,047	31,242
Other receivables	12	2,367	1,273
Prepaid expenses	10	209	179
Cash	13	7,198	9,842
Total current assets		43,180	42,948
TOTAL ASSETS		81,969	76,609
Equity and liabilities			
Equity			
Share capital	15	7,507	7,067
Reserves	16	5,261	5,847
Retained earnings		1,420	490
TOTAL EQUITY		14,188	13,404
Non-current liabilities			
Unearned premium reserve	17	15,372	24,185
Outstanding claims reserve	17	27,514	24,895
Guarantee fund		128	128
Other technical reserves	17	4,074	2,688
Retirement benefits		43	44
Long-term lease liabilities	19	34	167
Deferred tax liabilities	9	428	356
Total non-current liabilities		47,593	52,463
Current liabilities			
Liabilities on insurance activities	18	18,208	8,885
Other liabilities	190	1,980	1,857
Total current liabilities		20,188	10,742
TOTAL LIABILITIES		67,781	63,205
TOTAL EQUITY AND LIABILITIES		81,969	76,609

These separate financial statements are approved by the Management Board and signed on 31 March 2016 on behalf of JSIC OZK – INSURANCE AD by:

Aleksandar Lichev
Chief Executive Director

Rumen Dimitrov
Executive Director

Aneliya Pashaliyska
Chief Accountant

The accompanying notes form an integral part of these separate financial statements.

JSIC OZK-INSURANCE AD

SEPARATE INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

	Notes	Year ended 31.12.2015	Year ended 31.12.2014
Premiums earned	20	77,764	70,363
Ceded reinsurance premiums	20	(17,543)	(6,551)
Change in unearned premium reserve	17	(3,312)	(5,396)
Change in reinsurers' share in unearned premiums reserve	17	12,125	238
Premiums earned, net of reinsurance		<u>69,034</u>	<u>58,654</u>
Claims paid	21	(48,633)	(31,063)
Reinsurers' share in claims paid	21	15,109	3,929
Change in outstanding claims reserve	17	(22,996)	(15,253)
Change in reinsurers' share in outstanding claims reserve	17	20,377	7,807
Claims paid, net of reinsurance		<u>(36,143)</u>	<u>(34,580)</u>
Change in other insurance reserves	17	(5,723)	748
Change in reinsurer's share in other insurance reserves	17	4,337	-
Acquisition expenses	22	(19,635)	(16,644)
Administrative expenses	23	(4,153)	(3,459)
Reinsurers' commissions and participation in result, net	24	2,591	962
Other insurance expenses, net	25	(9,226)	(5,808)
Insurance activity expenses		<u>(67,952)</u>	<u>(58,781)</u>
Result of insurance activity		<u>1,082</u>	<u>(127)</u>
Net investment income	26	557	637
Other revenues/expenses, net	27	(107)	40
PROFIT BEFORE TAXES		<u>1,532</u>	<u>550</u>
Tax expense	9	(112)	(60)
NET PROFIT FOR THE PERIOD		<u>1,420</u>	<u>490</u>

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JSIC OZK-INSURANCE AD

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

	Year ended 31.12.2015	Year ended 31.12.2014
NET PROFIT FOR THE PERIOD	1,420	490
Other components of comprehensive income, net of taxes	-	-
<i>Components which will not be reclassified in profit or loss</i>		
Revaluation of property used in operations	507	-
<i>Components which could be reclassified in profit or loss</i>		
Revaluation of financial assets available for sale	(1,142)	1,532
Total other comprehensive income	(635)	1,532
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	785	2,022

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JSIC OZK-INSURANCE AD

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

	Share capital	Revaluation reserve	General reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2014	7,067	2,355	539	1,319	102	11,382
Distribution of retained earnings from prior years to reserves	-	-	10	92	(102)	-
Comprehensive income for the period	-	1,532	-	-	490	2,022
BALANCE AT 31 DECEMBER 2014	7,067	3,887	549	1,411	490	13,404
Distribution of retained earnings from prior years to reserves	440	-	50	-	(490)	-
Comprehensive income for the period	-	(635)	-	-	1,420	785
Other changes in equity	-	-	(1)	-	-	(1)
BALANCE AT 31 DECEMBER 2015	7,507	3,252	598	1,411	1,420	14,188

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JSIC OZK-INSURANCE AD

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

	Year ended 31.12.2015	Year ended 31.12.2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums received	73,613	61,223
Amounts recovered by reinsurers	7,686	1,039
Subrogation recoveries	347	606
Amounts paid to reinsurers	(4,205)	(3,633)
Claims paid	(44,258)	(29,298)
Payments to suppliers	(9,387)	(5,845)
Payments to employees	(5,657)	(4,621)
Acquisition costs paid	(11,049)	(9,878)
Amounts paid for guarantee fund	(2,124)	(2,416)
Interest received	85	178
Payment of corporate tax	(45)	(6)
Other cash flow for operating activities	(3,224)	(1,834)
NET CASH FLOW RECEIVED FROM OPERATING ACTIVITIES	1,782	5,515
CASH FLOW FROM INVESTMENT ACTIVITIES		
Sales of government bonds	1,942	-
Received interest from investment securities	508	417
Received rents	110	37
Purchase of shares	-	(1,927)
Purchase of fixed yield securities	(5,661)	(475)
Other cash flows used in investment activities	(892)	(1,336)
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES	(3,993)	(3,284)
CASH FLOWS FROM FINANCING ACTIVITIES		
Other payments for financing activities	(283)	(304)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(283)	(304)
Change in cash during the period	(2,494)	1,927
CASH AT BEGINNING OF PERIOD	9,683	7,756
CASH AT END OF PERIOD (note 13)	7,189	9,683

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

1. Organization and activity

JSIC OZK-Insurance AD (“The Company”) is a joint-stock company, registered under company file No. 15636/1996 by Sofia City Court. The registered office of the Company is Sofia City, 7 St. Sofia Str., 5th Floor.

The main business activity of the Company is insurance covering the following types of insurance products: “Accident insurance”; “Disease insurance”; “Insurance of land vehicles excluding rail vehicles”; “Insurance of rail transportation vehicles”; “Insurance for goods in transit”; “Fire and Natural disasters insurance”; “Property damages insurance”; “MTPL (Motor Third Party Liability)”; “General MTPL”; “Insurance of miscellaneous Financial losses”; “Travel Insurance”; “Insurance covering legal fees, as an additional coverage to the insurances of other material interests.

The specific legislature governing the Company’s activity is the Insurance Code. Based on the latter, the Company is regulated by the Financial Supervision Commission (FSC).

2. Basis for preparation of the separate financial statements

2.1. Applicable accounting legislation and standards

2.1.1 Common framework for financial reporting

These separate financial statements have been prepared in accordance with statutory accounting legislation, applicable for insurance companies in Bulgaria. The Company prepares and presents its financial statements in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Union (EU) and applicable in the Republic of Bulgaria.

In addition, the Insurance Code requires insurance companies to establish and maintain insurance reserves, complying with the order and methodology, set by the Financial Supervision Commission in its regulation. In accordance with the Insurance Code, these reserves are booked as an expense in the financial statements. In the preparation of the accompanying separate financial statements, the Company has considered the requirements of the Financial Supervision Commission, outlined in ordinance regarding the recognition of income from insurance premiums and the related receivables and impairment loss.

These separate financial statements have been prepared for general purposes under the going concern principle and on accrual basis and provide information for the financial position, financial performance and cash flows of the Company as of and for the year ended 31 December 2015.

Initial application of new amendments to existing standards and interpretations effective in the current period

The following new amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015),
- IFRIC 21 “Levies” adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any changes in the Company’s accounting policy.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

2. Basis for preparation of the separate financial statements (continued)

2.1 Applicable accounting legislation and standards (continued)

2.1.1 Common framework for financial reporting (continued)

Changes in IFRS (continued)

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015)
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants - adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 15, 2015 (amendments are to be applied for annual periods beginning on or after January 1, 2016)

New Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB, except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the date of publication of separate financial statements:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019);

2. Basis for preparation of the separate financial statements (continued)

2.1 Applicable accounting legislation and standards (continued)

2.1.2 Common framework for financial reporting (continued)

Changes in IFRS (continued)

New Standards and Interpretations issued by IASB but not yet adopted by the EU (continued)

- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016);

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the separate financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Company’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the separate financial statements, if applied as at the reporting date.

2.1.2 Accounting convention

These separate financial statements are prepared on the basis of historical prices, apart from land and buildings, investment properties, financial assets available for sale (note 3.11 and 3.16) which are prepared on the basis of fair value.

The preparation of these financial statements in accordance with IFRS requires that the Company’s management apply certain assumptions and accounting estimates, which reflect on the carrying amounts of the assets, liabilities, and the disclosures regarding the contingent assets and liabilities as well as revenues and expenses as at the end of the current accounting period. All these are made on the basis of best professional judgment by the management as of the date of the financial statements preparation. The actual results could be different from those presented in these separate financial statements.

The accounting assumptions and the approximate accounting estimates, which are critical for the Company, are mostly related to technical reserves, impairment of receivables from uncollected premiums as well as receivables from insurance contracts and the value of financial assets available for sale.

2.1.3 Functional and presentation currency

In accordance with Bulgarian accounting legislation the Company maintains its accounting records and prepares financial statements in Bulgarian levs (BGN), the national currency of the Republic of Bulgaria which is the functional and presentation currency as well. As of 1 January 1999 the Bulgarian lev is fixed to the Euro in the ratio 1.95583 BGN: EUR 1.00.

These separate financial statements have been prepared and presented in BGN thousands.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

2. Basis of preparation of the separate financial statements (continued)

2.1.4 Foreign currency transactions

The foreign currency transactions are reported in their BGN equivalent based on the foreign currency exchange rate as at the date of the transaction and are being revalued monthly whereby the official foreign currency exchange rates quoted by the Bulgarian National Bank (BNB) as at the last working date of the month are applied. The monetary assets and liabilities in foreign currency are revalued in BGN at the closing exchange rate of the BNB at the end of the reporting period.

The exchange rate gains and losses from operations and revaluation of monetary assets and liabilities, denominated in foreign currencies are considered as current income and expenses and are included in the income statement in the period when they arise.

The exchange rates of the main foreign currencies as of 31 December 2015 and 2014 are as follows:

Currency	31 December 2015	31 December 2014
EUR	1.95583	1.95583
USD	1.79007	1.60841

2.2. Insurance contracts (policies)

The Company enters into contracts under which it assumes insurance risk to compensate the policyholder in the occurrence of an insurance event, which leads to a negative effect on the policyholder.

The insurance contracts are the contracts, which transfer significant insurance risk from the policyholder to the insurer. For the classification of its insurance contracts the Company reviews the terms of the contract and determines whether those terms transfer significant insurance risk.

The Company considers for transfer of significant insurance risk if the occurrence of covered risk is a random event as well as if the probability of its occurrence is significant or if the insurance compensations paid on the occurrence of the covered risk represent significant additional compensation.

The Company classifies its insurance contracts as of the date of the start of the contract and continues to present them as insurance contracts during the period of their existence even in the cases where the insurance risk has been significantly reduced.

3. Summary of significant accounting policies

3.1. Premiums earned

Premiums earned comprise the amount due from the policyholder for the whole period of coverage, which the insurer is entitled to receive under insurance contracts, signed during the reporting period irrespective of whether the period of coverage extends partially or fully to a subsequent reporting period. The premiums earned include earned premiums booked and adjusted with the change in the unearned premium reserve, net of reinsurance.

3.2. Claims paid

Claims paid consist of claims and claims handling expenses paid, less subrogation recoveries and less claims recovered from re-insurers, all adjusted for the change in the outstanding claims reserve, net of reinsurance for the financial year.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

3. Summary of significant accounting policies (continued)

3.3. Technical reserves

Technical reserves represent the amount of the assumed liabilities, which are expected to be realized in future according to valid insurance contracts, the expenses related to the execution of these liabilities and the amount of the possible adverse deviation from this expectation.

Technical reserves are calculated in accordance with the Ordinance regulating the order and methodology for formation of insurance reserves, issued by FSC.

The Entity has the following technical reserves:

- Unearned premium reserve
- Outstanding claims reserve
- Equalization reserve
- Other technical reserves

3.3.1 Unearned premium reserve

The Company establishes unearned premium reserve aiming to cover the claims and administrative expenses, which are expected to be incurred under the respective insurance contracts after the end of the reporting period. The Unearned premium reserve includes the portion of premium income under the contracts effective at the end of the reporting period, less the provided in the insurance - technical plan acquisition costs, taxes, fees and other charges, related to the period between the end of the reporting period and the date of expiration of the insurance contract or the end of the period covered by the premium.

The base for estimation of the unearned premium reserve corresponds to the base for the recognition of the premium income. When the unearned premium reserve is estimated, the returned and due, but not paid on-time premiums on suspended contracts, as well as the premiums under expired contracts, are deducted from the premium income.

The amount of the unearned premium reserve is calculated by applying the method of the “exact date” based on 365 days in the year.

3.3.2 Reserve for outstanding claims

Outstanding claims reserve represents the amount provided to cover the estimated ultimate cost of settling claims arising from events, which have occurred by the end of the reporting period including claims incurred but not reported and increased by the expected claims handling expenses.

The reserve for reported, but not settled claims is calculated individually for each claim, based on the general data base, of the reported, but not settled claims. The expected amount of payments is estimated by the Company’s employees responsible for damages liquidation in accordance with the “Liquidation Rules” by types of insurances that are adopted by the Company. Claims raised through court proceedings are included in the reserve with the amount of the raised partial or full claims whereby the according interest due is calculated as well. The Entity applies Art. 8, paragraph 3 to paragraph 8 from the Ordinance on the Procedures and Methods of Setting up technical reserves by the Insurers and Reinsurers, and the Health Insurance reserves, issued by the Financial Supervision Commission, promulgated in SG 36/02.05.2006, amended and supplemented in SG 3/ 11.01.2008 and applies a coefficient that adjusts claims raised through court.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian leva, unless otherwise stated

3. Summary of significant accounting policies (continued)

3.3. Technical reserves (continued)

3.3.3. Reserve for incurred, but not reported claims

The additional reserve for incurred, but not reported claims on direct insurance as of 31 December 2015 is calculated by using statistical methods, according to Art. 9, paragraph 2, item 2 of the Ordinance on the Procedures and Methods of Setting up technical reserves by the Insurers and Reinsurers, and Health Insurance reserves issued by FSC promulgated in SG 36/02.05.2006, amended and supplemented in SG 89/ 12.11.2010, methods of setting up insurance reserves by the insurers. The applied methods for calculation of the reserve for incurred, but not reported claims are approved by the Financial Supervision Commission.

3.3.4. Additional reserve for incurred but not reported claims

The additional reserve for incurred, but not reported claims on direct insurance as of 31 December 2015 is calculated in accordance with Art. 8a of the Ordinance on the Procedures and Methods of Setting up technical reserves by the Insurers and Reinsurers, and Health Insurance reserves issued by FSC promulgated in SG 36/02.05.2006, amended and supplemented in SG 89/ 12.11.2010, methods of setting up insurance reserves by the insurers.

3.3.5. Additional unearned premium reserve

The additional unearned premium reserve relates to the "MTPL" and as of 31.12.2015 it is calculated in accordance with Art. 11a from the Ordinance on the Procedures and Methods of Setting up technical reserves by the Insurers and Reinsurers, and Health Insurance reserves issued by FSC promulgated in SG 36/02.05.2006, amended and supplemented in SG 89/ 12.11.2010, methods of setting up insurance reserves by the insurers.

The change in the technical reserves is accounted for as revenue/expense in the relevant period.

3.4. Reinsurance

The Company cedes insurance premiums to limit its exposure to significant risks. Premiums of passive reinsurance and reinsurers' share in claims are included in the result from insurance operations. Ceded reinsurance premiums are reported at gross values along with the received reinsurance commissions. Under the existing reinsurance contracts, the Company is liable for any amounts not recovered by the reinsurers.

The reinsurance assets constitute outstanding as at the end of the reporting period receivables from reinsurance operations, recognized as an income based on the due throughout the reporting period premiums, claims paid, participation in the result and commissions under the active reinsurance contracts of the Company. The reinsurance assets are measured at their fair value and the valid exchange rate as of the end of the reporting period. The reinsurance asset is written-off when the contractual rights are ceased or have expired, or if the contract is transferred to a third party.

The reinsurance liabilities constitute outstanding payables from reinsurance operations, recognized as an expense based on the due throughout the reporting period premiums, claims paid, participations in the result and commissions under the active reinsurance contracts of the Company. The reinsurance liabilities are measured at their fair value and the valid exchange rate as of the end of the reporting period.

3. Summary of significant accounting policies (continued)

3.4. Reinsurance (continued)

As of the reporting date a review is made for any indications for impairment during the reporting period. Impairment exists if there is objective evidence for not receiving the due amounts under contracts as well as when the effect on the amounts to be received from the reinsurer can be reliably estimated. Impairment losses are accounted for in the income statement.

Reinsurance program of JSIC "OZK-Insurance" AD for 2015 is renewed on 01.04.2016.

The Company has signed proportional reinsurance contracts for "Property" – Quota-share and Excess-of-loss reinsurance with leading reinsurer Swiss Re, Quota-share reinsurance contract „Cargo and responsibility of the transporter" with leading reinsurer Munich Re, Quota-share reinsurance contract "Motor Third Party Liability" with Hannover Re.

With the proportional contracts part of the accepted by the Company risk is transferred to the reinsurers, based on the contract requirements. The limits as per the contracts are applicable for every single risk and insured person.

In 2015, in accordance with the portfolio of the Company, additional limits are negotiated in the Property proportional reinsurer contract.

With the non-proportional contracts, with leading reinsurer Swiss Re, the Company reinsures the following excess-loss claims:

- Excess-loss protection on MTPL
- In two section excess-loss protection of the self-retaining on quota contract related with "Property damages" and "Catastrophic risks".

Foreign contracts are traded off through one of the largest reinsurance brokers – Willis Re, JLT Re and Guy Carpenter.

3.5. Estimates of the insurance liabilities

Insurance liabilities are based on the current assumptions or assumptions as of the launch of the contract, representing the best estimates as of the moment, increased by the risk margin and the adverse deviations. Liability adequacy test is applied to all contracts, in order to reflect the best present estimates in respect to the future cash flow generation.

The assumptions related to the future expenses are based on the current expense levels adjusted for the expected inflation-expense corrections, if applicable.

The discount percentages are based on the current industry-related risk levels adjusted for the risk exposure.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

3. Summary of significant accounting policies (continued)

3.6. Incurred claims, net of reinsurance

Insurance claims, net of reinsurance (indemnities and insurance amounts) include all payments made during the financial year reduced by the reimbursed amounts by reinsurers and the change in the outstanding claims reserve during the period. The change in the outstanding claims reserve for reported but not settled claims as well as for the incurred but not reported claims is adjusted for the share of the reinsurer. From the moment of registration of the claims until their payment, they are accounted for as outstanding claims reserve. There is an established register for insurance claims, where the date of making the claim and the date of occurrence of the insurance event are recorded.

3.7. Commissions for insurance agents

The Company has signed contracts for insurance brokerage with individuals and legal entities. The remunerations of the insurance agents are accounted for on a monthly basis and based on sales realised. The amount, conditions and the order for payment of the commission remuneration are defined under the contracts for insurance brokerage.

The commission for the reinsurer is set according to the reinsurance contract on the base of a percentage of the ceded premium. For certain types of reinsurance contracts a percentage for participation in the favourable financial result is also added.

3.8. Acquisition expenses

Acquisition expenses include direct commissions for signing or renewing of insurance contracts and indirect expenses, related to advertising, administrative expenses for processing of documents and offers for contracts, their inclusion in the insurance portfolio and the renewal of already signed contracts.

Acquisition expenses are accounted for as an expense in the reporting period in which they are incurred.

3.9. Administrative expenses

The administrative expenses include the Company's management expenses, depreciation expenses and other expenses for encashment and servicing the insurance portfolio.

3.10. Payroll

3.10.1. Paid annual leave and retirement

The Company recognizes as an expense in the income statement, as well as a liability in the statement of financial position the undiscounted amount of the estimated expenses for annual paid leave expected to be paid to employees in exchange for the service rendered by the employee during the reporting period.

3.10.2. Other long-term employee benefits

The Company owes to its employees retirement benefits under article 222, paragraph 3 of the Labor Code (LC). According to the provisions of LC, at the event of termination of the labour contract of an employee qualifying for pension, the Company is to pay to the employee a compensation of two gross salaries, if the employee has length of service more than two years or six gross salaries if he/she has accumulated length of service more than ten years within the Company.

The present value of the future liabilities of the Company for retirement benefits is recognized in the financial statements.

3. Summary of significant accounting policies (continued)

3.10.3. Defined benefits plans

Under the Bulgarian legislature JSIC OZK-Insurance AD is obliged to make payments to health and social security funds. This obligation is related to employees on labour contracts and is in the form of payments due from the employer for an amount defined as a percentage of the employee's gross salary. Further, the Company is entitled to make payments on behalf of its employees for the amount of the statutory defined percentages of the gross salary into social security funds. The Government of Republic of Bulgaria is responsible for providing the pensions under the defined benefits plans. The expenses of the Company arising from the payments under the defined benefits plans are accounted for in the income statement when incurred.

3.11. Non-current assets

Intangible assets

Intangible assets are initially valued at the cost of acquisition. After initial recognition, intangible assets are valued at cost, less the accumulated amortization and the impairment losses, if any.

Intangible assets are amortized over the term of their useful life and are tested for impairment when impairment indications exist. The useful life of the intangible assets and the applied amortization methods are reviewed at each financial year end. The changes in the expected useful life or the pattern of consumption of the future economic benefits which are to be derived from the intangible asset are accounted for through a change in the amortization period and method and are treated as a change in the approximate accounting estimates.

Profit or loss, resulting from write-offs of intangible assets, being the difference between the net proceeds from sale, if any, and the carrying amount of the asset are included in the income statement, when the asset is written-off.

Property, plant and equipment

Items of property, plant and equipment are recognized when the economic benefits arising from their usage for a period over one year are expected to be received and their value can be estimated reliably.

Property, plant and equipment are initially recognized in the statement of financial position at acquisition cost. The subsequent accounting of the property plant and equipment, excluding the groups of the lands and buildings is made at historical cost less the accumulated depreciation and the impairment loss, if any. Land and buildings are accounted for at fair value, less accumulated depreciation. As of 31 December 2015, their fair value is determined by licensed valuers. Due to the inherent uncertainty of the valuation, especially in the current market circumstances, where the real estate market has considerably declined and deals are difficult to execute, it is possible that the disclosed fair value differs from the values, that would have been used in the existence of active real estate market and these differences might be significant. Therefore, uncertainty exists as to the market prices of similar real estates and the fair value of the real estates, used by the Company, might differ from the value, determined by the independent licensed valuator.

Subsequent expenses

Subsequent expenses related to the maintenance of property, plant and equipment are capitalized, only when the future economic benefits from the asset have increased. All other expenses are recognized as an expense in the income statement at the time when incurred.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

All amounts are in thousand Bulgarian levs, unless otherwise stated

3. Summary of significant accounting policies (continued)**3.11. Non-current assets (continued)****Depreciation and amortization**

Depreciation/amortization is accounted for based on the straight-line depreciation method using predetermined rates for writing off the value of the non-current assets over their expected useful life. No depreciation is charged on the lands and assets are under construction.

Annual depreciation/amortization rates and the useful life in years 2015 and 2014 of the main groups of non-current assets are as follows:

	Depreciation/ amortization rate per annum %	Useful life in years
Buildings	1.25	80
Computer equipment	12.25	8
Office equipment	7.5	13
Vehicles	12.25	8
Fixtures and fittings	7.5	13
Software products	10 – 12.5	10 – 8

3.12. Inventories

Inventories are valued at the lower of their acquisition cost and net realizable value. The acquisition cost of materials is formed by the purchase price and other costs incurred in bringing the materials to condition ready for use.

3.13. Receivables from insurance operations

Receivables from insurance operations are initially recognized as of the date of maturity, and are measured at fair value increased by additional expenses. The value of the receivables is reviewed for impairment in the occurrence of events or conditions, which are indicative of the receivable being non-collectable. The impairment loss is accounted for in the income statement.

The insurance receivables are written-off at the presence of criteria for financial assets write-offs. The receivables, with accumulated outstanding payments, are impaired in the following way: from 90 to 180 days – 25%, from 181 to 365 days – 75%, over 365 days and after contract expiry or after early termination of the insurance contract - 100%.

3.14. Cash and cash equivalents

For the purposes of the statement of cash flows presentation, cash and cash equivalents include cash at current and deposit bank accounts in BGN and foreign currency.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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3. Summary of significant accounting policies (continued)

3.15. Taxation

Taxes due for 2015 and 2014 are calculated in accordance with the Bulgarian tax legislation.

The Law on the Insurance Premium Tax is effective as of January 1, 2011, which was promulgated in the State Gazette, No. 86 dated November 2, 2010. This law introduces a tax on the insurance premiums for taxable insurance contracts under which the risks are assumed by the insurers. The tax rate for the tax on the insurance premiums is 2 %

Insurance companies are liable for corporate income tax on the taxable profit for the reporting period whereby the financial result is adjusted in accordance with the Bulgarian Tax Legislation. The corporate tax for 2015 and 2014 is 10%

Deferred taxes are calculated for all temporary differences between the carrying amount of assets and liabilities as of the date of the financial statements and the corresponding tax basis by using the liability method. Deferred taxes are calculated at tax rates, at which those taxes are expected to be realized in future reporting periods.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the deductible temporary differences can be utilized.

Current and deferred taxes are recognized as income or expense and are included in the income statement for the current period except when the tax arises from transactions or events that are recognized in the same or prior period directly in the statement of changes in equity.

3.16. Investment properties

Investment properties consist of land and buildings, held to earn rentals or for capital appreciation.

The investment properties are initially recognized at acquisition cost. The acquisition expenses are added to the initial valuation. Subsequent to initial recognition the Company recognizes the investment properties at fair value, which is determined by independent valuers every year if after the last valuation a change of more than 10/100 points takes place in the REMI index of the National Association "Nedvijimi Imoti", member of FIABCI (International Real Estate Federation) which indicates the changes in the real estate prices.

Fair value reflects the actual circumstances of the investment property and the market state as of the end of the reporting period and not as of past or future date.

Transfers to, or from investment properties should only be made when there is a change in use. If an owner-occupation property, recognized under IAS 16 Property, plant and equipment is transferred to an investment property, carried at fair value, the Company applies IAS 16 up to the date of change in use. Any difference between the carrying amount of the property at the transfer date and its fair value is accounted for as a revaluation in accordance with IAS 16. When the carrying amount of an asset increases as a result of revaluation, such increase is credited to equity. When the carrying amount of an asset decreases as a result of revaluation, such decrease is recognized in the income statement. Reductions from revaluation are recognized directly in equity in the revaluation reserve to the extent that they do not exceed the amount of the revaluation reserve for the specified asset. After the date of the transfer of the assets into investment properties, subsequent profits or losses resulting from the changes in their fair values are included in the net profit for the period in which they occur.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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3. Summary of significant accounting policies (continued)

3.16. Investment properties (continued)

As of 31 December 2015 investment properties owned by the Company, are revalued up to their fair value determined by licensed valuers. As a result of the revaluation, the carrying amount of some properties has been changed.

3.17. Financial instruments

Financial assets and liabilities are recognized in the Company's statement of financial position in case the Company becomes a party under the contractual terms of the respective instrument.

The effective interest method is the method of calculation of the amortized value of a financial asset/liability and the distribution of interest income/expense for the respective period. The effective interest rate is the rate that discounts the estimated cash receipts/payments to the net carrying amount of the financial asset/liability on the basis of their estimated useful life or a shorter-period, if more appropriate.

Financial assets available for sale are those financial assets that are not classified as held for trading, held to maturity or loans and receivables. Those assets are initially recognized at fair value. Subsequent to initial recognition financial assets available for sale are valued at fair value on the basis of quoted bid prices. In case market quotes are not available, fair value is assessed using appropriate valuation models, which reflect the specific circumstances of the issuer of the financial instrument. Gains and losses arising on revaluation of the cost of acquisition and the redemption price are recognized as interest and reported on accrual basis in the income statement for the residual term to maturity. This inclusion in the result is performed on the basis of the effective interest rate with the effective rate of return at acquisition as a starting point. Gains and losses arising on revaluation of the fair value and the amortized cost are reported as adjustment to the fair value and are recognized in equity, revaluation reserve is allocated and the foreign exchange rate differences from changes in their amortized cost are recognized in the income statement, according to IAS 39 - Financial Instruments: Recognition and measurement.

Financial assets available for sale that do not have quoted market prices on an active market, and for which other methods of reasonably estimating fair value are not appropriate, are measured at amortized cost if they have a fixed maturity, or at cost, if they have no fixed maturity.

Financial assets at fair value through profit or loss are these, which the Company has classified as financial assets held for trading. These are financial assets that are held for obtaining profit from short-term price fluctuations. Those assets are initially measured at fair value. Subsequent to initial recognition financial assets held for trading are monthly measured at fair value on the basis of quoted bid prices. In case market quotes are not available, fair value is assessed using appropriate valuation models, which reflect the specific circumstances of the issuer of the financial instrument. Gains and losses on revaluation of financial assets to their fair value are recognized in the income statement.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

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3. Summary of significant accounting policies (continued)

3.17. Financial instruments (continued)

Investments in subsidiaries

A subsidiary is an entity over which the Company directly or indirectly has control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities..

It is assumed that control exists, when the Parent company owns directly or indirectly through its subsidiaries, more than half of the voting rights in a given enterprise, with the exception of cases where there are extraordinary circumstances and when it is not possible to show clearly, that such ownership indicates the existence of control. Control exists when the Parent company owns half or less than half of the voting rights in an enterprise and when it:

- a) owns more than half of the voting rights by virtue of an agreement with other investors;
- b) has the power to govern the financial and operating policy of the enterprise by virtue of articles of association or agreement;
- c) has the power to appoint or dismiss the majority of the members of the Board of Directors or another equivalent managing body and control over the enterprise is through this board or body; or
- d) has the power to exercise the majority of the votes at meetings of the Board of Directors or another equivalent managing body and control over the enterprise is through this board or body.

In the separate financial statements of the Company the shares in its subsidiary are initially recognized at cost. Subsequently, the Company performs periodic reviews for impairment. If impairment exists, it is recognized in the statement of comprehensive income as impairment loss of investments in subsidiaries.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are deposits in financial institutions and loans. At their initial recognition they are stated at fair value, to which are added the expenses, related to their acquisition. Subsequently, loans and receivables are measured at amortized cost, using the effective interest method. Assets that do not have fixed maturity are measured at cost. At each reporting date, the Company reviews the existence of objective evidence for impairment. The Company charges impairment losses on loans and receivables when their recoverable amount is lower than their carrying amount. The amount of impairment is recognized in the income statement. An impairment loss recognized in prior periods for an asset shall be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of the asset due to the reversal of the impairment loss should not be more than what the depreciated historical cost would have been if no impairment loss had been previously recognized for the asset.

Purchases and sales of financial instruments are reported on a settlement date basis in the separate statement of financial position.

3.18. Fair value of financial assets and liabilities

IFRS 7 Financial Instruments: Disclosure requires disclosure in the notes to the financial statements of information about the fair value of financial assets and liabilities. Fair value for this purpose is defined as the amount, for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The policy of the Company is to disclose the fair value of financial assets and liabilities, for which reliable market information about their fair value is readily available.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

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3. Summary of significant accounting policies (continued)

3.19. Leases

A lease is classified as a financial lease if it transfers to the lessee substantially all the risks and rewards incident to ownership of the assets. All other leases are classified as operating leases.

The assets acquired through financial lease are recognized at the lower of fair value as of the date of acquisition or the present value of the minimal lease payments. The initial direct expenses, incurred by the lessee are included in value of the asset. The existing liability to the lessor is recognized in the statement of financial position of the Company as a liability under lease agreements.

Lease payments are allocated between interest and principal payments so as to produce a constant rate of interest on the remaining balance of the lease liability.

3.20. Finance income and costs

Interests on deposits and financial instruments are accrued on an on-going basis and proportionally to the time basis, which relates to the effective income from the financial asset. Interest on financial instruments, classified as "available for sale" is accounted for and recognized in the income statement by applying the effective interest method.

3.21. Claims covered by reinsurers

The claims (indemnities) covered by reinsurers under reinsurance contracts are recognized as an income in the income statement at the time of settling the claim.

3.22. Guarantee Fund

The payments to guarantee funds are payments made to specialized, state-controlled funds for obligatory insurance. All insurers offering the obligatory Motor Third Party Liability (MTPL) insurance and/or Motor passenger personal accident insurance in Republic of Bulgaria make payments to Guarantee Fund under article 287 of Insurance Code and payments to the Indemnity Fund under article 311, paragraph 1 of the Law for the Amendment of the Insurance Code. Financial Supervision Commission following the guidance of the Council of the Guarantee Fund annually sets the amount of the payments and when they are due. This decision is published in the State Gazette. From the Guarantee Fund payments for indemnities are made when in an occasion of road accident the liable driver does not have the mandatory MTPL. The collected amounts under policies for guarantee and security fund are recognized as premium revenue and are expensed in the separate income statement.

3.23. Rental income

The rental income from the investment properties is recognized in the income statement on a straight-line basis for the term of the rent agreement.

3.24. Ceded premiums

Premiums ceded to reinsurer under the reinsurance contracts signed are recognized as an expense in the separate income statement.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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3. Summary of significant accounting policies (continued)**3.25. Claims incurred, net of reinsurance**

Insurance claims, net of reinsurance (indemnities and insurance amounts) include all payments during the financial year decreased with the reimbursed amounts by reinsurers and the change in the outstanding claims reserve during the period. The change in the outstanding claims reserve is corrected for the part due from the reinsurer. In the period between the registration of the claims and their payment, they are accounted for as an outstanding claims reserve. The claims are included in a register with the date of bringing the claim and the date of the occurrence of the insurance event.

3.26. Errors from prior reporting periods

Prior period errors are omissions from and misstatements in the Company's financial statements in prior periods resulting from the failure to use, or the misuse of reliable information. This is information, which was available at the date the separate financial statements are authorized for issue or information that could reasonably be expected to have been obtained and taken into account at the time of preparation and presentation of these financial statements. Prior period errors may occur at recognition, measurement, presentation or disclosure of items of the financial statements. They are corrected retrospectively as comparative data or the opening balances of assets, liabilities and equity are restated (if they occurred in prior periods for which no data in the financial statements is presented). Correction is recognized in the first set of financial statements authorized for issue after their discovery.

4. Investment property

	As of 31.12.2015	As of 31.12.2014
Balance at 1 January	3,892	2,483
New acquisitions in period	1,759	464
Reclassified from own property	-	875
Reevaluation	407	70
Balance at 31 December	<u>6,058</u>	<u>3,892</u>

As an investment property are classified offices spaces owned by the Company in administrative buildings. Investment properties are rented out to legal entities.

The Company has recorded rental income from investment property at the amount of BGN 75 thousand for 2015 and BGN 28 thousand for 2014.

5. Financial assets available for sale

	As of 31.12.2015	As of 31.12.2014
Government securities, denominated in EUR	13,862	12,215
Corporate bonds, denominated in EUR	1,492	-
Shares from investment funds	-	233
Equity investments	7,596	6,178
TOTAL	<u>22,950</u>	<u>18,626</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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6. Property, plant and equipment

	Land and buildings	Comput er equipment	Motor vehicles	Fixtur es and fittin gs	Other	Acquisiti on cost for fixed assets	Total
Cost							
Balance at 1 January 2014	3,226	490	2,352	482	6	-	6,556
Acquisitions	-	110	665	140	83	46	1,044
Reclassified	-	-	-	-	22	-	22
Disposals	-	(6)	(149)	(3)	-	-	(158)
Reclassified to investment properties	(875)	-	-	-	-	-	(875)
Balance as of 31 December 2014	2,351	594	2,868	619	111	46	6,589
Acquisitions	32	142	417	174	95	480	1,340
Reclassified	389	-	-	-	-	-	389
Disposals	-	(15)	(24)	(4)	-	(66)	(109)
Balance as of 31 December 2015	2,772	721	3,261	789	206	460	8,209
Accumulated depreciation							
Balance at 1 January 2014	(81)	(212)	(778)	(179)	-	-	(1,250)
Charges for the period	(38)	(65)	(305)	(33)	(4)	-	(445)
Written off depreciation from disposals	-	6	62	3	-	-	71
Written off depreciation from reclassified assets	-	-	-	-	(5)	-	(5)
Written off depreciation from transferred to investment properties	31	-	-	-	-	-	31
Balance at 31 December 2014	(88)	(271)	(1,021)	(209)	(9)	-	(1,598)
Charges for the period	(30)	(80)	(372)	(47)	(36)	-	(565)
Written off depreciation from disposals	-	14	20	4	-	-	38
Written off depreciation from reclassified assets	118	-	-	-	-	-	118
Written off depreciation from transferred to investment properties	-	-	-	-	-	-	-
Balance at 31 December 2015	-	(337)	(1,373)	(252)	(45)	-	(2,007)
NET BOOK VALUE							
As of 31 December 2014	2,263	323	1,847	410	102	46	4,991
As of 31 December 2015	2,772	384	1,888	537	161	460	6,202

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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7. Intangible assets

	Insurance license	Software	Other	Total
Cost				
Balance as of 1 January 2014	128	1,505	22	1,655
Acquisitions	-	296	-	296
Disposals	-	-	(22)	(22)
Balance as of 31 December 2014	128	1 801	-	1 929
Acquisitions	-	23	-	23
Reclassified				
Balance as of 31 December 2015	128	1 824		1952
Accumulated depreciation				
Balance as of 1 January 2014	(119)	(719)	(5)	(843)
Charges for the period		(160)		(160)
Written off depreciation from disposals	-	-	5	5
Balance as of 31 December 2014	(119)	(879)	-	(998)
Charges for the period	-	(180)		(180)
Written-off depreciation from disposals				
Balance at 31 December 2015	(119)	(1,059)		(1,178)
NET BOOK VALUE				
As of 31 December 2014	9	922	-	931
As of 31 December 2015	9	765		774

8. Investment in subsidiaries

In 2013 the Company acquires control over the subsidiary OZOK - INS AD.

As of December 31, 2014 the Company's share in the subsidiary is 57.35% with carrying amount of BGN 4,348.

As of December 31, 2015 the Company holds 57.35% of the share capital of the subsidiary and the carrying amount of the investment in subsidiary is BGN 2,735 thousand.

In 2015 the investment in subsidiaries is impaired. Depreciation, amounting to BGN 1,613 thousand, was booked as loss.

Investments in subsidiaries are stated at cost (acquisition cost) less impairment in these separate financial statements.

The summarized financial information of the subsidiary as of 31 December 2015 and 2014 is as follows:

	As of 31.12.2015	As of 31.12.2014
OZOK-INS AD		
Total assets	9,785	7,943
Total liabilities	(2,496)	(604)
Net assets	7,289	7,339
Share in the net assets of the subsidiary	57.35%	57.35%

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9. Taxation

The tax expense is presented as follows:

	Year ended 31.12.2015	Year ended 31.12.2014
Current tax expense	87	33
Deferred tax expenses from temporary differences, utilized during the period	25	27
TOTAL TAX EXPENSE	112	60

Current tax expense represents the amount of tax calculated under the Bulgarian legislation based on tax rate of 10% for 2015 and 2014.

Deferred tax assets and liabilities are as follows:

	As of 31.12.2015	As of 31.12.2014
Deferred tax assets		
Retirement benefits	4	4
Unused paid leave	5	9
Investment property	10	10
Property, plant and equipment	51	-
TOTAL DEFERRED TAX ASSETS	70	23
Deferred tax liabilities		
Property, plant and equipment	(314)	(207)
Investment properties	(114)	(149)
TOTAL DEFERRED TAX LIABILITIES	(428)	(356)
DEFERRED TAX LIABILITIES, NET	(358)	(333)

The relationship between tax expense and accounting profit is as follows:

	Year ended 31.12.2015	Year ended 31.12.2014
Profit before taxation	1,532	550
Income tax, calculated at the applicable tax rate (10% for 2015 and 2014)	153	55
Unrecognized tax expense	157	5
TOTAL TAX EXPENSE	310	60
Effective tax rate	20.23	10.9%

10. Prepaid expenses

	As of 31.12.2015	As of 31.12.2014
Software maintenance subscription expense	16	25
Advertising expense	122	116
Property insurance	-	3
Personnel insurances	21	8
Office rent	50	27
TOTAL	209	179

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11. Receivables from insurance transactions

	As of 31.12.2015	As of 31.12.2014
Receivables from direct clients	26,323	28,090
Impairment on uncollected premiums receivable	(7,171)	(3,722)
Receivables from reinsurance transactions	12,251	5,279
Receivables from agents	1,015	1,084
Receivables from subrogation recoveries	248	99
Prepaid minimal deposit premium to reinsurer	381	412
TOTAL	33,047	31,242

The Company accounts for the income from insurance premiums on accrual basis, as it recognizes them based on the amounts due for the whole period of coverage under the signed during the reporting period insurance contracts. Latter are recognized in the statement of financial position as receivables. After contract expiry, the premiums due but not collected during the reporting period are recognized as an impairment of receivables on uncollected premiums.

12. Other receivables

	As of 31.12.2015	As of 31.12.2014
Receivables on guarantees	330	296
Interest receivables	393	347
Receivables on legal disputes	411	31
Advances to suppliers	1,049	293
From loss and deficit	31	31
From co-insurance contracts	81	81
Other	72	194
TOTAL	2,367	1,273

13. Cash

	As of 31.12.2015	As of 31.12.2014
Deposits in banks	6,007	8,795
Current bank accounts in BGN	943	685
Current bank accounts in foreign currency	3	68
Cash on hand	245	294
TOTAL	7,198	9,842
Restricted cash	(9)	(159)
Included in the statement of Cash Flow	7,189	9,683

As of 31.12.2015 there is restricted cash of BGN 9 thousand in a Bulgarian bank, related to legal cases.

14. Inventories

Inventories as of 31 December 2015 represent forms for insurance policies in stock, office supplies, and stickers at the total amount of BGN 359 thousand (31 December 2014: BGN 412 thousand).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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15. Share capital

As of 31 December 2015 the share capital is at the total amount of BGN 7,067 thousand distributed into 7,507,329 ordinary shares with a nominal value BGN 1.00 each. The owners of these shares have rights to receive dividend and one voting right per share at the Shareholders' General meeting. Registered capital is fully paid in.

Major Shareholders	2015		2014	
	Capital	%	Capital	%
El-Em Impex EOOD	4,934,403	65.73	4,644,772	65.73
Toplofikacia-Sofia AD	700,018	9.32	658,930	9.32
Municipal Bank AD	360,175	4.80	339,034	4.80
Toplofikacia-Burgas EAD	266,529	3.55	250,885	3.55
Toplofikacia-Pleven EAD	266,529	3.55	250,885	3.55
Mina Stanyanci AD	266,529	3.55	250,885	3.55
Coinvest EOOD	338,744	4.51	318,861	4.51
Alexander Petrov Lichev	374,402	4.99	352,426	4.99
	<u>7,507,329</u>	<u>100.00</u>	<u>7,066,678</u>	<u>100.00</u>

16. Reserves

	As of 31.12.2015	As of 31.12.2014
Legal reserves – Reserve fund – under Commercial law	598	549
Other reserves	1,411	1,411
Revaluation reserves	3,252	3,887
TOTAL	<u>5,261</u>	<u>5,847</u>

The revaluation reserve contains changes in the fair values of the buildings owned by the Company as well as revaluation reserves of available for sale financial assets.

In Other reserves is recorded the distributable part of the profit for the period 2010-2013.

17. Technical reserves

Technical reserves, gross are as follows:

	Unearned premium reserve	Outstanding claims reserve	Other technical reserves	Total reserves
Balance as of 1 January 2014	20,599	19,271	3,436	43,306
Change in 2014	5,396	15,253	(748)	19,901
Balance as of 31 December 2014	<u>25,995</u>	<u>34,524</u>	<u>2,688</u>	<u>63,207</u>
Change in 2015	3,312	22,996	5,723	32,031
Balance as of 31 December 2015	<u>29,307</u>	<u>57,520</u>	<u>8,411</u>	<u>95,238</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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17. Technical reserves (continued)

The share of the reinsurers in technical reserves is as follows:

	Unearned premium reserve	Outstanding claims reserve	Other technical reserves	Total
Balance as of 1 January 2014	1,572	1,822		3,394
Change in 2014	238	7,807		8,045
Balance as of 31 December 2014	1,810	9,629		11,439
Change in 2015	12,124	20,377	4,337	36,838
Balance as of 31 December 2015	13,934	30,006	4,337	48,277

Technical reserves by types of insurance policies as of 31 December 2015 are as follows:

Insurance Type	Unearned premium reserve	Outstanding claims reserve	Other technical reserves	Total reserves – general insurance
Accident in public transportation vehicles	62	3	-	65
Accident	190	120	-	310
Illness	37	4	-	41
Road motor vehicles	2,205	1,797	617	4,619
Cargo	12	2	-	14
Fire and natural disasters	1,341	200	253	1,794
Property	274	125	-	399
MTPL	24,085	54,624	6,447	85,156
General MTPL	748	623	1,094	2,465
Other financial loss	334	16	-	350
Travel insurance	19	6	-	25
Gross amount	29,307	57,520	8,411	95,238
Reinsurers' share	(13,935)	(30,006)	(4,337)	(48,278)
Reserve, net of reinsurance	15,372	27,514	4,074	46,960

Technical reserves by types of insurance policies as of December 31, 2014 are as follows:

Insurance Type	Unearned premium reserve	Outstanding claims reserve	Other technical reserves	Total reserves – general insurance
Accident in public transportation vehicles	60	21	-	81
Accident	138	577	4	719
Illness	42	44	-	86
Road motor vehicles	1,746	3,052	302	5,100
Cargo	4	1	-	5
Fire and natural disasters	905	298	-	1203
Property	179	61	1	241
MTPL	22,031	29,903	2,360	54,294
General MTPL	661	543	19	1,223
Other financial loss	215	9	-	224
Travel insurance	14	15	2	31
Gross amount	25,995	34,524	2,688	63,207
Reinsurers' share	(1,810)	(9,629)	-	(11,439)
Reserve, net of reinsurance	24,185	24,895	2,688	51,768

The reserves are not discounted, because of the fact that they are due in one year period from the reporting date and the discount effect will not be material.

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FOR THE YEAR ENDED 31 DECEMBER 2015

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18. Insurance liabilities

	As of 31.12.2015	As of 31.12.2014
Liabilities on reinsurance operations	14,945	5,508
Liabilities to intermediaries	3,263	3,377
TOTAL	18,208	8,885

19. Other liabilities

	As of 31.12.2015	As of 31.12.2014
Paid leave liabilities	78	83
Payables to employees	4	-
Social security payables	79	67
Tax payables-individuals' income	80	64
Health benefits payable	29	25
Budget payables	570	331
Suppliers	262	162
Payables to Guarantee fund	635	709
Payables to NBBMI	-	83
Dividends payable	57	57
Current portion of the financial lease liability	132	197
Liabilities on co-insurance operations	3	4
Other	51	75
TOTAL	1,980	1,857

Lease liabilities as of 31 December 2015 and 2014 are as follows:

	Total value of the minimum lease payments		Present value of the minimum lease payments	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Not later than 1 year	138	212	132	197
Later than 1 year and not later than 5 years	35	173	34	167
Total	173	385	166	364
Reduced with future financial expenses	(7)	(21)	-	-
Present value of the minimum lease payments	166	364	166	364
Current portion of the liabilities under lease contracts			132	197
Non-current portion of the liabilities under lease contracts			34	167

The agreements are for finance lease of vehicles.

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20. Written premium

	Year ended 31.12.2015	Year ended 31.12.2014
Accident in public transportation	277	279
Accident	1,161	997
Illness	175	238
Road motor vehicles	6,559	5,824
Cargo	157	84
Fire and natural disasters	4,351	3,492
Property	960	780
MTPL	60,556	55,430
General MTPL	2,754	2,558
Various financial losses	634	527
Travel insurance	180	154
TOTAL PREMIUMS WRITTEN	77,764	70,363

Premiums ceded to reinsurers

	Year ended 31.12.2015	Year ended 31.12.2014
Fire and natural disasters	(2,702)	(2,050)
Property	(391)	(352)
MTPL	(13,461)	(3,318)
Cargo	(115)	(76)
General Cargo	(874)	(755)
TOTAL PREMIUMS CEDE TO REINSURERS	(17,543)	(6,551)

21. Claims paid

	Year ended 31.12.2015	Year ended 31.12.2014
Accident	(1,598)	(2,088)
Illness	(124)	(144)
Road motor vehicles	(7,635)	(7,507)
Fire and natural disasters	(1,984)	(2,257)
Property	(294)	(210)
MTPL	(31,623)	(16,880)
General MTPL	(304)	(178)
Cargo	(469)	(1)
Various financial losses	(151)	-
Travel insurance	(76)	(33)
TOTAL CLAIMS PAID	(44,258)	(29,298)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

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21. Claims paid (continued)**Paid costs of liquidation**

	Year ended 31.12.2015	Year ended 31.12.2014
Accident	(5)	15
Road motor Vehicles	(421)	(150)
Fire and natural disasters	(61)	(108)
Property	(7)	-
MTPL	(3,840)	(1,432)
General MTPL	(29)	(51)
Cargo	(4)	-
Travel insurance	(8)	(9)
TOTAL CLAIMS PAID	(4,375)	(1,765)

Reinsurers' share in claims paid

	Year ended 31.12.2015	Year ended 31.12.2014
Road motor vehicles	3,015	1,012
Cargo	426	1
Fire and natural disasters	1,065	1229
Property	173	33
General MTPL	248	157
MTPL	10,182	1497
TOTAL REINSURER'S SHARE IN CLAIMS PAID	15,109	3,929

22. Acquisition expenses

	Year ended 31.12.2015	Year ended 31.12.2014
Commissions to intermediaries	(12,009)	(10,360)
Advertising expenses	(668)	(579)
Payroll	(3,526)	(2,736)
Other indirect acquisition expenses	(3,432)	(2,969)
TOTAL	(19,635)	(16,644)

23. Administrative expenses

	Year ended 31.12.2015	Year ended 31.12.2014
Materials	(277)	(139)
Office rent	(214)	(175)
Office maintenance expenses	(145)	(128)
External services	(1,067)	(1,075)
Depreciation/amortization	(186)	(151)
Payroll, including management board	(1,826)	(1,583)
Other	(438)	(208)
TOTAL	(4,153)	(3,459)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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24. Reinsurers' commissions and participation in the result, net

	Year ended 31.12.2015	Year ended 31.12.2014
Income from commissions of reinsurers	2,574	974
Expenses for participation in profit	(15)	(12)
Income for participation in profit of reinsurer	32	-
NET REINSURANCE INCOME	2,591	962

25. Other insurance expenses, net

	Year ended 31.12.2015	Year ended 31.12.2014
Expenses for guarantee fund and Security fund under FSC	(2,065)	(2,194)
Expenses for guarantee fund of National bureau of automobile insurers	-	(441)
Impairment of receivables	(3,449)	(337)
Expenses for preventive measure related to State Fund Agriculture	(13)	(12)
Expenses, related to reversed premiums from prior years	(4,651)	(3,681)
Income related to commissions and ceded premiums for insurers under recognized policies from prior years	68	111
Income from recourse claims and claims abandoned	900	758
Other income	113	96
Other expenses	(129)	(108)
TOTAL OTHER INSURANCE EXPENSES, NET	(9,226)	(5,808)

26. Net investment income

	Year ended 31.12.2015	Year ended 31.12.2014
Interest income	574	539
Rent income	75	28
Income from sale of investments	546	-
Income from revaluation of investment properties, net	407	70
Expenses for revaluation of investments, net	(1,613)	-
Income from investment in subsidiaries	568	-
TOTAL NET INVESTMENT INCOME	557	637

Interest income includes:

	Year ended 31.12.2015	Year ended 31.12.2014
Interest on government bonds	455	425
Interest on bonds	42	-
Interest on bank deposits	77	114
TOTAL INTEREST INCOME	574	539

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27. Other income/ expenses, net

	Year ended 31.12.2015	Year ended 31.12.2014
Other financial expenses	(105)	(116)
Interest on lease agreement	(15)	(26)
Penalty interest	(24)	(13)
Revenue on financing from Operation program Human Resources	-	147
Other	37	48
TOTAL OTHER EXPENSES, NET	(107)	40

28. Risk management**Insurance risk**

The main risk for the Company in connection with insurance contracts is derived from the fact that real claims and the related payments may be timed differently from the expectations. This is influenced by the frequency of the claims, the nature of the claims, if the actually paid claims are more than the initial estimate and the subsequent development of the long-term claims. Therefore, the aim of the Company is to form a reserve which is enough to cover these liabilities. The risk development analysis and the estimated insurance premiums are made based on the available statistical data. In the premiums is included surplus for certainty, for evading the consequences of unfavorable risk development.

Reinsurance contracts are signed for the main types of insurance, which limit the liability of the Company in case of insurance events.

For evading the risk of reporting unreal claims for indemnities, especially the ones that happened abroad (for MTPL insurance), there is a contract signed with the correspondent company with offices in all EU countries and member states of the Council of the Bureaus Green Card, which will monitor the compliance with the working legal norms of each country.

As of 31.12.2015

Type of insurance	Premium earned	Reserves and guarantee fund	Reserves quote
All other insurances	10,439	7,617	73%
Insurance of responsibilities	58,595	87,621	150%
Total	69,034	95,238	138%

As of 31.12.2014

Type of insurance	Premium earned	Reserves and guarantee fund	Reserves quote
All other insurances	11,044	7,784	70%
Insurance of responsibilities	47,610	55,551	117%
Total	58,654	63,335	108%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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28. Risk management (continued)**Insurance risk (continued)**

As the information in the tables presents a historical view of the sufficiency of the estimates of unpaid claims incurred in previous years, an insufficiency from prior years should not be extrapolated on the present reserve for outstanding claims. The Company believes that the reserves for outstanding claims are adequate as of 31 December 2015 and 2014.

Year of event	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
In the year of event	1164	1272	1091	1269	2204	3813	4251	5736	7728	12947	9881	51 355
1 year later	284	748	831	857	2201	5574	7559	4757	6091	23572	-	52 473
2 years later	122	257	299	157	928	3878	2435	2432	5361	-	-	15 869
3 years later	61	90	367	376	1211	4933	1706	1272	-	-	-	10 016
4 years later	21	224	246	369	1395	4756	2369	-	-	-	-	9 380
5 years later	9	67	213	425	1279	1190	-	-	-	-	-	3 184
6 years later	16	18	117	6	473	-	-	-	-	-	-	631
7 years later	45	439	80	87	-	-	-	-	-	-	-	651
8 years later	-	-	51	-	-	-	-	-	-	-	-	51
9 years later	-	2	-	-	-	-	-	-	-	-	-	2
10 years later	-	-	-	-	-	-	-	-	-	-	-	-
Total payments	1722	3117	3294	3547	9691	24144	18320	14196	19181	36518	9881	143612
Total amount of claims reported as of 31.12.2015	1723	3119	3313	3568	9763	24589	18773	15422	20604	44276	23940	169090

Outstanding claims reserves as of 31.12.2015	1	3	18	21	72	445	453	1 226	1 423	7 758	14 059	25 479
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Year of event	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
In the year of event	893	1164	1272	1091	1269	2204	3813	4251	5736	7728	12947	42 367
1 year later	589	284	748	831	857	2201	5574	7559	4757	6091	-	29 491
2 years later	56	122	257	299	157	928	3878	2435	2432	-	-	10 563
3 years later	54	61	90	367	376	1211	4933	1706	-	-	-	8 799
4 years later	81	21	224	246	369	1395	4756	-	-	-	-	7 092
5 years later	440	9	67	213	425	1279	-	-	-	-	-	2 434
6 years later	3	16	18	117	6	-	-	-	-	-	-	160
7 years later	153	45	439	80	-	-	-	-	-	-	-	717
8 years later	-	-	-	-	-	-	-	-	-	-	-	1
9 years later	114	-	-	-	-	-	-	-	-	-	-	114
10 years later	-	-	-	-	-	-	-	-	-	-	-	-
Total payments	2382	1722	3115	3244	3460	9218	22953	15951	12924	13820	12947	101736
Total amount of claims reported as of 31.12.2014	2382	1734	3123	3312	3472	9274	23179	16889	14006	15533	24289	117194

Outstanding claims reserves as of 31.12.2014	0	12	8	68	11	56	226	938	1 081	1 713	11 342	15 458
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Financial risk

In 2015 the Company continued its conservative policy in the area of investment management. 60.40% from the financial assets available for sale are invested in foreign debt bonds of European Union countries, 6.50% in corporate bonds and 33.10% in shares of companies.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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28. Risk management (continued)***Financial risk (continued)***

In 2015 the main investment policy of the Company was to secure the technical reserves of the insurance portfolio as well as achieving of adequate return and protection of the funds at moderate risk.

As a result of the global economic crisis various sectors of the Bulgarian economy deteriorated in their development, which is significant uncertainty and risk for their development in the near future. The declining growth rates lead to significant uncertainty and as a result generated income levels, impairment losses, as well as management's estimates in the subsequent periods may differ from the present levels. In addition to this, there is a risk of a change in the prices of financial assets and properties, which may adversely affect the financial statements.

Credit risk

JSIC OZK- INUSRANCE AD has a significant exposure to receivables on insurance operations. The analysis of these receivables show that 71.24% from them are paid on time, and 28.76% are overdue. The receivables which are overdue between 90 and 180 days are 1.54%, between 180 and 360 days – 1.60% and over 360 days – 13.42 % as in such occasions the policies are terminated.

The above stated relationships are common for the insurance market.

Liquidity risk

The Company is not exposed to significant liquidity risk in 2015. As of 31 December 2015 Cash and Financial assets available for sale with amount of 30,148 thousand cover 64.02% of allocated reserves

In the following table analysis of the assets and liabilities of the Company in terms of their maturity is made:

As of 31.12.2015	Up to one year	1-5 years	Over 5 years	Not defined maturity	Total:
ASSETS					
Investment properties				6,058	6,058
Deposits in financial institutions	6,007				6,007
Financial assets available for sale		468	14,886	7,596	22,950
Investment in subsidiaries				2,735	2,735
Non-current tangible and intangible assets				6,976	6,976
Deferred tax assets	70				70
Receivables and advances	35,414				35,414
Other assets	568				568
Cash	1,191				1,191
TOTAL ASSETS	<u>43,250</u>	<u>468</u>	<u>14,886</u>	<u>23,365</u>	<u>81,969</u>
LIABILITIES					
Short term liabilities	20,188				20,188
Deferred tax liabilities				428	428
Unearned-premium reserve	15,372				15,372
Outstanding claims reserve	27,514				27,514
Guarantee fund	128				128
Other technical reserves	4,074				4,074
Retirement obligations				43	43
Non-current portion on liabilities under lease agreements		34			34
TOTAL LIABILITIES	<u>67,276</u>	<u>34</u>	<u>14,886</u>	<u>471</u>	<u>67,781</u>
Maturity Gap	<u>(24,026)</u>	<u>434</u>	<u>14,886</u>	<u>22,894</u>	<u>14,188</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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28. Risk management (continued)**Financial risk (continued)***Liquidity risk (continued)*

As of 31.12.2014	Up to one year	1-5 years	Over 5 years	Not defined maturity	Total:
ASSETS					
Investment properties	-	-	-	3,892	3,892
Deposits in financial institutions	8,795	-	-	-	8,795
Financial assets available for sale	-	-	12,448	7,028	19,476
Investment in subsidiaries	-	-	-	4,348	4,348
Non-current tangible and intangible assets	-	-	-	5,922	5,922
Deferred tax assets	23	-	-	-	23
Receivables and advances	32,515	-	-	-	32,515
Other assets	591	-	-	-	591
Cash	1,047	-	-	-	1,047
TOTAL ASSETS	42,971	-	12,448	21,190	76,609
LIABILITIES					
Short term liabilities	10,742	-	-	-	10,742
Deferred tax liabilities	-	-	-	356	356
Unearned-premium reserve	24,185	-	-	-	24,185
Outstanding claims reserve	24,895	-	-	-	24,895
Reserve fund	128	-	-	-	128
Other technical reserves	2,688	-	-	-	2,688
Retirement obligations	-	-	-	44	44
Non-current portion on liabilities under lease agreements	-	167	-	-	167
TOTAL LIABILITIES	62,638	167	-	400	63,205
Maturity Gap	<u>(19,667)</u>	<u>(167)</u>	<u>12,448</u>	<u>20,790</u>	<u>13,404</u>

Currency risk

The Company faces minimum currency risk, as the exposures in foreign currencies different from BGN and EUR are not material. The exposures to currency risk when conducting transactions lead to exchange rate gains and losses recognized in the income statement. These exposures include the cash which is not denominated in the reporting currency or euro.

The tables below summarize the currency risk of the Company as of 31 December 2015 and 2014. It shows the carrying values of the Company's assets and liabilities according to original currency.

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28. Risk management (continued)**Financial risk (continued)***Currency risk (continued)*

As of 31.12.2015	BGN and EUR	USD	Total:
ASSETS			
Investment properties	6,058	-	6,058
Deposits in financial institutions	5,992	15	6,007
Financial assets available for sale	22,950	-	22,950
Investment in subsidiaries	2,735	-	2,735
Non-current tangible and intangible assets	6,976	-	6,976
Deferred tax assets	70	-	70
Receivables and advances	35,414	-	35,414
Other assets	568	-	568
Cash	1,191	-	1,191
TOTAL ASSETS	81,954	15	81,969
LIABILITIES			
Short term liabilities	20,188	-	20,188
Deferred tax liabilities	428	-	428
Guarantee fund	128	-	128
Unearned-premium reserve	15,372	-	15,372
Outstanding claims reserve	27,514	-	27,514
Other technical reserves	4,074	-	4,074
Retirement obligations	43	-	43
Non-current portion on liabilities under lease agreements	34	-	34
TOTAL LIABILITIES	67,781	-	67,781
Net currency position	14,173	15	14,188
As of 31.12.2014	BGN and EUR	USD	Total:
ASSETS			
Investment properties	3,892	-	3,892
Deposits in financial institutions	8,782	13	8,795
Financial assets available for sale	19,476	-	19,476
Investment in subsidiaries	4,348	-	4,348
Non-current tangible and intangible assets	5,922	-	5,922
Deferred tax assets	23	-	23
Receivables and advances	32,515	-	32,515
Other assets	591	-	591
Cash	1,047	-	1,047
TOTAL ASSETS	76,596	13	76,609
LIABILITIES			
Short term liabilities	10,742	-	10,693
Deferred tax liabilities	356	-	339
Guarantee fund	128	-	19,027
Unearned-premium reserve	24,185	-	17,449
Outstanding claims reserve	24,895	-	128
Other technical reserves	2,688	-	3,436
Retirement obligations	44	-	38
Non-current portion on liabilities under lease agreements	167	-	309
TOTAL LIABILITIES	63,205	-	63,205
Net currency position	13,391	13	13,404

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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28. Risk management (continued)**Financial risk (continued)****Interest rate risk**

The Company faces interest rate risk in respect to the non-trading portfolio. The sensitivity of the non-trading portfolio to interest rate risk as of December 31, 2015 and 2014 is as follows:

As of 31.12.2015	Up to 1 year	1-5 years	Over 5 years	Not interest bearing	Total
ASSETS					
Investment properties				6,058	6,058
Deposits in financial institutions	6,007				6,007
Financial assets available for sale		468	14,886	7,596	22,950
Investment in subsidiaries				2,735	2,735
Non-current tangible and intangible assets				6,976	6,976
Deferred tax assets				70	70
Receivables and advances				35,414	35,414
Other assets				568	568
Cash				1,191	1,191
TOTAL ASSETS	6,007	468	14,886	60,608	81,969
LIABILITIES					
Short term liabilities	132			20,056	20,188
Deferred tax liabilities				428	428
Unearned-premium reserve				15,372	15,372
Outstanding claims reserve				27,514	27,514
Guarantee fund				128	128
Other technical reserves				4,074	4,074
Retirement obligations				43	43
Non-current portion on liabilities under lease agreements		34			34
TOTAL LIABILITIES	132	34		67,615	67,781
Net interest exposure	5,875	434	14,886	(7,007)	14,188
As of 31.12.2014					
	Up to 1 year	1-5 years	Over 5 years	Not interest bearing	Total
ASSETS					
Investment properties	-	-	-	3,892	3,892
Deposits in financial institutions	8,795	-	-	-	8,795
Financial assets available for sale	-	-	12,215	7,261	19,476
Investment in subsidiaries	-	-	-	4,348	4,348
Non-current tangible and intangible assets	-	-	-	5,922	5,922
Deferred tax assets	-	-	-	23	23
Receivables and advances	-	-	-	32,515	32,515
Other assets	-	-	-	591	591
Cash	-	-	-	1,047	1,047
TOTAL ASSETS	8,795	-	12,215	55,599	76,609
LIABILITIES					
Short term liabilities	197	-	-	10,545	10,742
Deferred tax liabilities	-	-	-	356	356
Unearned-premium reserve	-	-	-	24,185	24,185
Outstanding claims reserve	-	-	-	24,895	24,895
Guarantee fund	-	-	-	128	128
Other technical reserves	-	-	-	2,688	2,688
Retirement obligations	-	-	-	44	44
Non-current portion on liabilities under lease agreements	-	167	-	-	167
TOTAL LIABILITIES	197	167		62,841	63,205
Net interest exposure	8,598	(167)	12,215	(7,242)	13,404

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29. Related parties

Related parties refer to entities, where one can control the other or have significant influence when making financial decisions or decision related to current operations.

For 2015 and 2014 the transactions with related parties can be classified in the following groups:

	Transaction volume for 2015 income/ (expense)	Balance as of 31.12.2015 receivables / (payables)	Transaction volume for 2014 income/ (expense)	Balance as of 31.12.2014 receivables/ (payables)
Transactions with Municipal Bank AD				
Insurance premiums	41	4	33	3
Claims paid	(73)	-	(32)	-
Cash in deposits accounts	(251)	15	(46)	265
Cash in current bank accounts	274	739	296	465
Interest received	1	-	2	-
Paid rents	-	-	(32)	-
Transactions with EL EM Impex EOOD				
Insurance premiums	1	57	12	55
Claims paid	-	-	-	-
Transactions with Toplofikacia Burgas EAD				
Insurance premiums	24	40	77	70
Claims paid	(11)	-	(7)	-
Transactions with Toplofikacia Pleven EAD				
Insurance premiums	162	205	147	233
Claims paid	(178)	-	(6)	-
Transactions with Mina Stanyanci EAD				
Insurance premiums	23	79	33	82
Claims paid	(9)	-	-	-
Transactions with OZOK Ins AD				
Insurance premiums	4	-	3	6
Additional health insurance	(101)	(1)	(90)	(17)
Rents	(25)	-	(14)	(1)
Transactions with Coinvest EOOD				
Insurance commissions	(310)	-	(130)	(28)
Management				
Board of directors	(223)	-	(191)	-
Managers	(510)	-	(298)	-

The transactions shown are made at normal market conditions and do not differ from the transactions conducted with parties which are not related parties to the Company.

30. Contingent liabilities

As of 31 December 2015 the Company has a valid bank guarantee issued by a Bulgarian bank in favor of the National Bureau of Bulgarian automobile insurers to the amount of EUR 600 thousand. As collateral of the guarantee there is a mortgage on one of the real estates owned by the Company in Sofia, 7 Sveta Sofia str., 5th floor.