JSIC "OZK-INSURANCE" AD

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

December 31, 2016

SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
All amounts are in thousand Bulgarian levs, unless otherwise stated

	Notes	As of 31.12.2016	As of 31.12.2015
Assets			
Non-current assets			
Investment properties	4	4,369	6,058
Financial assets available for sale	5	22,279	23,342
Property, plant and equipment	6	8,398	6,202
Intangible assets	7	952	774
Investments in subsidiaries	8	3,766	2,735
Reinsurers' share in reserves	17	39,448	48,278
Deferred tax assets	9	74	70
Total non-current assets		79,286	87,459
Current assets			
Inventory	14	380	359
Receivables from insurance activities	11	48,765	33,047
Other receivables	12	2,248	1,975
Prepaid expenses	10	200	209
Cash	13	11,129	7,198
Total current assets		62,722	42,788
TOTAL ASSETS		142,008	130,247
Equity and liabilities			
Equity			
Share capital	15	8,785	7,507
Reserves	16	7,985	5,389
Retained earnings		2,399	1,420
TOTAL EQUITY		19,169	14,316
Non-current liabilities			
Unearned premium reserve	17	27,761	29,307
Reserve for unexpired risks	17	377	-
Outstanding claims reserve	17	52,386	57,520
Other technical reserves	17	-	8,411
Retirement benefits	19	52	43
Liabilities under leasing contracts	19	-	34
Deferred tax liabilities	9	467	428
Total non-current liabilities		81,043	95,743
Current liabilities			
Liabilities on insurance activities	18	39,422	18,208
Other liabilities	19	2,374	1,980
Total current liabilities		41,796	20,188
TOTAL LIABILITIES		122,839	115,931
TOTAL EQUITY AND LIABILITIES		142,008	130,247

This separate financial statement is approved by the Board of Directors and signed on June 30, 2017 on behalf of JSIC OZK – INSURANCE AD by:

Aleksandar Lichev	Rumen Dimitrov	Aneliya Pashaliyska
Executive Director	Executive Director	Chief Accountant

The accompanying notes form an integral part of this separate financial statement.

Assen Dimov
Registered Auditor
Date: July 10, 2017

SEPARATE INCOME STATAMENT
FOR THE YEAR ENDED DECEMBER 31, 2016
All amounts are in thousand Bulgarian levs, unless otherwise stated

	Notes	Year ended 31.12.2016	Year ended 31.12.2015
Premiums earned	20	77,987	77,764
Ceded reinsurance premiums	20	(32,624)	(17,543)
Change in unearned premium reserve	17	1,169	(3,312)
incl. an additional amount for unexpired risks	17	(377)	-
Change in reinsurers’ share in unearned premiums reserve	17	(1,457)	12,125
Premiums earned, net of reinsurance		45,075	69,034
Claims paid	21	(50,913)	(47,734)
Reinsurers’ share in claims paid	21	27,503	15,109
Change in outstanding claims reserve	17	5,134	(22,996)
Change in reinsurers’ share in outstanding claims reserve	17	(3,036)	20,377
Claims paid, net of reinsurance		(21,312)	(35,244)
Change in other insurance reserves	17	8,411	(5,723)
Changes in reinsurers' share in other insurance reserves	17	(4,337)	4,337
Acquisition expenses	22	(21,474)	(19,635)
Administrative expenses	23	(4,565)	(4,153)
Reinsurers’ commissions and participation in result, net	24	4,886	2,591
Other insurance expenses, net	25	(6,566)	(10,125)
Insurance activity expenses		(44,957)	(67,952)
Result of insurance activity		118	1,082
Net investment income	26	2,588	557
Other (expenses), net	27	(102)	(107)
PROFIT BEFORE TAXES		2,604	1,532
Tax expense	9	(205)	(112)
NET PROFIT FOR THE PERIOD		2,399	1,420

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Assen Dimov
Registered Auditor
Date: July 10, 2017

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
All amounts are in thousand Bulgarian levs, unless otherwise stated

	Year ended 31.12.2016	Year ended 31.12.2015
Net profit for the year	2,399	1,420
Components which are or could be subsequently reclassified in profit or loss:		
Change in the fair value reserve of available-for-sale financial assets		
- Net reclassification in the income statement	287	(542)
- Net change in fair value	2,376	(600)
Tax effects associated with these components	(238)	-
	2,425	(1,142)
Components which will not be reclassified subsequently in profit or loss:		
Revaluation of property, plant and equipment	29	507
Tax effects associated with these components	-	-
	29	507
Other comprehensive income for the year, net of tax	2,454	(635)
Total comprehensive income for the year	4,853	785

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Chief Executive Director	Executive Director	Chief Accountant

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SEPARATE STATEMENT OF CHANGES IN EQUITY
AS OF DECEMBER 31, 2016
All amounts are in thousand Bulgarian levs, unless otherwise stated

	Share capital	Revaluation reserves	Reserve from fair values	Total reserves	Other reserves	Retained earnings	Total
Balance as of January 1, 2015	7,067	2,401	1,486	549	1,539	490	13,532
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	1,420	1,420
Other comprehensive income	-	507	(1,142)	-	-	-	(635)
Distribution of profit from past years for reserves	-	-	-	50	-	(50)	-
Transactions with shareholders recorded in equity							
Issuance of ordinary shares	440	-	-	-	-	(440)	-
Other changes in equity	-	-		(1)	-	-	(1)
BALANCE AS OF DECEMBER 31, 2015	7,507	2,908	344	598	1,539	1,420	14,316
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	2,399	2,399
Other comprehensive income	-	29	2,425	-	-	-	2,454
Distribution of profit from past years for reserves	-	-	-	142	-	(142)	-
Transactions with shareholders recorded in equity							
Issuance of ordinary shares	1,278	-	-	-	-	(1,278)	-
BALANCE AS OF DECEMBER 31, 2016	8,785	2,937	2,769	740	1,539	2,399	19,169

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SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
All amounts are in thousand Bulgarian levs, unless otherwise stated

	Year ended 31.12.2016	Year ended 31.12.2015
Cash flows from operating activities		
Premiums received	72,616	73,613
Amounts recovered from reinsurers	7,703	7,686
Subrogation recoveries	1,155	347
Payments on reinsurance contracts	(2,667)	(4,205)
Claims paid	(46,772)	(44,258)
Payments to suppliers	(7,888)	(9,387)
Payments to employees	(6,313)	(5,657)
Acquisition costs paid	(12,617)	(11,049)
Amounts paid for guarantee fund	(2,152)	(2,124)
Interest received	95	85
Payment of corporate tax	(87)	(45)
Other payments for operating activities	(3,706)	(3,224)
NET CASH FLOWS RECEIVED FROM / (USED FOR) OPERATING ACTIVITIES	(633)	1,782
Cash flows from investing activities		
Sale of government securities	4,455	1,942
Interest received from investment securities	573	508
Rents received	109	110
Purchase of other fixed income securities	-	(5,661)
Other payments for investing activities	(354)	(892)
NET CASH FLOWS RECEIVED FROM / (USED FOR) INVESTING ACTIVITIES	4,783	(3,993)
Cash flows from financing activities		
Other payments for financing activities	(210)	(283)
NET CASH FLOWS USED FOR FINANCING ACTIVITIES	(210)	(283)
Change in cash during the period	3,940	(2,494)
CASH AT BEGINNING OF PERIOD	7,189	9,683
CASH AT END OF PERIOD (Note 13)	11,129	7,189

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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 Company is with a headquarter and management address: City of Sofia, 7 “Sveta Sofia” St., fl. 5.

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)“ related to the possession and use of motor vehicles; “General TPL”; “Insurance of miscellaneous Financial losses”; “Travel Insurance”; “Insurance covering legal fees (legal protection), as an additional coverage to the insurances of other material interests.

The specific legislature governing the Company’s activity is the Insurance Code. The special legislation concerning the activities of the Company is contained and derives mainly from the Insurance Code (IC). Based on the latter, the Company is subject to regulation by the Financial Supervision Commission (FSC).

2. Base for preparation of the separate financial statement

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 for their application, 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 statement. In the preparation of the accompanying separate financial statement, the Company has considered the requirements of the Financial Supervision Commission, outlined in ordinance regarding the recognition of incomes from insurance premiums and the related receivables and impairment losses.

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 December 31, 2016.

Changes in IFRS

Initial implementation of new amendments to existing standards and interpretations that have become effective during the current reporting period

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

- Amendments of IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 28 Investments in associates and joint ventures – Investment Entities: Implementation of the consolidation exception adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after January 1, 2016);
- Amendments of IFRS 11 “Joint Arrangements” – Accounting for the acquisition of shares in joint venture - adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016);

2. Basis of preparing the separate financial statement (continued)

2.1 Applicable accounting legislation and standards (continued)

2.1.1 Common framework for financial reporting (continued)

Changes in IFRS (continued)

Initial implementation of new amendments to existing standards and interpretations that have become effective during the current reporting period (continued)

- Amendments of IAS 1 Presentation of Financial Statements – Initiative for Disclosure – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments of IAS 16 Property, Plant and Equipments and IAS 38 Intangible assets – Clarification of the eligible methods of depreciation – adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments of IAS 16 Property, Plant and Equipments and IAS 41 Agriculture – Fruit plants – adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments of IAS 19 Employee Benefits – Defined benefit plans: Contributions from employees – adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- Amendments of IAS 27 Separate Financial Statements – Equity method in the separate financial statements – approved by EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- Amendments of various standards Improvements of IFRS (2010-2012 cycle)", 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 (the amendments are applicable for annual periods beginning on or after February 1, 2015);
- Amendments of various standards Improvements of IFRS (2012-2014 cycle)", 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 (the amendments are applicable for annual periods beginning on or after January 1, 2016).

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

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

As of the date of authorisation of these Financial Statements, the following new standards and amendments to the existing standards issued by IASB and adopted by the EU have not yet become effective:

- IFRS 9 Financial instruments – adopted by the EU on November 22, 2016 (effective for annual periods beginning on or after January 1, 2018);
- IFRS 15 Revenue from contracts with customers and amendments of IFRS 15 "Effective date of IFRS 15" - adopted by the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2018).

2. Basis of preparing the separate financial statement (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 amendments to the existing standards issued by IASB but not yet adopted by EU

Currently the IFRSs adopted by the EU do not differ materially from those adopted by the IASB except for the following new standards, amendments to existing standards and new interpretations not yet endorsed by the EU at the date of approval of these financial statements (the effective dates specified below are for the complete IFRSs):

- IFRS 14 Estimates for regulatory deferred accounts (effective for annual periods beginning on or after January 1, 2016) – The EU has decided not to start the process of adopting this interim standard and to wait for the final standard;
- IFRS 16 *Leasing* (effective for annual periods beginning on or after January 1, 2019);
- Amendments of IFRS 2 Share-based payment - Classification and measurement of share-based transactions (effective for annual periods beginning on or after January 1, 2018);
- Amendments of IFRS 4 *Insurance contracts* – Appendix of IFRS 9 *Financial Instruments* with IFRS 4 *Insurance contracts* (effective for annual periods beginning on or after January 1, 2018 or upon initial application of IFRS 9 Financial Instruments);
- Amendment of IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in associates and joint ventures - sale or contribution of assets between the investor and his associate or joint venture, and subsequent amendments* (the effective date has been postponed for an indefinite period until the completion of the assessment project for the equity capital method);
- Amendment of IFRS 15 *Revenue from contracts with customers* – Clarification of IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after January 1, 2018);
- Amendment of IAS 7 *Cash Flow Statement - Initiative for Disclosure* (effective for annual periods beginning on or after January 1, 2017);
- Amendment of IAS 12 *Taxes on income – Recognition of deferred tax assets for unrealized losses* (effective for annual periods beginning on or after January 1, 2017);
- Amendment of IAS 40 *Investment properties – Transfer of investment properties* (effective for annual periods beginning on or after January 1, 2018);
- Amendments to various standards "Improvements of IFRS (2014-2016 cycle)", resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (the amendments of IFRS 12 are applicable for annual periods beginning on or after January 1, 2017, and amendments of IFRS 1 and IAS 28 are applicable for annual periods beginning on or after January 1, 2018);
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after January 1, 2018).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statement 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. Basis of preparing the separate financial statement (continued)

2.1.2 Accounting convention

These separate financial statements are prepared under the historical cost convention, except for buildings and land, investment properties, and available-for-sale financial assets (Note 3.12, 3.17 & 3.18), which are prepared at fair value.

The preparation of 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 statement preparation. The actual results could be different from those presented in these separate financial statement.

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 and held for trading. Planned liabilities for defined earnings are measured at the net present value of the liability.

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 using amounts expressed in thousands of BGN.

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 December 31, 2016 and 2015 are as follows:

Currency	December 31, 2016	December 31, 2015
EUR	1.95583	1.95583
USD	1.85545	1.79007

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.

2. Basis of preparing the separate financial statement (continued)

2.2. Insurance contracts (policies) (continued)

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 during the period.

3. Significant accounting policies

3.1. Premiums earned

Premiums earned comprise the amount due from the insured person (or insurer) 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

The claims paid consist of the amounts paid and the liquidation costs less the receivables from rights for subrogation recoveries.

3.3. Technical reserves

The technical reserves are 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 diversion from this expectation.

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

The Company shall form and keep the following technical reserves:

- Unearned premium reserve
- Outstanding claims reserve
- Contingency fund
- Reserve for unexpired risks
- 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 actual 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.

3. Significant accounting policies (continued)

3.3. Technical reserves (continued)

3.3.1 Unearned premium reserve (continued)

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 a 365 days in 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.

3.3.2.1. Reserve for reported but unpaid claims

The reserve for reported but unpaid claims is calculated individually for each claim, based on the general data base, of the reported but unpaid 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 issued by the Financial Supervision Commission, promulgated in SG 36/02.05.2006, and applies a coefficient that adjusts claims raised through court.

3.3.2.2. Reserve for incurred but not reported claims

The additional reserve for incurred but not reported claims on direct insurance as of December 31, 2016 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, the methods of setting up technical 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.

3.3.3. Additional reserve for reported but unpaid claims

The additional reserve for reported but unpaid claims on direct insurance as of December 31, 2016 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 issued by FSC promulgated in SG 36/02.05.2006, the methods of setting up technical reserves by the Insurers.

3.3.4. Additional unearned premium reserve

The additional unearned premium reserve relates to the "Third Party Liability related to the possession and use of motor vehicles" and as of December 31, 2016 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 issued by FSC promulgated in SG 36/02.05.2006, the methods of setting up technical reserves by the Insurers.

3. Significant accounting policies (continued)

3.3. Technical reserves (continued)

3.3.5. Reserve for unexpired risks

The Reserve for unexpired risks is an add-on to the unearned premium reserve, which is determined by comparing the earned premium against the claims incurred and the expenses made during the period. If this ratio is greater than one for three consecutive years, a provision for unexpired risks is set aside. The amount is the unearned premium reserve multiplied by the amount in excess to 1 for the last year.

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 activities. Ceded premiums are reported at gross values along with the received reinsurance commissions. Under the existing reinsurance agreements, the Company also has the responsibility to pay the claims not recovered by the reinsurers.

The reinsurance assets constitute outstanding as at the end of the reporting period receivables from reinsurance activities, 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 as of the end of the reporting period from reinsurance activities, recognized as an expense based on the due throughout the reporting period premiums, compensations, 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.

As of the reporting date a review is made for any indications for impairment occurred during the reporting year. Impairment exists if there are fair evidences 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.

The reinsurance program of JSIC "OZK-Insurance" AD for 2016 is renewed on September 30, 2017.

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 Swiss Re and Quota-share reinsurance contract "Motor Third Party Liability" with Hanover Re.

A portion of the risk undertaken by the Company is transferred to the reinsurers under proportional contracts, based on the ratios agreed in the contract. The limits as per the contracts are applicable for every single risk and insured person.

3. Significant accounting policies (continued)

3.4. Reinsurance (continued)

In 2016г., in accordance with the portfolio of the Company, higher limits of liability were negotiated in the Property proportional reinsurer contract.

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

- Excess-loss protection on “Motor Third Party Liability”
- In two section excess-loss protection of the self-retaining on quota contract related with “Property” and “Catastrophic risks”.

Foreign contracts are traded off through one of the biggest reinsurance brokers- Willis Re, JLT Re, Miller Re and Guy Carpenter.

3.5 Reinsurers’ share in technical reserves

The Company is a party to a quota share reinsurance contract that provides for the transfer of a share in the existing technical reserves upon the entry into force of the contract. IFRS does not provide for specific reporting requirements for such contracts. Due to the specific nature of this type of contract, the Company has analyzed the degree of risk transfer and the results show that actually there is such a transfer.

The Company has adopted an accounting policy for the accounting of quota share reinsurance contracts, and under that policy the Company recognizes upon the entry into force of the contract the reinsurers' share in the technical reserves as an asset, as well as the corresponding change of the reinsurer's share in the technical reserves in the statement of comprehensive income, where the liabilities to reinsurers under such contracts are accounted for in the subsequent periods of the contracts. The amount of the recognized assets and the positive effect upon initial recognition of such contracts on the statement of comprehensive income related to such contracts in 2015 amounted to BGN 37,845 thousand, which amount was reported as equity as of December 31, 2016.

During the contract term in subsequent periods, the Company will cede to the reinsurer 50% of the premiums and damages on Motor Third Party Insurance (MTPI). Upon expiry or termination of the reinsurance contract, the reinsurer's share in the technical reserves shall be released or transferred to another reinsurer. Because of the conventions relating to the future developments of the contract, and the cash flows thereto, the Company management believes that the adopted accounting policy is appropriate.

3.6. 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 diversions. 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.

3. Significant accounting policies (continued)

3.7. Incurred claims, net of reinsurance

Insurance claims, net of reinsurance (indemnities and insurance amounts) include all payments made during the financial year less the reimbursed amounts from subrogation recoveries or abandoned claims, reinsurance, and the change in the outstanding claims reserve during the period. The change in the outstanding claims reserve for reported but unpaid 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.

3.8. 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.

3.9. 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.

3.10. Administrative expenses

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

3.11. Payroll

3.11.1. 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.

3.11.2. Defined benefits plans

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.

3. Significant accounting policies (continued)

3.11. Payroll (continued)

3.11.2. Defined benefits plans (continued)

The approximate amount of defined benefits plan liabilities upon retirement for each reporting period, and expenses recognized in profit or loss, is based on actuarial reports (information about the parameters and assumptions used is given below).

The defined benefits plan (obligation for retirement pay) is non-funded.

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

3.11.3. Defined contribution 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.

3.12. Fixed assets

Intangible assets

Intangible assets are initially valued at the cost of acquisition. After initial recognition, intangible assets are valued at cost of acquisition, less the accumulated depreciation 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. 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.

All amounts are in thousand Bulgarian levs, unless otherwise stated

3. Significant accounting policies (continued)

3.12. Fixed assets (continued)

Property, plant and equipment (continued)

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 December 31, 2016, their fair value is determined by licensed valuators. 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. Property, plant and equipment upon initial recognition in the statement of financial position are presented at cost, including costs directly attributable to asset acquisition. Because of the intrinsic uncertainty of the estimate, the disclosed fair value may differ materially from the values that would be used if an active property market were available, whereby such differences may be material.

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.

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 2016 and 2015 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

3.13. 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. Significant accounting policies (continued)

3.14. Receivables from insurance activities

Receivables from insurance activities are initially recognized as of the date of maturity, and are measured at fair value increased by additional expenses. The value of the receivables from insurance activities 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 from insurance activities, with accumulated delays, 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%.

3.15. 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.

3.16. Taxation

Taxes due for 2016 and 2015 are calculated in accordance with the Bulgarian tax legislation.

The Law on the Insurance Premium Tax (LIPT) 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 2016 and 2015 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 taxes are calculated for all temporary differences between the tax bases of assets and liabilities and their carrying amount at the end of the reporting period using the balance sheet liability method.

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 these taxes arise from transactions or events that are recognized in the same or prior period directly in the statement of equity.

3.17. Investment properties

Investment properties consist of lands 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 initial recognition the Company recognizes the investment properties at fair value, which is determined by independent valuators every year.

3. Significant accounting policies (continued)

3.17. Investment properties (continued)

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 period in which they occur.

As of December 31, 2016 investment properties owned by the Company, are revalued up to their fair value determined by licensed valuators. As a result of the revaluation, the carrying amount of some properties has been changed.

3.18. 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 rate 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 financial assets, held for trading, held to maturity or loans and receivables. Those assets are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition financial assets available for sale are valued at fair value based on market 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. When such assets are written off, the amount accumulated in the reserve is reclassified to profit or loss.

3. Significant accounting policies (continued)

3.18. Financial instruments (continued)

An impairment loss with respect to a financial asset available for sale is recognized by reclassifying the loss to profit or loss. The reclassified amount is the difference between the cost of acquisition (net of principal and depreciation payments) and the current fair value less the impairment loss previously recognized in the profit or loss. If the fair value of an impaired debt securities available for sale is subsequently increased and the increase can be objectively related to an event occurring after the impairment loss is recognized in the profit or loss, then the impairment loss is reversed to the gain or loss; in other cases it is reversed to another comprehensive income.

Equity financial instruments classified as available-for-sale financial assets that are not traded on an active market and for which other methods for reasonable measurement of fair value are not applicable are measured at cost of acquisition.

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.

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 the 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 the control over the enterprise is through this body.

3. Significant accounting policies (continued)

3.18. Financial instruments (continued)

In the separate financial statements of the Company the shares in its subsidiary are initially recognized at cost of acquisition. The Company performs periodic reviews for impairment of investments. 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. The loans and receivables of the Company 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 of acquisition. 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 recongnized in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment is recognized, previously recognized impairment losses are reversed. Any reversal of impairment is recognized in the income statement to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been valid at the reimbursement date had no impairment loss been recognized.

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

3.19. Fair value of financial instruments

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 in a direct deal between knowledgeable parties willing to make such deal. If no stock market price is available in an active market, the Company uses valuation techniques by using as much as possible appropriate observable input data and minimizing the use of non-observable data. The chosen valuation technique covers all the factors that market participants would take into account when pricing the deal.

The best evidence of a fair value of a financial instrument is usually the transaction price, ie the fair value of the consideration transferred or received. If the Company determines that the fair value on initial recognition differs from the transaction price and there is no evidence of fair value through a stock price of a similar asset or liability, nor is it based on a valuation technique that uses data from observable markets, then the financial instrument is initially measured at fair value adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, such difference is recognized in profit or loss on an appropriate basis for the life of the instrument but no later than when the measurement can be fully supported by observable market data or the transaction is completed. If the asset or liability that is measured at fair value has a buying or selling price, then the Company measures assets and long positions at the selling price, and liabilities and short positions at the buying price.

3. Significant accounting policies (continued)

3.19. Fair value of financial instruments (continued)

The fair value of the sight deposit (or call deposit) is not less than the amount due on demand discounted since the original date on which the deposit may become chargeable.

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.

3.20. 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.

3.21. 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 effective interest rate method.

3.22. 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.

3.23. Guarantee Fund

All insurers domiciled in the Republic of Bulgaria or insurers from a third country that have registered a branch office under the Commercial Act in the Republic of Bulgaria, the mandatory Motor Third Party Liability (MTPL) insurance and/or Motor passenger personal accident insurance, or insurance under Section I of Annex 1, have to make payments to the Guarantee Fund under Article 520 (1) of the Insurance Code. The contributions to the GF's monetary funds under Article 521 (1), item 1, are made on a monthly basis, as determined in the Annual Budget of the Guarantee Fund approved by the Financial Supervision Commission. The amount of the contributions under Article 521 (1), item 2 is defined in Article 563 (2) of the Insurance Code. The functions of the Guarantee Fund are regulated by Article 519 of the Insurance Code.
The collected amounts under GF policies are recognized as premium revenue and are expensed in the separate income statement.

All amounts are in thousand Bulgarian levs, unless otherwise stated

3. Significant accounting policies (continued)

3.24. 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.

3.25. Ceded premiums

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

4. Investment properties

	As of 31.12.2016	As of 31.12.2015
AS OF JANUARY 1	6,058	3,892
New acquisitions during the period	167	1,759
Transfers to property, plant and equipment	(2,042)	-
Transfers from property, plant and equipment	50	
Revaluation	136	407
AS OF DECEMBER 31	4,369	6,058

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

In 2016 and 2015 the Company has recorded rental income from investment property at the amount of BGN 96 thousand and BGN 75 thousand.

5. Financial assets available for sale

	As of 31.12.2016	As of 31.12.2015
Government securities denominated in EUR	10,458	14,237
Corporate bonds denominated in EUR	1,528	1,509
Capital investments	10,293	7,596
TOTAL	22,279	23,342

All amounts are in thousand Bulgarian levs, unless otherwise stated

6. Property, plant and equipment

	Land and buildings	Computer equipment	Motor vehicles	Fixtures and fittings	Other	Expenses on acquisition of tangible fixed assets	Total
Book value							
as of January 1, 2015	2,351	594	2,868	619	111	46	6,589
Acquisitions	32	142	417	174	95	480	1,340
Revalued	507	-	-	-	-	-	507
Disposals	(118)	(15)	(24)	(4)	-	(66)	(227)
as of December 31, 2015	2,772	721	3,261	789	206	460	8,209
Acquisitions	-	181	111	178	17	641	1,128
Revalued	28	-	-	-	-	-	28
Disposals	(17)	(34)	(63)	(3)	-	(333)	(450)
Reclassified from/into investment properties	2,042	-	-	-	-	(50)	1,992
as of December 31, 2016	4,825	868	3,309	964	223	718	10,907
Accumulated depreciation							
as of January 1, 2015	(88)	(271)	(1,021)	(209)	(9)	-	(1,598)
Charges for the period	(30)	(80)	(372)	(47)	(36)	-	(565)
Depreciation of assets written off	-	14	20	4	-	-	38
Depreciation of revalued assets	118	-	-	-	-	-	118
as of December 31, 2015	-	(337)	(1,373)	(252)	(45)	-	(2,007)
Charges for the period	(34)	(91)	(372)	(59)	(62)	-	(618)
Depreciation of assets written off	-	34	62	3	-	-	99
Depreciation of revalued assets	17	-	-	-	-	-	17
as of December 31, 2016	(17)	(394)	(1,683)	(308)	(107)	-	(2,509)
Net book value							
AS OF DECEMBER 31, 2015	2,772	384	1,888	537	161	460	6,202
AS OF DECEMBER 31, 2016	4,808	474	1,626	656	116	718	8,398

All amounts are in thousand Bulgarian levs, unless otherwise stated

7. Intangible assets

	Insurance license	Software	Total
Book value			
as of January 1, 2015	128	1 801	1 929
Acquisitions	-	23	23
Disposals	-	-	-
as of December 31, 2015	128	1 824	1952
Acquisitions	-	458	458
Reclassified	-	-	-
as of December 31,2016	128	2,282	2,410
Accumulated depreciation`			
as of January 1, 2015	(119)	(879)	(998)
Charges for the period	-	(180)	(180)
Written-off depreciation from reclassified	-	-	-
as of December 31, 2015	(119)	(1,059)	(1,178)
Depreciation charges for the period	-	(280)	(280)
Written-off depreciation from reclassified	-	-	-
as of December 31, 2016	(119)	(1,339)	(1,458)
NET BOOK VALUE			
AS OF DECEMBER 31, 2015	9	765	774
AS OF DECEMBER 31, 2016	9	943	952

8. Investments in subsidiaries

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

As of December 31, 2016 the Company holds 57.35% of the share capital of the subsidiary with book value less accumulated impairment of BGN 3,766 thousand.

As of December 31, 2015 the Company holds 57.35% with book value less accumulated impairment of BGN 2,735 thousand.

In 2016 the investments in subsidiaries were revalued. The revaluation amounting to BGN 1,031 thousand attributed to profit.

In 2015 the investments in subsidiaries were impaired. The impairment amounting to BGN 1,613 thousand attributed to loss.

The investments in subsidiaries are stated at book value (cost of acquisition) less accumulated impairment in these separate financial statements.

The summarized financial information of the subsidiary as of 31 December 2016 and 2015 is as follows:

IC OZOK-INS AD	As of 31.12.2016	As of 31.12.2015
Total assets	7,850	9,785
Total liabilities	(1,237)	(2,496)
Net assets	6,613	7,289
Share in the net assets of the subsidiary	57.35%	57.35%

All amounts are in thousand Bulgarian levs, unless otherwise stated

9. Taxation

(a) Taxes recognized in the income statement

	2016	2015
Current tax expense		
Tax for the current year	170	87
Deferred tax expense		
Occurrence and reversal of temporary differences	35	25
TOTAL TAX EXPENSES	205	112

(b) Taxes recognized in the statement of comprehensive income

For the year ended December 31:

	2016				2015			
	Before tax	(Expense) revenue for current tax	(Expense) revenue for deferred tax	Net of taxes	Before tax	(Expense) revenue for current tax	(Expense) revenue for deferred tax	Net of taxes
Revaluation of property, plant and equipment	29	-	-	29	507	-	-	507
Available-for-sale financial assets	2,663	(238)	-	2,425	(1,142)	-	-	(1,142)
	2,692	(238)	-	2,454	(635)	-	-	(635)

Current tax expense represents the amount of tax calculated under the Bulgarian legislation based on tax rate of 10% for 2016 and2015.

Deferred tax assets and liabilities are as follows:

	As of 31.12.2016	As of 31.12.2015
Deferred tax assets		
Long-term retirement benefits	5	4
Unused paid leave	8	5
Investment properties	10	10
Tangible fixed assets	51	51
TOTAL DEFERRED TAX ASSETS	74	70
Deferred tax liabilities		
Tangible fixed assets	(340)	(314)
Investment properties	(127)	(114)
TOTAL DEFERRED TAX LIABILITIES	(467)	(428)
DEFERRED TAX LIABILITIES, NET	(393)	(358)

All amounts are in thousand Bulgarian levs, unless otherwise stated

9. Taxation (continued)

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

	Year ended 31.12.2016	Year ended 31.12.2015
Profit before taxation	2,604	1,532
Income tax, calculated at the applicable tax rate (10% for 2016 and 2015)	260	153
Expenses unrecognized for tax purposes	2	16
Revenue unrecognized for tax purposes	(57)	(57)
TOTAL TAX EXPENSES	205	112
EFFECTIVE TAX RATE	7.87%	7.32%

10. Prepaid expenses

	As of 31.12.2016	As of 31.12.2015
Software maintenance subscription expenses	43	16
Advertising expenses	76	122
Property insurances	13	-
Personnel insurances	18	21
Office rentals	50	50
TOTAL	200	209

11. Receivables from insurance activities

	As of 31.12.2016	As of 31.12.2015
Receivables from direct clients	25,351	26,323
Impairment on uncollected premiums receivable	(7,855)	(7,171)
Receivables from reinsurance transactions	29,983	12,251
Receivables from agents	1,120	1,015
Receivables from subrogation recoveries	-	248
Prepaid minimal deposit premium to reinsurer	166	381
TOTAL	48,765	33,047

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 31.12.2016	As of 31.12.2015
Receivables on guarantees	968	330
Interest receivables	2	1
Receivables on legal disputes	416	411
Advances to suppliers	640	1,049
From loss and deficit	18	31
From co-insurance contracts	95	81
Other	109	72
TOTAL	2,248	1,975

All amounts are in thousand Bulgarian levs, unless otherwise stated

13. Cash

	As of 31.12.2016	As of 31.12.2015
Deposits in banks	8,178	6,007
Current bank accounts in BGN	2,469	943
Current bank accounts in foreign currency	1	3
Cash on hand	481	245
TOTAL CASH	11,129	7,198
Restricted cash	-	(9)
Included in the statement of Cash Flow	11,129	7,189

14. Inventories

Inventories as of December 31, 2016 represent forms for insurance policies in stock, office supplies, and stickers at the total amount of BGN 380 thousand. (December 31, 2015: BGN 359 thousand)

15. Share capital

As of December 31, 2016 the share capital is at the amount of BGN 8,785 thousand distributed into 8,785,266 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	2016		2015	
	Capital	%	Capital	%
LM Impex EOOD	5,774,363	65.73	4,934,403	65.73
District Heating Company Sofia AD	819,178	9.32	700,018	9.32
Municipal Bank AD	421,486	4.80	360,175	4.80
District Heating Company Burgas EAD	311,899	3.55	266,529	3.55
District Heating Company Pleven EAD	311,899	3.55	266,529	3.55
Mine Stanyantsi AD	311,899	3.55	266,529	3.55
Koinvest EOOD	396,407	4.51	338,744	4.51
Aleksandar Petrov Lichev	438,135	4.99	374,402	4.99
	8,785,266	100.00	7,507,329	100.00

16. Reserves

	As of 31.12.2016	As of 31.12.2015
Total reserves – Reserve fund – under Commercial law	740	598
Other reserves	1,539	1,539
Revaluation reserve and reserve from fair value	5,706	3,252
TOTAL	7,985	5,389

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. The distributable part of the profit for the financial years 2010 through 2013 was attributed to other reserves and to the Reserve Fund set aside in the period from 1998 to 2001, amounting to BGN 128 thousand.

All amounts are in thousand Bulgarian levs, unless otherwise stated

17. Technical reserves

Technical reserves, gross are as follows:

	Unearned premium reserve	Unexpired risks reserve	Outstanding claims reserve	Other technical reserves	Total reserves
AS OF JANUARY 1, 2015	25,995	-	34,524	2,688	63,207
Change in 2015	3,312	-	22,996	5,723	32,031
AS OF DECEMBER 31, 2015	29,307	-	57,520	8,411	95,238
Change in 2016	(1,546)	377	(5,134)	(8,411)	(14,714)
AS OF DECEMBER 31, 2016	27,761	377	52,386	-	80,524

The reinsurers' share in technical reserves is as follows:

	Unearned premium reserve	Outstanding claims reserve	Other technical reserves	Total
AS OF JANUARY 1, 2015	1,810	9,629		11,439
Change in 2015	12,125	20,377	4,337	36,839
AS OF DECEMBER 31, 2015	13,935	30,006	4,337	48,278
Change in 2016	(1,457)	(3,036)	(4,337)	(8,830)
AS OF DECEMBER 31, 2016	12,478	26,970	-	39,448

Technical reserves by types of insurance policies as of December 31, 2016 are as follows:

Insurance Type	Unearned premium reserve	Unexpired risks reserve	Outstanding claims reserve	Other technical reserves	Total reserves – general insurance
Accident in public transportation vehicles	96		2		98
Accident	352		401		753
Disease	74		12		86
Casko	2,927	377	2,431		5,735
Rail vehicles	30				30
Cargo in transit	16		1		17
Fire and natural disasters	1,861		1,300		3,161
Property damage	407		142		549
Third Party Liability	20,080		47,496		67,576
General Third Party Liability	1,167		367		1,534
Other financial losses	719		152		871
Travel insurance	32		82		114
Gross amount	27,761	377	52,386		80,524
Reinsurers' share	(12,478)		(26,970)		(39,448)
Reserve, net of reinsurance	15,283	377	25,416		41,076

All amounts are in thousand Bulgarian levs, unless otherwise stated

17. Technical reserves (continued)

Technical reserves by types of insurance policies as of December 31, 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
Disease	37	4	-	41
Casko	2,205	1,797	617	4,619
Cargo in transit	12	2	-	14
Fire and natural disasters	1,341	200	253	1,794
Property damage	274	125	-	399
Third Party Liabilities	24,085	54,624	6,447	85,156
General Third Party Liabilities	748	623	1,094	2,465
Other financial losses	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

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.

18. Liabilities on reinsurance activities

	As of 31.12.2016	As of 31.12.2015
Liabilities on reinsurance activities	36,199	14,945
Liabilities to intermediaries	3,223	3,263
TOTAL	39,422	18,208

19. Other liabilities

	As of 31.12.2016	As of 31.12.2015
Paid leave liabilities	76	78
Payables to employees	45	4
Social security payables	85	79
Individuals' income taxes payables	61	80
Health insurance payables	32	29
Budget payables	522	501
Income tax payables	389	69
Suppliers	374	262
Payables to Guarantee fund	623	635
Dividends payable	57	57
Current portion of the financial lease liability	34	132
Liabilities on co-insurance activities	11	3
Others	65	51
TOTAL	2,374	1,980

19. Other liabilities (continued)

Liabilities under lease contracts as of December 31, 2016 and 2015 are as follows:

	Total value of the minimum lease payments		Present value of the minimum lease payments	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Not later than 1 year	35	138	34	132
Later than 1 year and not later than 5 years	-	35	-	34
Total	35	173	34	166
Reduced with future financial expenses	(1)	(7)		-
Present value of the minimum lease payments	34	166		166
Current portion of the liabilities under lease contracts	34			132
Non-current portion of the liabilities under lease contracts	-			34

The contracts relate to financial leasing of vehicles.

Movements in the present value of obligations under defined benefits plans

In thousands of BGN	**2016**	**2015**
Present value of the liabilities as of January 1	43	38
Amounts paid		4
Cost of current services	7	
Interest expenses	2	1
Revaluation:		
• Adjustments based on experience and realism		
• Actuarial (profits) from demographic assumptions		
• Actuarial (profits) from financial assumptions		
Present value of the liabilities as of December 31	52	43

Actuarial assumptions

The main actuarial assumptions as at the reporting date (presented as averages) are presented as follows:

	2016	**2015**
Discount rate as at December 31		
Levels of future salary	1%	1%
Levels of future income	4%	4%

All amounts are in thousand Bulgarian levs, unless otherwise stated

20. Premiums written

	Year ended 31.12.2016	Year ended 31.12.2015
Accident in public transportation vehicles	324	277
Accident	1,236	1,161
Disease	249	175
Road motor vehicles	8,593	6,559
Rail vehicles	50	
Cargo in transit	194	157
Fire and natural disasters	5,686	4,351
Property damage	740	960
Third Party Liability related to the possession and use of motor vehicles	56,663	60,556
General Third Party Liability	3,242	2,754
Various financial losses	815	634
Travel insurance	195	180
TOTAL PREMIUMS WRITTEN	77,987	77,764

Premiums ceded to reinsurers

	Year ended 31.12.2016	Year ended 31.12.2015
Fire and natural disasters	(3,512)	(2,702)
Property damage	(368)	(391)
Third Party Liability related to the possession and use of motor vehicles	(27,599)	(13,461)
Cargo in transit	(141)	(115)
General Third Party Liability	(1,004)	(874)
TOTAL PREMIUMS CEDED TO REINSURERS	(32,624)	(17,543)

21. Claims paid less income from subrogation recoveries

	Year ended 31.12.2016	Year ended 31.12.2015
Accident	(322)	(1,598)
Disease	(12)	(124)
Road motor vehicles	(4,544)	(7,074)
Fire and natural disasters	(3,336)	(1,984)
Property damage	(126)	(294)
Third Party Liability related to the possession and use of motor vehicles	(36,186)	(31,285)
General Third Party Liability	(451)	(304)
Cargo in transit		(469)
Various financial losses	(455)	(151)
Travel insurance	(24)	(76)
TOTAL CLAIMS PAID	(45,456)	(43,359)

All amounts are in thousand Bulgarian levs, unless otherwise stated

21. Claims paid (continued)

Paid costs of liquidation

	Year ended 31.12.2016	Year ended 31.12.2015
Accident	(4)	(5)
Road motor vehicles	(210)	(421)
Fire and natural disasters	(63)	(61)
Property damage	(4)	(7)
Third Party Liability related to the possession and use of motor vehicles	(5,153)	(3,840)
General Third Party Liability	(12)	(29)
Cargo in transit		(4)
Travel insurance	(11)	(8)
TOTAL LIQUIDATION COSTS PAID	(5,457)	(4,375)

Reinsurers' share in claims paid

	Year ended 31.12.2016	Year ended 31.12.2015
Road motor vehicles		3,015
Cargo in transit		426
Fire and natural disasters	1,775	1,065
Property damage	10	173
General Third Party Liability	360	248
Third Party Liability related to the possession and use of motor vehicles	25,358	10,182
TOTAL REINSURERS' SHARE IN CLAIMS PAID	27,503	15,109

22. Acquisition expenses

	Year ended 31.12.2016	Year ended 31.12.2015
Commissions paid to intermediaries	(12,449)	(12,009)
Advertising expenses	(1,010)	(668)
Personnel costs – insurers	(4,006)	(3,526)
Other indirect acquisition expenses	(4,009)	(3,432)
TOTAL	(21,474)	(19,635)

23. Administrative expenses

	Year ended 31.12.2016	Year ended 31.12.2015
Materials	(361)	(277)
Rentals	(233)	(214)
Office maintenance costs	(171)	(145)
External services	(1,441)	(1,067)
Depreciations	(224)	(186)
Personnel costs, including Board of Directors	(1,891)	(1,826)
Others	(244)	(438)
TOTAL	(4,565)	(4,153)

All amounts are in thousand Bulgarian levs, unless otherwise stated

24. Reinsurers' commissions and participation in the result, net

	Year ended 31.12.2016	Year ended 31.12.2015
Income from commissions of reinsurers	4,889	2,574
Expenses for participation in profit	(17)	(15)
Income for participation in profit of reinsurer	14	32
NET REINSURANCE INCOMES	4,886	2,591

25. Other insurance expenses, net

	Year ended 31.12.2016	Year ended 31.12.2015
Expenses for Guarantee Fund and Security Fund under Insurance Code	(2,139)	(2,065)
Impairment of receivables	(684)	(3,449)
Expenses for preventive measure related to State Fund Agriculture	(17)	(13)
Expenses, related to reversed premiums from prior years	(4,077)	(4,651)
Incomes related to commissions and written-off premiums for reinsurer under recognized policies from past periods	430	68
Other incomes	231	113
Other expenses	(310)	(128)
TOTAL OTHER INSURANCE EXPENSES, NET	(6,566)	(10,125)

26. Net investment income

	Year ended 31.12.2016	Year ended 31.12.2015
Interest income	557	574
Rental income	96	75
Income from sale of investments	215	546
Income from revaluation of investment properties, net	136	407
Profit/(Loss) from reversal of impairment of investments, net	1,009	(1,613)
Income from participations in subsidiaries	575	568
TOTAL NET INVESTMENT INCOME	2,588	557

Interest income is as follows:

	Year ended 31.12.2016	Year ended 31.12.2015
Interest on government bonds	456	455
Interest on bonds	75	42
Interest on bank deposits	26	77
TOTAL INTEREST INCOMES	557	574

All amounts are in thousand Bulgarian levs, unless otherwise stated

27. Other income (expense), net

	Year ended 31.12.2016	Year ended 31.12.2015
Other financial expenses	(17)	(105)
Interest on lease contracts	(6)	(15)
Default interest on contracts	(75)	(24)
Others	(4)	37
TOTAL OTHER EXPENSES, NET	(102)	(107)

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 unfavourable risk development.

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

For evading the risk of reporting unreal claims for indemnities, especially the ones that happened abroad (for Third Party Liability 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 December 31, 2016

Type of insurance	Premium earned	Reserves and guarantee fund	Reserves quote
All other insurances	14,677	11,509	78%
Insurance of responsibilities	30,398	69,143	227%
Total	45,075	80,652	179%

As of December 31, 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%

All amounts are in thousand Bulgarian levs, unless otherwise stated

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 December 31, 2016 and 2015.

Year of the event	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
In the year of the event	1272	1091	1269	2204	3813	4251	5736	7728	12947	9881	11121	61,312
1 year later	748	831	857	2201	5574	7559	4757	6091	23572	16494		68,683
2 years later	257	299	157	928	3878	2435	2432	5361	12366	-		28,113
3 years later	90	367	376	1211	4933	1706	1272	1358	-	-		11,313
4 years later	224	246	369	1395	4756	2369	3223	-	-	-		12,582
5 years later	67	213	425	1279	1190	1920	-	-	-	-		5,096
6 years later	18	117	6	473	240	-	-	-	-	-		855
7 years later	439	80	87	22	-	-	-	-	-	-		628
8 years later	0	51	8	-	-	-	-	-	-	-		59
9 years later	2	20	-	-	-	-	-	-	-	-		22
10 years later	0											0
Total payments	3117	3314	3555	9713	24384	20240	17419	20539	48885	26374	11121	188,662
Total amount of claims reported as of December 31, 2016	3117	3314	3555	9766	24552	20400	17803	20952	52849	41091	28403	225,803
Outstanding claims reserve as of December 31, 2016	0	0	0	53	168	160	383	414	3,965	14,717	17,282	37,141

Year of the event	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
In the year of the 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	0	0	51	-	-	-	-	-	-	-		51
9 years later	0	2	-	-	-	-	-	-	-	-		2
10 years later	0											0
Total payments	1722	3117	3294	3547	9691	24144	18320	14196	19181	36518	9881	143,612
Total amount of claims reported as of December 31, 2015	1723	3119	3313	3568	9763	24589	18773	15422	20604	44276	23940	169,090
Outstanding claims reserve as of December 31, 2015	1	3	18	21	72	445	453	1,226	1,423	7,758	14,059	25,479

Financial risk

In 2016 the Company continued its conservative policy in the area of investment management. 46.97% of the financial assets available for sale are invested in foreign debt bonds of European Union countries, 6.83% in corporate bonds and 46.20% in shares of commercial companies.

All amounts are in thousand Bulgarian levs, unless otherwise stated

28. Risk management (continued)

Financial risk (continued)

In 2016 the main goal of the 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 reporting 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 activities. The analysis of these receivables shows that 67.73% of them are paid on time, and 32.27% are overdue. The receivables which are overdue between 90 and 180 days are 1.22%, between 180 and 360 days – 1.50% and over 360 days – 29.55 % whereby in the latter case the policies are terminated.

The above stated ratios are common for the insurance market.

Liquidity risk

In 2016 the Company was not exposed to significant liquidity risk. As of December 31, 2016 Cash and Financial assets available for sale in the amount of BGN 33,408 thousand covered 81.53% of the allocated reserves.

The following table shows an analysis of the Company's assets and liabilities in terms of the maturity structure according to the remaining maturity:

As of December 31, 2016	Up to 1 year	1-5 years	Over 5 years	Undefined maturity	Total
ASSETS					
Deposits in financial institutions	8,178	-	-	-	8,178
Financial assets available for sale	460	-	11,526	10,293	22,279
Investments in subsidiaries	-	-	-	3,766	3,766
Reinsurers' share in reserves	28,273	10,512	663	-	39,448
Receivables and advances	51,013	-	-	-	51,013
Other assets	200	-	-	-	200
Cash	2,951	-	-	-	2,951
TOTAL ASSETS	91,075	10,512	12,189	14,059	127,835
LIABILITIES					
Short term liabilities	41,796	-	-	-	41,796
Unearned-premium reserve	26,721	617	423	-	27,761
Unexpired risks reserve	377	-	-	-	377
Outstanding claims reserve	32,179	19,117	1,090	-	52,386
TOTAL LIABILITIES	101,073	19,734	1,513	-	122,320
Difference in the maturity thresholds of the assets and liabilities	(9,998)	(9,222)	10,676	14,059	5,515

All amounts are in thousand Bulgarian levs, unless otherwise stated

28. Risk management (continued)

Financial risk (continued)

Liquidity risk (continued)

As of December, 2015	Up to 1 year	1-5 years	Over 5 years	Undefined maturity	Total
ASSETS					
Deposits in financial institutions	6,007	-	-	-	6,007
Financial assets available for sale	-	477	15,269	7,596	23,342
Investments in subsidiaries	-	-	-	2,735	2,735
Reinsurers' share in reserves	34,602	12,865	811	-	48,278
Receivables and advances	35,022	-	-	-	35,022
Other assets	209	-	-	-	209
Cash	1,191	-	-	-	1,191
TOTAL ASSETS	77,031	13,342	16,080	10,331	116,784
LIABILITIES					
Short term liabilities	20,188	-	-	-	20,188
Unearned-premium reserve	28,209	651	447	-	29,307
Outstanding claims reserve	35,333	20,990	1,197	-	57,520
Other technical reserves	8,411	-	-	-	8,411
Non-current portion on liabilities under lease contracts	-	34	-	-	34
TOTAL LIABILITIES	92,141	21,675	1,644	-	115,460
Difference in the maturity thresholds of the assets and liabilities	(15,110)	(8,333)	14,436	10,331	1,324

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 of the Company which is not denominated in the reporting currency or euro.

The tables below summarize the currency risk of the Company as of December 31, 2016 and 2015, showing the carrying values of the Company’s assets and liabilities according to the original currency.

All amounts are in thousand Bulgarian levs, unless otherwise stated

28. Risk management (continued)

Financial risk (continued)

Currency risk (continued)

As of December, 2016	BGN and Euro	US dollars	Total
ASSETS			
Deposits in financial institutions	8,163	15	8,178
Financial assets available for sale	22,279	-	22,279
Investments in subsidiaries	3,766	-	3,766
Reinsurers' share in reserves	39,448	-	39,448
Receivables and advances	51,013	-	51,013
Other assets	200	-	200
Cash	2,951	-	2,951
TOTAL ASSETS	127,820	15	127,835
LIABILITIES			
Short term liabilities	41,796	-	41,796
Unearned-premium reserve	27,761	-	27,761
Unexpired risks reserve	377	-	377
Outstanding claims reserve	52,386	-	52,386
TOTAL LIABILITIES	122,320	-	122,320
Net currency position	5,500	15	5,515

As of December, 2015	BGN and Euro	US dollars	Total
ASSETS			
Deposits in financial institutions	5,992	15	6,007
Financial assets available for sale	23,342	-	23,342
Investments in subsidiaries	2,735	-	2,735
Reinsurers' share in reserves	48,278	-	48,278
Receivables and advances	35,022	-	35,022
Other assets	209	-	209
Cash	1,191	-	1,191
TOTAL ASSETS	116,769	15	116,784
LIABILITIES			
Short term liabilities	20,188	-	20,188
Unearned-premium reserve	29,307	-	29,307
Outstanding claims reserve	57,520	-	57,520
Other technical reserves	8,411	-	8,411
Non-current portion on liabilities under lease contracts	34	-	34
TOTAL LIABILITIES	115,460	-	115,460
Net currency position	1,309	15	1,324

All amounts are in thousand Bulgarian levs, unless otherwise stated

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 the interest rate risk as of December 31, 2016 and 2015 is as follows:

As of December 31, 2016	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
ASSETS					
Deposits in financial institutions	8,178	-	-	-	8,178
Financial assets available for sale	460	-	11,526	10,293	22,279
Investments in subsidiaries	-	-	-	3,766	3,766
Reinsurers' share in reserves	-	-	-	39,448	39,448
Receivables and advances	-	-	-	51,013	51,013
Other assets	-	-	-	200	200
Cash	-	-	-	2,951	2,951
TOTAL ASSETS	8,638	-	11,526	107,671	127,835
LIABILITIES					
Short term liabilities	34	-	-	41762	41,796
Unearned-premium reserve	-	-	-	27,761	27,761
Unexpired risks reserve	-	-	-	377	377
Outstanding claims reserve	-	-	-	52,386	52,386
TOTAL LIABILITIES	34	-	-	122,286	122,320
Difference in the maturity thresholds of the assets and liabilities	8,604	-	11,526	(14,615)	5,515

As of December 31, 2015	Up to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
ASSETS					
Deposits in financial institutions	6,007	-	-	-	6,007
Financial assets available for sale	-	477	15,269	7,596	23,342
Investments in subsidiaries	-	-	-	2,735	2,735
Reinsurers' share in reserves	-	-	-	48,278	48,278
Receivables and advances	-	-	-	35,022	35,022
Other assets	-	-	-	209	209
Cash	-	-	-	1,191	1,191
TOTAL ASSETS	6,007	477	15,269	95,031	116,784
LIABILITIES					
Short term liabilities	132	-	-	20,056	20,188
Unearned-premium reserve	-	-	-	29,307	29,307
Outstanding claims reserve	-	-	-	57,520	57,520
Other technical reserves	-	-	-	8,411	8,411
Non-current portion on liabilities under lease contracts	-	34	-	-	34
TOTAL LIABILITIES	132	34	-	115,294	115,460
Difference in the maturity thresholds of the assets and liabilities	5,875	443	15,269	(20,263)	1,324

All amounts are in thousand Bulgarian levs, unless otherwise stated

29. Related parties

Related parties refers to entities, where one can control the other or have significant influence when making financial decisions and decisions related to current operation.

For 2016 and 2015 the transactions with related parties can be classified in the following groups:

	Transaction volume for 2016 income/ (expense)	Balance of the receivables (payables) as of 31.12.2016	Transaction volume for 2015 income/ (expense)	Balance of the receivables (payables) as of 31.12.2015
Transactions with the parent company				
Transactions with LM Impex EOOD				
Insurance premiums	1	1	1	57
Claims paid			(9)	-
Transactions with subsidiaries				
Transactions with IC OZOK Ins AD				
Insurance premiums	3	3	4	-
Health insurance of the staff	(100)	18	(101)	(1)
Rents	(34)	(2)	(25)	-
Transactions with companies under common control of the parent company				
Transactions with POD Toplina				
Insurance premiums	3	1	-	-
Transactions with Komsig EAD				
Insurance premiums	16	18	-	-
Rent expense	(10)	(13)	-	-
Transactions with Nova Denitsa AD				
Insurance premiums	3	1	-	-
Transactions with New Partners EOOD				
Insurance premiums	2	-	-	-
Transactions with companies under the control of the ultimate owner of the parent company				
Insurance premiums	1	-	-	-
Compensation of key management staff				
Management				
Board of Directors	(231)		(223)	-
Directors	(359)		(510)	-

The transactions shown were conducted at normal market conditions and do not differ from the transactions conducted with unrelated parties.

30. Contingent liabilities

As of December 31, 2016 the Company had a valid bank guarantee issued by a Bulgarian bank in favour of the “National Bureau of Bulgarian Motor Insurers” at the amount of EUR 600 thousand. A mortgage on the Company’s real estate at Sofia, 7 Sveta Sofia St., fl. 5, has been established as collateral for the guarantee.