
NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

INCOME STATEMENT	1
BALANCE SHEET	2
CASH FLOW STATEMENT	3
STATEMENT OF CHANGES IN NET ASSETS	4

NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND INFORMATION ON THE BUREAU	5
2. PRINCIPLES APPLIED IN THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS	6
3. REVENUE	15
5. EXPENSES	16
6. TANGIBLE FIXED ASSETS	18
7. INTANGIBLE ASSETS	19
8. RECEIVABLES UNDER UNDEMANDED CLAIMS	19
9. RECEIVABLES UNDER DEMANDED CLAIMS	19
10. OTHER SHORT-TERM RECEIVABLES AND PREPAYMENTS	20
11. FINANCIAL ASSETS HELD FOR TRADING	20
12. CASH AND CASH EQUIVALENTS	21
13. PAYABLES UNDER DEMANDED CLAIMS	21
14. PAYABLES TO SUPPLIERS	22
15. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY	22
16. TAX PAYABLES	22
17. OTHER CURRENT LIABILITIES	22
18. GUARANTEE FUND	22
19. OTHER RESERVES	23
20. CONTINGENT ASSETS	23
21. POST BALANCE SHEET DATE EVENTS	23

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS

INCOME STATEMENT

for the year ended 31 December 2015

	<i>Notes</i>	2015 BGN '000	2014 BGN '000
Operating revenue			
<i>Revenue from regulated activities</i>		288	288
- including revenue from membership fees		288	288
<i>Revenue from business activities</i>		598	283
Total	3	<u>886</u>	<u>571</u>
Finance income from regulated activities	4	228	713
Total income		<u>1,114</u>	<u>1,284</u>
Operating expenses			
<i>Expenses on regulated activities</i>		(767)	(712)
Personnel costs, including:		(264)	(254)
<i>expenses on remuneration</i>		(252)	(232)
<i>expenses on social security</i>		(12)	(22)
Other expenses		(363)	(197)
Administrative expenses		(140)	(261)
<i>Expenses on business activities</i>		(410)	(436)
Total operating expenses	5	<u>(1,177)</u>	<u>(1,148)</u>
Finance costs on regulated activities	4	(14)	(60)
Total expenses		<u>(1,191)</u>	<u>(1,208)</u>
Income tax expense		(22)	-
Operating result for the year		<u>(99)</u>	<u>76</u>

The accompanying notes on pages 5 to 23 form an integral part of these financial statements.

Chairman of the Management Committee: _____

Orlin Penev

Chief Accountant (preparer): _____

Darina Marinova

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS

BALANCE SHEET
as at 31 December 2015

		31 December 2015	31 December 2014
	<i>Notes</i>	BGN '000	BGN '000
ASSETS			
A. Contributions due to the Guarantee Fund of the Bureau	18	-	1,340
B. Non-current assets			
<i>I. Tangible fixed assets</i>			
Machinery and equipment		40	26
Group I total	6	<u>40</u>	<u>26</u>
<i>II. Intangible fixed assets</i>			
Group II total	7	<u>1</u>	<u>3</u>
Section B total		<u>41</u>	<u>29</u>
C. Current assets			
<i>I. Short-term receivables</i>			
Receivables under undemanded claims	8	2,441	4,296
Receivables under demanded claims	9	2,322	3,153
Other short-term receivables and prepayments	10	115	84
Group I total		<u>4,878</u>	<u>7,533</u>
<i>II. Short-term financial assets</i>			
Financial assets held for trading		3,359	1,332
Group II total	11	<u>3,359</u>	<u>1,332</u>
<i>III. Cash and cash equivalents</i>			
Cash in hand		1	2
Cash with banks		18,527	16,462
Group III total	12	<u>18,528</u>	<u>16,464</u>
Section C total		<u>26,765</u>	<u>25,329</u>
Total assets (A+B+C)		<u><u>26,806</u></u>	<u><u>26,698</u></u>
LIABILITIES AND NET ASSETS			
A. Current liabilities			
<i>I. Current payables</i>			
Payables under demanded claims	13	1,234	838
Payables to suppliers	14	74	80
Payables to personnel and for social security	15	29	29
Tax payables	16	32	8
Other current liabilities	17	127	109
Group I total		<u>1,496</u>	<u>1,064</u>
Total liabilities (I)		<u><u>1,496</u></u>	<u><u>1,064</u></u>
B. Net assets of the Bureau			
Guarantee Fund of the Bureau	18	22,636	22,861
Other reserves	19	2,674	2,773
Total net assets of the Bureau		<u>25,310</u>	<u>25,634</u>
Total liabilities and net assets of the Bureau (A+B)		<u><u>26,806</u></u>	<u><u>26,698</u></u>

The accompanying notes on pages 5 to 23 form an integral part of these financial statements.

The financial statements on pages 1 to 23 were approved for issue by the Management Committee and signed on its behalf on 10 August 2016 by:

Chairman of the Management Committee: _____

Orlin Penev

Chief Accountant (preparer): _____

Darina Marinova

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS

CASH FLOW STATEMENT

for the year ended 31 December 2015

	<i>Notes</i>	2015	2014
		BGN '000	BGN '000
Cash flows from regulated (non-profit) activities			
Proceeds from contributions to Guarantee Fund		1,340	7,854
Proceeds from membership fees		292	292
Long-term bank deposits		(5,000)	(12,100)
Recovered long-term bank deposits		12,140	1,681
Interest received		145	629
Proceeds from issuing green cards		1,024	625
Payment for issuing green cards		(1,056)	(624)
Proceeds from transactions with financial instruments		430	531
Purchases of financial instruments		(2,462)	(486)
Payments for services and for acquisition of fixed assets		(444)	(333)
Cash paid to employees and for social security		(630)	(647)
Other proceeds/(payments), net		(13)	(90)
Net cash flows from/(used in) non-profit activities		<u>5,766</u>	<u>(2,668)</u>
Cash flows from business activities			
Proceeds from demanded claims		23,095	15,231
Payments under demanded claims		(19,563)	(15,823)
Taxes paid (except income taxes)		(110)	(125)
Cash paid to suppliers		(5)	(12)
Other proceeds/(payments), net		(19)	(13)
Net cash flows from/(used in) business activities		<u>3,398</u>	<u>(742)</u>
Net increase/(decrease) in cash and cash equivalents		<u>9,164</u>	<u>(3,410)</u>
Cash and cash equivalents at 1 January		4,364	7,774
Cash and cash equivalents at 31 December	<i>12</i>	<u><u>13,528</u></u>	<u><u>4,364</u></u>
Cash in long-term deposits		5,000	12,100

The accompanying notes on pages 5 to 23 form an integral part of these financial statements.

Chairman of the Management Committee: _____

Orlin Penev

Chief Accountant (preparer): _____

Darina Marinova

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 December 2015

	<i>Notes</i>	<i>Guarantee Fund of the Bureau BGN '000</i>	<i>Other reserves BGN '000</i>	<i>Total net assets BGN '000</i>
Balance at 1 January 2015		<u>22,861</u>	<u>2,773</u>	<u>25,634</u>
Damages covered by the Guarantee Fund of the Bureau	18	(225)		(225)
Operating result for the year		-	(99)	(99)
Balance at 31 December 2015	18,19	<u>22,636</u>	<u>2,674</u>	<u>25,310</u>

The accompanying notes on pages 5 to 23 form an integral part of these financial statements.

Chairman of the Management Committee: _____

Orlin Penev

Chief Accountant (preparer): _____

Darina Marinova

1. BACKGROUND INFORMATION ON THE BUREAU

1.1. Establishment and management

The National Bureau of Bulgarian Motor Insurers (the Bureau, NBBMI) is part of the international Green Card System. It was established on 1 April 2002 and in the same year it became a full member of the Council of Bureaux, based in London.

Until 2002, the functions of a National Bureau had been performed by Bulstrad PLC

The legal status of the Bureau is that of a non-profit association, registered under the provisions of the Non-Profit Legal Entities Act and in compliance with Art. 282 of the Insurance Code.

By the resolution of the National Insurance Council in the Republic of Bulgaria, dated 28.11.2001, the NBBMI is acknowledged as the sole organisation entitled to act as a representative before the international insurance organisations with respect to the activities settled in international insurance treaties regulating the Third Party Liability of motor vehicle owners, users, holders and drivers.

On the accession of the Republic Bulgaria to the European Union on 1 January 2007, NBBMI signed Annex No 3 whereby becoming a signatory Bureau to the Multilateral Guarantee Agreement of the member states of the European Economic Area (EEA).

In accordance with the Articles of Association of the NBBMI the supreme management body of the Bureau is the General Assembly of its members.

The Bureau is managed by a Management Board (Management Committee), Chairman and Secretary General.

As at 31 December 2015, the Management Committee of NBBMI comprises: Orlin Tsenkov Penev – Chair of the MC, Tatyana Yordanova Chonkova – Secretary General and Members: Evgenia Maksimova Kalo-Kolova, Evgeni Svetoslavov Ignatov, Konstantin Stoychev Velevev, Peter Veselinov Avramov, Ivan Georgiev Todorov. The Bureau is represented by Orlin Tsenkov Penev – Chair of the MC and Tatyana Yordanova Chonkova – Secretary General, jointly and severally.

As at 31 December 2015, the average number of personnel of the Bureau, hired under labour contracts, is 12 employees (2014: 12 employees).

1.2. Objectives and principal activities

The objectives and principal activities of the National Bureau of Bulgarian Motor Insurers – NBBMI are as follows:

- It organizes, administers and controls the preparation, print out and issuance of the international certificates for motor insurance referred to as Green Card certificate as well as frontier insurance.
- It protects the interests of its members before the Council of Bureaux and its authorities, before the competent authorities of the European Union and the

Member States, before central and local administration authorities, legal authorities, as well as before third parties, by reasons and in connection with the Third Party Liability Insurance of Motorists and the Green Card Certificate.

- It enters into agreements with national insurance bureaux, compensation bodies and guarantee funds of Member States in connection with the functioning of the Third Party Liability Insurance of Motorists.
- It accepts notices of injured persons on damages and injuries caused to them on the territory of Republic of Bulgaria, by motor vehicles normally based on the territory of a Member State or a third country.
- It assists for the due payment by Bureau Members of any indemnities for damages caused abroad.
- It pays indemnities as a Compensation Body in the cases stipulated in the Insurance Code and the Articles of Association of NBBMI.

1.3. Main indicators of the economic environment

The main economic indicators of the business environment that have affected the Bureau's activities throughout the period 2013 – 2015, are presented in the table below:

Indicator	2013	2014	2015
GDP in million levs*	81,971	83,612	86,373
Actual growth of GDP *	1.3%	1.9%	3%
Year-end inflation	(0.9%)	(2.0%)	(0.9%)
Average exchange rate of USD for the year	1.47	1.47	1.76
Exchange rate of the USD at year-end	1.42	1.61	1.79
Basic interest rate at year-end	0.02%	0.02%	0.01%
Unemployment rate at year-end	11.8%	10.7%	10.0%

Source: BNB

* Preliminary data for year 2015

2. PRINCIPLES APPLIED IN THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

2.1. Basis for preparation of the financial statements

The financial statements of NBBMI Association have been prepared in accordance with the Accountancy Act (revoked) effective until 31 December 2015 and National Financial Reporting Standards for Small and Medium-sized Enterprises, approved by the Council of Ministers by CMD No 46/2005 (SG 30/07.04.2005) and amended and supplemented by CMD No 251/2007 (SG 86/26.10.2007) and in force as from 1 January 2008 in their edition effective until 31 December 2015.

The Bureaus keeps its accounting books in Bulgarian Levs (BGN) and prepares its official financial statements in accordance with Bulgarian accounting legislation. The data in the annual financial statements are presented in thousand Bulgarian Levs (BGN'000). These annual financial statements have been prepared on a historical cost basis except for financial instruments held for trading, which have been measured at fair value.

Amendments to the national accounting legislation

A new Accountancy Act is in force as from 1 January 2016, which revokes entirely the Accountancy Act effective until 31 December 2015. With the new law the rules and requirements of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, are transposed into the national accounting legislation. The management has reviewed the most significant amendments and has drawn its initial conclusion about their impact on Company's financial statements and reporting. These amendments refer to the following:

- Four categories of undertakings and three categories of groups are introduced. The classification is based on set criteria. On the basis of those criteria, according to the data in the financial statements for 2015, the Association is classified in the category of small undertakings.
- With regard to micro- and small undertakings the law provides relief options for the preparation of statutory financial statements. Micro-undertakings are exempt from the preparation of equity statement, cash flow statement and notes and shall mandatorily draw up only an abridged balance sheet and abridged profit and loss account (income statement) by sections (This option is not applicable for investment and financial holding undertakings, categorised as micro-undertakings). Small undertakings are exempt from the preparation of equity statement and cash flow statement and shall mandatorily draw up only an abridged balance sheet and abridged profit and loss account (income statement) by sections and notes. Since at 31 December 2015 the Association has been preparing its financial statements in line with AS 9 "Presentation of Financial Statements of Non-profit Entities", these legislative options have not been applied.
- The mandatory application of International Accounting Standards is now limited to only public-interest entities. The scope of this type of entities is defined in the new Accountancy Act and includes mainly the public companies, insurers, credit institutions, pension-insurance companies and some other large undertakings with business of significant public relevance. The Association has not been and again does not fall within the scope of public-interest entities and this amendment would not affect its financial reporting.
- A requirement is introduced for certain undertakings to draw up a report on payments made to governments (as from 1 January 2016) and non-financial declaration (as from 1 January 2017). The Association does not fall within the scope of undertakings that should draw up these reports. The preparation of financial statements and activity reports for 2015 is performed following the procedure of the revoked Accountancy Act (§ 10 of the Transitional and Closing Provisions of the new Accountancy Act).

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

By Decree No 394/30.12.2015 for amendment and supplementation of National Financial Reporting Standards for Small- and Medium-sized Enterprises, amendments to the national standards have been endorsed, with effect as from 1 January 2016, in relation to the new law and the implementation of the provisions of Directive 2013/34/EU, and they have been named as Accounting Standards. The amendment refers to:

- AS 1 "Presentation of Financial Statements" – certain changes are made in the layout of the financial statements and in the disclosure requirements. The purpose of the amendment is to provide clarity on the defined in the new Accountancy Act abridged balance sheet and abridged profit and loss account, applicable for micro- and small undertakings. With regard to disclosures, the amendment refers to a more clear definition of the disclosure requirements to micro-, small, medium-sized and large undertakings. The Bureau's management has decided that these amendments would not have a material effect on its accounting policy and financial statements.
- AS 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" – there are changes in some definitions (parent and subsidiary undertaking). The standard includes provisions regarding the obligation to prepare/be exempt from preparation of consolidated financial statements. The management of the Bureau has made analysis and has concluded that the changes would not affect its financial statements and reporting.
- AS 24 "Related Party Disclosures" – amended definition for related parties. The scope of related parties has been determined on the basis of IAS rules, and in particular IAS 24 "Related Party Disclosures". The management of the Association has made analysis and has concluded that the changes would not affect its financial statements.
- AS 42 "First-time Adoption of National Accounting Standards" – a new standard. This standard should be applied for entities that have prepared their financial statements in accordance with International Accounting Standards until 31 December 2015/respectively 31 December 2016, but have changed over to National Accounting Standards beginning from 1 January 2016/respectively 1 January 2017. Such an option is granted to certain undertakings by the new Accountancy Act (see above). This standard would not affect the financial statements of the Association as it applies National Financial Reporting Standards for Small and medium-sized Enterprises. As far as the amendments to the national accounting legislation are material, the management is still in a process of assessing the overall scope of the effects from these changes on Bureau's accounting policies as well as on the layout and contents of the annual financial statements, including the disclosures and other accompanying reports.

Uncertainty of accounting estimates

The presentation of the financial statements in accordance with National Financial Reporting Standards for Small and Medium-sized Enterprises (NFRSSME) requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, the amounts

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

of income and expenses and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them (whereas in the conditions of financial crisis the uncertainties are more significant). The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the financial statements, are disclosed in Note 2.15.

2.2. Comparatives

The financial statements of the Bureau include comparative information for one prior year (period).

Where necessary, comparative data is reclassified (and restated) in order to achieve comparability in view of the current year presentation changes.

2.3. Functional and reporting currency

The functional and reporting currency of the Bureau is the Bulgarian Lev (BGN). The Bulgarian Lev is fixed to the Euro, under the BNB Act, at the ratio of BGN 1.95583:EUR 1.

Cash, receivables and payables, denominated in a foreign currency, are recorded at the BGN equivalent on the transaction date and are revalued on a monthly basis by applying the official exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December they are stated at the closing exchange rate quoted by BNB.

Foreign exchange differences on revaluation are treated as current income and expenses and are included in the income statement as 'finance income /(costs)'.

2.4. Revenue

Revenue is recognised on accrual basis and to the extent that it is probable that the economic benefits will flow to the Bureau and as far as the revenue can be reliably measured. Revenue is accrued as originated, regardless of the timing of receipt of the actual cash proceeds.

Membership fees received for the period, as set by the Bureau's General Assembly, as well as other revenue from regulated activities, carried out for the purpose of attaining the Bureau's goals, are recognised as current revenue from *non-profit (regulated) activities*.

The NBBMI activities under Art. 1 of the Commercial Act, carried out as per trade, aimed at generating permanent income, which is closely related to the regulated activity, is recognised as *business activities*. The object of the business activities of the Bureau is related to handling and payment for claims in its capacity as Compensation Body or in relation to traffic accidents occurring on the territory of the Republic of Bulgaria in the cases set out in the Internal Regulations of the Council of Bureaux.

Upon rendering of services, revenue is recognised by reference to the stage of completion of the transaction at the balance sheet date, if this stage as well as the transaction and completion costs, can be measured reliably.

2.5. Expenses

Expenses are recognised by the Bureau as they are incurred, following the accrual and matching concepts.

Expenses on regulated activities are reported analytically by line of expense to account 611 "Operating expenses". Expenses on business activities are recorded separately so as to enable their matching to the revenue from business activities.

The administrative expenses represent costs related to servicing the overall activities of the Bureau and are allocated respectively to business and non-profit activities on the basis of revenue.

Deferred expenses are put off and recognised as current expenses in the period when the contracts, whereto they refer, are performed.

Finance income and costs are included in the income statement and are comprised of interest income and expense, foreign exchange differences and gains and losses from transactions with financial instruments.

Bank fees and charges for current servicing of Bureau's operations are presented as hired services.

Claims paid, liquidation expenses, bank and finance charges related to the handling of claims incurred on the territory of the country, the fault for which is that of a foreign motor vehicle, claims paid and expenses related to the handling of claims by NBBMI in its capacity as Compensation Body, as well as expenses related to the payment of claims of foreign National Bureaux and insurance companies in relation to events occurring with uninsured motor vehicles with Bulgarian registration plates on the territory of another EU Member State, are not recognised as expenses of the Bureau. Auxiliary expenses related to the handling of the claim, such as translation of documents, expenses on inquiries, bank fees and commissions, etc. are not recognised as expenses as well. The latter are reported only as cash flows and are subject to refunding from a Guarantee Fund or by an insurance company.

Amounts paid in relation to business trips abroad (travel expenses, accommodation and daily allowances) of officers taking part in international meetings related to the defence and representation of the Bureau's members, for which they cover the stay of the participants, are not recognised as an expense of the Bureau. They are recognised as a receivable from the respective member of the NBBMI and are subject to refunding.

2.6. Tangible fixed assets

Initial measurement

Tangible fixed assets (property, plant and equipment) are stated in the balance sheet at acquisition cost less the accumulated depreciation and any impairment losses in value.

The *acquisition cost* comprises the purchase price, including any directly attributable costs of bringing the asset to working condition. Directly attributable costs include initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes etc.

The Bureau has set a value threshold of BGN 200, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time of their acquisition.

Subsequent costs

Subsequent costs, related to tangible fixed assets, resulting in improvement of the future economic benefits from the assets are stated as increase in its carrying amount.

On replacement of a differentiated part of a tangible fixed asset, the replaced part is written-off while the expense incurred on replacement or improvement is accounted for as acquisition of a separate asset.

Depreciation methods

The Bureau applies the straight-line depreciation method for tangible fixed assets. The depreciation rates by group of assets are as follows:

- computers and computer hardware – 50%;
- furniture and fixtures – 15%.

Review for impairment

The carrying amounts of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might significantly differ from their recoverable amount. If any such indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of an item of tangible fixed assets is the higher of the net market price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks specific to the particular asset. Impairment losses are recognised in the income statement.

2.7. Intangible assets

Intangible assets are stated in the financial statements at acquisition cost (cost) less accumulated amortisation and any impairment losses in value. Cost is the fair value of the respective asset as at the date of acquisition and includes purchase price and any other directly attributable transaction costs. They include software (library software).

The Bureau applies the straight-line amortisation method for the intangible assets with determined useful life of 2 years.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Then impairment is recognised as an expense in the income comprehensive for the year.

2.8. Receivables

Receivables are recognised and carried at the original invoice amount (cost) and a Statement of Claim letter less any allowance for uncollectable debts. An estimate allowance for doubtful and bad debts is made when significant uncertainty exists as to the collectability of the full amount or a part of it. Bad debts are fully written-off when the legal grounds for this are available (are identified).

2.9. Cash and cash equivalents

NBBMI considers as cash and cash equivalents all highly liquid and freely available financial assets in the form of cash in hand, cash at current bank accounts and deposits with original maturities of up to 90 days.

For the purposes of the cash flow statement:

- Cash proceeds from and cash payments for membership fees and contributions to the Guarantee Fund of NBBMI are presented as part of cash flows (used in) / from regulated activities;
- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- Permanently blocked cash and interest accrued, but not endorsed on the Bureau's account, on non-matured deposits are not treated as cash and cash equivalents for the purposes of presentation in the cash flow statement.

2.10. Financial asset held for trading

The Bureau recognises a financial asset on the date on which it becomes party to the contract. All purchases and sales are initially recognised on the trade date, which is the date on which the Bureau has become party to the instrument's contractual terms and conditions (the date when the Bureau commits to purchase or sell the respective asset).

Financial assets held for trading are initially recognised at cost, being the fair value of the consideration given including the acquisition costs.

Financial assets held for trading are measured subsequently at fair value. The effects of remeasurement to fair value are taken to profit and loss as current finance income or current finance costs.

2.11. Payables to suppliers and other liabilities

Payables to suppliers, clients and other current amounts payable are carried at original invoice amount and/or Statement of Claim letter (cost).

2.12. Pensions and other payables to personnel under the social security and labour legislation

The employment and social security relations with the employees of the Bureau are based on the provisions of the Labour Code and the effective social security legislation in the Republic of Bulgaria.

The major duty of the Bureau as an employer in Bulgaria is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, and for health insurance. The rates of the social security and health insurance contributions are defined annually in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC) at the ratio 60:40 (2014: 60:40).

These pension plans, applied by the NBBMI in its capacity as an employer, are defined contribution plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

Short-term employee benefits in the form of remunerations, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or has met the required terms and requirements) are recognised as an expense in the income statement in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The obligations for social security and health insurance of the Bureau are recognised as a current expense and liability at their undiscounted amount together with the relevant benefits and within the period of the respective income to which they are related.

At the end of each reporting period, the Bureau measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

2.13. Net assets of the Bureau

As a non-profit legal entity the Bureau does not belong to the category of capital companies, obliged to register a certain minimal amount of capital (share capital) in the Commercial Register.

In accordance with its Articles of Association the Bureau sets aside a ***Guarantee Fund***. The sources for this cash fund include:

- (1) initial inception contributions by each of the members (Art. 41, para 3 of the Articles of Association of NBBMI), and
- (2) cash contributions by each member of the Bureau made for each Green Card certificate, Third Party Liability insurance and frontier insurance requested. According to the Articles of Association (Art. 36, item 23) amounts available in this Fund are managed and invested by the Management Committee and may be used mainly in case of: (1) payments on behalf of the Bureau and at the expense of each member whose licence to underwrite Third Party Liability insurance has been revoked, has been placed in bankruptcy or is undergoing liquidation proceedings, or has been terminated or is in default with respect to any payment, and (2) payments of claims on behalf of the Bureau in relation to untrue, fake or forged Green Card certificates.

2.14. Income taxes

The Bureau is subject to taxation with respect to the results of its business activities carried out during the year. *Current income taxes* on business activities are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate for year 2015 was 10% (2014: 10%).

Deferred income taxes are determined using the liability method on all temporary differences, existing at the date of the financial statements, between the carrying amounts of the individual assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable that they will reverse and sufficient taxable profit will be generated in the future or taxable temporary differences might occur, against which these deductible temporary differences can be utilised, with the exception of the differences arising from the initial recognition of an asset or liability, which has affected neither the accounting nor taxable profit (loss) at the transaction date.

The carrying amount of all deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary differences will occur in the same period, from which they could be deducted.

2.15. Critical accounting judgments on applying the Bureau's accounting policies. Key estimates and assumptions of high uncertainty.

2.15.1. Impairment of receivables

The losses from doubtful and bad debts are estimated at the end of each reporting period on an individual basis. Where difficulties in collecting certain receivables are observed, they are subject to analysis in order to determine the actually collectable portion therefrom while the remaining portion to the nominal value is recognised in the income statement as impairment.

In the judgment of collectability of receivables, the management performs analysis of the total exposure of each counterpart in order to estimate the actual recoverable portion and not only at the level of past due individual receivables of a counterpart, including the possibilities of collecting interest for delay. Receivables or parts of them assessed by the management, based on its experience, as highly uncertain in terms of their collectability, are treated as uncollectable and are impaired. The carrying amount of a receivable is adjusted through the use of an allowance account for accumulating all impairments and the amount of the impairment loss for the period is recognised in the income statement within 'other operating expenses'. In case of subsequent recovery of impairment loss, it is stated in decrease of impairment loss on the line 'other operating income' against a decrease in the allowance account.

3. REVENUE

Revenue from membership fees reported during the year amounted to BGN 288 thousand (2014: BGN 288 thousand).

Members of the Bureau are all insurers that have licences under Section II, Item A, point 10.1 of Appendix No 1 to the Insurance Code or insurers offering the mandatory Third Party Liability insurance to motorists in the Republic of Bulgaria in accordance with the provisions of this Code. Their number was 17 as at 31 December 2015 (31 December 2014: 18).

Revenue from business activities, amounting to BGN 598 thousand (2014: BGN 283 thousand), include fees (handling fees) charged by the Bureau in relation to handling and payment for claims in its capacity as Compensation Body or in relation to traffic accidents occurring on the territory of the Republic of Bulgaria in the cases set out in the Internal Regulations of the Council of Bureaux. Further to a decision of the Management Committee, dated 3 November 2011, handling fees are charged in relation to paid by the Bureau claims under annulled Third Party Liability policies of motorists in cases of car accidents occurred abroad at the account of its members. As at 31 December 2015, the revenue from the latter amounted to BGN 92 thousand (2014: none).

4. FINANCE INCOME AND COSTS

Finance income from regulated activities includes:

	<i>2015</i> <i>BGN '000</i>	<i>2014</i> <i>BGN '000</i>
Interest income on deposits	179	612
Effects from transactions with government securities	40	41
Effect from fair value measurement of government securities	9	60
Total	<u><u>228</u></u>	<u><u>713</u></u>

Finance costs from regulated activities include:

	<i>2015</i> <i>BGN '000</i>	<i>2014</i> <i>BGN '000</i>
Effect from fair value measurement of government securities	14	54
Foreign currency exchange gains and losses	-	6
Total	<u><u>14</u></u>	<u><u>60</u></u>

5. EXPENSES

Expenses on regulated activities include:

	<i>2015</i> <i>BGN '000</i>	<i>2014</i> <i>BGN '000</i>
Personnel costs:		
Expenses on remuneration	252	232
Expenses on social security contributions	12	22
	<u><u>264</u></u>	<u><u>254</u></u>
Other expenses:		
Legal services	137	63
Expenses on Green Cards (old forms) destruction	111	-
Membership fee to the Council of Bureaux	70	60
Expenses on fake Green Cards	-	30
Business trip costs	20	25
Bank fees and charges	7	15
Conferences, seminars and workshops	-	3
Other expenses	18	1
Total	<u><u>363</u></u>	<u><u>197</u></u>

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Administrative expenses:

	<i>2015</i> <i>BGN '000</i>	<i>2014</i> <i>BGN '000</i>
Expenses on materials	7	12
Hired services expense	54	100
Expenses on remuneration	66	114
Expenses on social security contributions	6	19
Depreciation and amortisation expense	7	11
Entertainment costs	-	4
Other expenses	-	1
Total	140	261

Expenses on business activities include:

	<i>2015</i> <i>BGN '000</i>	<i>2014</i> <i>BGN '000</i>
Expenses on remuneration	155	174
Expenses on social security contributions	47	49
Impairment of receivables	-	91
Taxes and charges	-	2
Receivables written-off	2	3
Other expenses	13	6
General administrative expenses	193	111
Total	410	436

The *administrative expenses allocated to business activities* stated for the year amount to BGN 193 thousand (2014: BGN 111 thousand) and include remuneration of personnel, social security contributions on the labour remuneration, office rent, insurances, depreciation and amortisation, hired services.

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

6. TANGIBLE FIXED ASSETS

	<i>Computer hardware</i>		<i>Furniture and fixtures</i>		<i>TFA in progress and advances granted</i>		<i>Total</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
<i>Book value</i>								
Balance at 1 January	55	40	99	102	-	-	154	142
Additions	11	15	3	1	13	-	27	16
Disposals	-	-	(1)	(4)	-	-	(1)	(4)
Balance at 31 December	66	55	101	99	13	-	180	154
<i>Accumulated depreciation</i>								
Balance at 1 January	40	34	88	87	-	-	128	121
Depreciation charge for the year	10	6	3	6	-	-	13	12
Written-off depreciation for the year			(1)	(5)	-	-	(1)	(5)
Balance at 31 December	50	40	90	88	-	-	140	128
Carrying amount								
at 31 December	16	15	11	11	13	-	40	26
Carrying amount at 1 January	15	6	11	15	-	-	26	21

Other data

As at 31 December 2015 there are no liens (pledges) on the Bureau's tangible fixed assets (31 December 2014: none).

7. INTANGIBLE ASSETS

	<i>Software</i>		<i>Total</i>	
	<i>2015</i> <i>BGN '000</i>	<i>2014</i> <i>BGN '000</i>	<i>2015</i> <i>BGN '000</i>	<i>2014</i> <i>BGN '000</i>
<i>Book value</i>				
Balance at 1 January	25	25	25	25
Additions	1	-	1	-
Disposals	-	-	-	-
Balance at 31 December	26	25	26	25
<i>Accumulated amortisation</i>				
Balance at 1 January	22	17	22	17
Amortisation charge for the year	3	5	3	5
Written-off amortisation for the year	-	-	-	-
Balance at 31 December	25	22	25	22
Carrying amount at 31 December	1	3	1	3
Carrying amount at 1 January	3	8	3	8

8. RECEIVABLES UNDER UNDEMANDED CLAIMS

Receivables under undemanded claims as at 31 December 2015 amount to BGN 2,441 thousand (2014: BGN 4,296 thousand) and include: (1) receivables under traffic accidents occurred on the territory of another older EU Member State the fault for which is that of a driver with Bulgarian registration plate, paid by the Bureau; (2) indemnities and expenses on outstanding claims in a process of court proceedings for events occurred on the territory of the country the fault for which is that of a motor vehicle with a foreign registration plate in the Green Card System; (3) expenses on outstanding claims in a process of court proceedings for events in which the Bureau acts as a Compensatory Body; and (4) claims from foreign insurance companies or National Bureaux in relation to unlawfully annulled Third Party Liability policies or coverage not given within the set timeline by a Bulgarian insurance company – a member of the Bureau. As at the date when these financial statements were approved for issue, more than 74% of the *receivables under undemanded claims* had been settled.

9. RECEIVABLES UNDER DEMANDED CLAIMS

Receivables under demanded claims as at 31 December 2015 amount to BGN 2,322 thousand (2014: BGN 3,153 thousand). They are related to provided services and in relation to: (1) activity on handling and payment of claims by the Bureau in its capacity as Compensation Body; (2) traffic accidents occurring on the territory of the Republic of Bulgaria in the cases set out in the Internal Regulations of the Council of Bureaux; 3) activities related to the payment on claims by the National Bureaux for property and non-property damage as a result of traffic accidents caused by motor vehicles with foreign

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

registration plates; and (4) claims from foreign insurance companies or National Bureaux in relation to unlawfully annulled Third Party Liability policies or coverage not given within the set timeline by a Bulgarian insurance company – a member of the Bureau. As at the date when these financial statements were approved for issue, more than 94% of the *receivables under demanded claims* had been settled.

10. OTHER SHORT-TERM RECEIVABLES AND PREPAYMENTS

Other short-term receivables and prepayments include mainly: membership fee paid to the Council of Bureaux for 2016 at the amount of BGN 72 thousand (2014: BGN 71 thousand) and receivables from interest charged on deposits with banking institutions and government securities at the amount of BGN 43 thousand (31 December 2014: BGN -9 thousand).

11. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading available as at 31 December, amounting to BGN 3,359 thousand (31 December 2014: BGN 1,332 thousand), represent investments in government securities – bonds, as follows:

31 December 2015

Issue	Currency	Issue date	Maturity date	Coupon interest	Nominal	Fair value	Fair value
				%	'000	'000	BGN '000
BG2040008216	BGN	16.01.2008	16.01.2018	4.50%	BGN 110	BGN 108	108
BG2030013119	BGN	23.01.2013	23.01.2018	3.00%	BGN 294	BGN 295	295
BG2030014117	BGN	30.01.2013	23.01.2019	2.50%	BGN 446	BGN 456	456
BG2040114212	EUR	12.02.2014	12.02.2021	3.00%	EUR 22	EUR 23	46
XS1083844503	EUR		03.09.2024	2.95%	EUR 1,268	EUR 1,254	2,454
							3,359

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

31 December 2014:

Issue	Currency	Issue date	Maturity date	Coupon interest	Nominal	Fair value	Fair value
				%	'000	'000	BGN '000
BG2040008216	BGN	16.01.2008	16.01.2018	4.50%	BGN 109	BGN 111	111
BG2030013119	BGN	23.01.2013	23.01.2018	3.00%	BGN 294	BGN 297	297
BG2030014117	BGN	30.01.2013	22.01.2019	2.50%	BGN 446	BGN 451	451
XS0802005289	EUR	09.07.2012	09.07.2017	4.25%	EUR 215	EUR 218	427
BG2040114212	EUR	12.02.2014	12.02.2021	3.00%	EUR 22	EUR 23	46
							1,331

12. CASH AND CASH EQUIVALENTS

The *cash* available as at 31 December 2015, amounting to BGN 18,528 thousand (31 December 2014: BGN 16,464 thousand), is at accounts with the following banks: Commercial Bank Allianz Bank Bulgaria AD, UniCredit Bulbank AD, Raiffeisenbank AD, DSK Bank AD.

Cash includes:

	<i>31.12.2015</i>	<i>31.12.2014</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Cash at current bank accounts	13,527	4,362
Cash in hand	1	2
Cash and cash equivalents	13,528	4,364
Cash held in long-term deposits	5,000	12,100
Total cash and cash equivalents carried to the balance sheet:	18,528	16,464

The currency structure of *cash with banks* is as follows:

- in BGN: BGN 18,055 thousand (31 December 2014: BGN 16,151 thousand);
- in foreign currency: BGN 473 thousand (31 December 2014: BGN 311 thousand).

Cash in long-term deposits with original maturity of 12 months is held in Bulgarian Levs in accounts of the Bureau with UniCredit Bulbank.

13. PAYABLES UNDER DEMANDED CLAIMS

Payables under demanded claims as at 31 December 2015 amount to BGN 1,234 thousand (2015: BGN 838 thousand). These are related to the activities for payment of claims to National Bureaux and foreign insurance companies for property and non-property damages paid by them as a result of traffic accidents caused by uninsured motor vehicles with Bulgarian registration plates as well as claims from foreign insurance companies or National Bureaux in relation to unlawfully annulled Third Party Liability

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

policies or coverage not given within the set timeline by a Bulgarian insurance company – a member of the Bureau. As at the date when these financial statements were approved for issue, 100% of the *payables under demanded claims* had been settled.

14. PAYABLES TO SUPPLIERS

Payables to suppliers represent current payables to counterparts in relation to supply of goods and services rendered. The payables to suppliers as at 31 December 2015, amounting to BGN 74 thousand (31 December 2014: BGN 80 thousand), represent the amount due by the Bureau to the Council of Bureaux for the membership fee set for 2016.

15. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

	<i>31.12.2015</i>	<i>31.12.2014</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Payables to personnel, including:	28	28
<i>accruals on unused compensated leaves</i>	28	28
Payables for social security, including		
<i>accruals for unused compensated leaves</i>	<i>1</i>	<i>1</i>
Total	<u><u>29</u></u>	<u><u>29</u></u>

16. TAX PAYABLES

Tax payables as at 31 December 2015 amount to BGN 32 thousand (31 December 2014: BGN 8 thousand) and represent:

	<i>31.12.2015</i>	<i>31.12.2014</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Value added tax	9	8
Income taxes	22	-
Other current liabilities	1	-
Total	<u><u>32</u></u>	<u><u>8</u></u>

17. OTHER CURRENT LIABILITIES

Other current liabilities at the amount of BGN 127 thousand (31 December 2014: BGN 109 thousand) include mainly amounts received from foreign insurance companies or National Bureaux.

18. GUARANTEE FUND

The amounts in the Guarantee Fund of NBBMI are set aside from initial inception contributions by each of the members (contributions under Art. 41, para 3 of the NBBMI Articles of Association). In 2014, amounts were set aside to the Fund also from cash contributions of each Bureau member made for each Third Party Liability insurance, frontier insurance and each Green Card certificate requested. By

NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

decision of the Management Committee, dated 1 January 2015, the payment of these contributions was terminated. As at 31 December 2015 the Guarantee Fund of the Bureau amounts to BGN 22,636 thousand (31 December 2014: BGN 22,861 thousand).

The following were written-off against the Bureau Guarantee Fund in 2015 in line with decisions of the Management Committee: BGN 76 thousand representing receivables under claims from a member of the Bureau placed in bankruptcy (Insurance Company HILDAN AD) and paid claims by foreign National Bureaux under occurred accidents the fault for which being that of drivers of motor vehicles with Bulgarian registration plates and a fake Green Card certificate – at the amount of BGN 149 thousand.

19. OTHER RESERVES

The other reserves of the Bureau represent the result from the regulated activities, as well as the business activities carried out. The final result (profit or loss) is reported as an increase / decrease of other reserves. As at 31 December 2015, they amount to BGN 2,674 thousand (31 December 2014: BGN 2,773 thousand).

20. CONTINGENT ASSETS

Each of the eighteen members of the Bureau has established an irrevocable, indivisible and payable on demand bank guarantee amounting to EUR 600 thousand in favour of the NBBMI. By a decision of the Management Committee № 181, dated 07.10.2015, one of the members of the Bureau was placed under monitoring and its guarantee was increased to EUR 1,200 thousand.

21. POST BALANCE SHEET DATE EVENTS

As at 31 December 2015, the NBBMI was notified by the Italian National Bureau on a placed claim to one of the NBBMI members at the amount of EUR 5,000 thousand. On 25 May 2016, the NBBMI paid BGN 1,229 thousand on this claim at the expense of the respective Bureau member. Subsequently the amount was reimbursed from the bank guarantee of this member, established in favour of the NBBMI.