

---

**Board of Directors:**

**Orlin Penev  
Tatyana Chonkova  
Evgenia Kalo-Kolova  
Evgeni Ignatov  
Konstantin Velev  
Peter Avramov  
Ivan Todorov**

**Chairman of the Board  
of Directors:**

**Orlin Penev**

**General Secretary:**

**Tatyana Chonkova**

**Chief Accountant:  
(preparer)**

**Darina Marinova**

**Registered Office:**

**Sofia  
2, Graf Ignatiev Street,  
Floor 2**

**Lawyers:**

**Attorneys at Law Antoaneta Dimolarova,  
Rozalina Gradinarova and Partners**

**Bankers:**

**Allianz Bank Bulgaria AD  
UniCredit Bulbank AD  
Raiffeisenbank EAD  
Societe Generale Expressbank AD  
DSK Bank AD**

**Auditors:**

**AFA OOD**

---

**NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

---

<b>INCOME STATEMENT</b>	<b>1</b>
<b>BALANCE SHEET</b>	<b>2</b>
<b>CASH FLOW STATEMENT</b>	<b>3</b>
<b>STATEMENT OF CHANGES IN NET ASSETS</b>	<b>4</b>

**NOTES TO THE FINANCIAL STATEMENTS**

1. BACKGROUND INFORMATION ABOUT THE BUREAU	5
2. PRINCIPLES APPLIED IN THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS	6
3. REVENUE	13
4. FINANCE INCOME AND EXPESNES	13
5. EXPENSES	14
6. TANGIBLE FIXED ASSETS	15
7. INTANGIBLE FIXED ASSETS	16
8. RECEIVABLES UNDER UNDEMANDED CLAIMS	16
9. RECEIVABLES UNDER DEMANDED CLAIMS	17
10. OTHER CURRENT RECEIVABLES AND PREPAYMENTS	17
11. FINANCIAL ASSETS HELD FOR TRADING	17
12. CASH AND CASH EQUIVALENTS	18
13. PAYABLES UNDER DEMANDED CLAIMS	18
14. PAYABLES TO SUPPLIERS	18
15. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY	19
16. TAX PAYABLES	19
17. OTHER CURRENT LIABILITIES	19
18. GUARANTEE FUND	19
19. OTHER RESERVES	20
20. CONTINGENT ASSETS	20

**NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS**  
**INCOME STATEMENT**  
for the year ended 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>BGN '000</b>	<b>2013</b> <b>BGN '000</b> restated*
<b>Operating revenue</b>			
<i>Revenue from regulated activities</i>		288	268
- incl. revenue from membership fee		288	256
<i>Revenue from business activities</i>		283	261
<b>Total</b>	3	<b>571</b>	<b>529</b>
<b>Finance income from regulated activities</b>	4	713	484
<b>Total income</b>		<b>1 284</b>	<b>1 013</b>
<b>Operating expenses</b>			
<i>Expenses on regulated activities</i>		(712)	(663)
Personnel costs, including:		(254)	(286)
<i>expenses on remuneration</i>		(232)	(264)
<i>expenses on social security</i>		(22)	(22)
Other expenses		(197)	(181)
<i>Administrative expenses</i>		(261)	(196)
<i>Expenses on business activities</i>		(436)	(259)
<b>Total operating expenses</b>	5	<b>(1 148)</b>	<b>(922)</b>
<b>Finance costs on regulated activities</b>	4	(60)	(24)
<b>Total expenses</b>		<b>(1 208)</b>	<b>(946)</b>
Income tax expense		-	(2)
<b>Operating result for the year</b>		<b>76</b>	<b>65</b>

The accompanying notes on pages 5 to 21 form an integral part of these financial statements.

Chairman of the Board of Directors: \_\_\_\_\_

*Orlin Penev*

Chief Accountant (preparer): \_\_\_\_\_

*Darina Marinova*

\* Reclassification

**NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS**

**BALANCE SHEET**  
as at 31 December 2014

	<i>Notes</i>	31 Dec 2014 BGN '000	31 Dec 2013 BGN '000 restated*
<b>ASSETS</b>			
<b>A. Contributions due to the Guarantee Fund of the Bureau</b>	18	1 340	1 776
<b>B. Non-current assets</b>			
<i>I. Tangible fixed assets</i>			
Machinery and equipment		26	20
<b>Total for Group I</b>	6	<u>26</u>	<u>20</u>
<i>II. Intangible fixed assets</i>			
<b>Total for Group II</b>	7	<u>3</u>	<u>8</u>
<b>Total for Section B</b>		<u>29</u>	<u>28</u>
<b>C. Current assets</b>			
<i>I. Short-term receivables</i>			
Receivables under undemanded claims	8	4 296	2 486
Receivables under demanded claims	9	3 153	4 642
Other current receivables and prepayments	10	84	110
<b>Total for Group I</b>		<u>7 533</u>	<u>7 238</u>
<i>II. Short-term financial assets</i>			
Financial assets held for trading		1 332	1 330
<b>Total for Group II</b>	11	<u>1 332</u>	<u>1 330</u>
<i>III. Cash and cash equivalents</i>			
Cash in hand		2	3
Cash with banks		16 462	9 371
<b>Total for Group III</b>	12	<u>16 464</u>	<u>9 374</u>
<b>Total for Section C</b>		<u>25 329</u>	<u>17 942</u>
<b>TOTAL ASSETS (A+B+C)</b>		<u><u>26 698</u></u>	<u><u>19 746</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>A. Current liabilities</b>			
<i>I. Current payables</i>			
Payables under demanded claims	13	838	939
Payables to suppliers	14	80	4
Payables to personnel and for social security	15	29	0
Tax payables	16	8	4
Other current liabilities	17	109	188
<b>Total for Group I</b>		<u>1 064</u>	<u>1 135</u>
<b>Total liabilities (I)</b>		<u>1 064</u>	<u>1 135</u>
<b>B. Net assets of the Bureau</b>			
Guarantee Fund of the Bureau	18	22 861	15 914
Other reserves	19	2 773	2 697
<b>Total net assets of the Bureau</b>		<u>25 634</u>	<u>18 611</u>
<b>Total liabilities and net assets of the Bureau (A+B)</b>		<u><u>26 698</u></u>	<u><u>19 746</u></u>

The accompanying notes on pages 5 to 21 form an integral part of these financial statements.

The financial statements on pages 1 to 21 were approved for issue by the Board of Directors and signed on its behalf on 12 June 2015 by:

Chairman of the Board of Directors: \_\_\_\_\_

Orlin Penev

Chief Accountant (preparer): \_\_\_\_\_

Darina Marinova

\* Reclassification

**NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS**

**CASH FLOW STATEMENT**  
**for the year ended 31 December 2014**

	<i>Notes</i>	2014 BGN '000	2013 BGN '000 restated*
<b>Cash flows from non-profit activities</b>			
Proceeds from contributions to a Guarantee Fund		7 854	2 272
Proceeds from membership fees		292	248
Long-term bank deposits		(12 100)	(1 600)
Recovered long-term bank deposits		1 681	-
Received interest		629	357
Proceeds from issuing green cards		625	690
Payment for issuing green cards		(624)	(584)
Proceeds from transactions with financial instruments		531	659
Purchases of financial instruments		(486)	(725)
Payments for services and for acquisition of fixed assets		(333)	(210)
Cash paid to employees and for social security		(647)	(569)
Other proceeds/(payments), net		(90)	(128)
<b>Net cash flows (used in)/from non-profit activities</b>		<b>(2 668)</b>	<b>410</b>
<b>Cash flows from business activities</b>			
Proceeds from demanded claims		15 231	10 839
Payments under demanded claims		(15 823)	(11 745)
Taxes paid (except income taxes)		(125)	(116)
Cash paid to suppliers		(12)	-
Other proceeds/(payments), net		(13)	(6)
<b>Net cash flows used in business activities</b>		<b>(742)</b>	<b>(1 028)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3 410)</b>	<b>(618)</b>
Cash and cash equivalents at 1 January		7 774	8 392
<b>Cash and cash equivalents at 31 December</b>	12	<b>4 364</b>	<b>7 774</b>

*The accompanying notes on pages 5 to 21 form an integral part of these financial statements.*

*Chairman of the Board of Directors:* \_\_\_\_\_

*Orlin Penev*

*Chief Accountant (preparer):* \_\_\_\_\_

*Darina Marinova*

\* Reclassification

**NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**for the year ended 31 December 2014**

	<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>
<b>Balance at 1 January 2014</b>		<b>14 598</b>	<b>2 697</b>	<b>17 295</b>
<b>Changes in opening balances due to:</b>				
Errors from prior reporting periods	18	1 315	-	1 315
<b>Balance at 1 January 2014, adjusted</b>		<b>15 913</b>	<b>2 697</b>	<b>18 610</b>
Increase at the expense of members		7 430	-	7 430
Damages covered by the Guarantee Fund of the Bureau	18	(482)		(482)
Gain/(Loss) for the year		-	76	76
<b>Balance at 31 December 2014</b>	18,19	<b>22 861</b>	<b>2 773</b>	<b>25 634</b>

*The accompanying notes on pages 5 to 21 form an integral part of these financial statements.*

*Chairman of the Board of Directors:* \_\_\_\_\_

*Orlin Penev*

*Chief Accountant (preparer):* \_\_\_\_\_

*Darina Marinova*

---

\* *Reclassification*

## 1. BACKGROUND INFORMATION ABOUT THE BUREAU

### **1.1. Establishment and management**

The Association of National Bureau of Bulgarian Motor Insurers (the Bureau, NBBMI) is part of the international system "Green Card". It was established on 1 April 2002. In the same year the Bureau became full-fledged member of the Council of Bureaux with headquarters in London.

Until then the functions of National Bureau have been performed by "Bulstrad" Insurance and Reinsurance Joint-Stock Company ("Bulstrad" IRJSC).

The legal status of the Bureau is that of a non-profit association, registered under the Law on Non-Profit Legal Entities, in accordance with art. 282 of the Insurance Code.

On 28 November 2001 by virtue of decision of the National Insurance Council of the Republic of Bulgaria the NBBMI was recognised as the only representative organisation before the international insurance organisations with respect to the activities settled under international insurance treaties regulating the third party liability of owners, users, holders and drivers of motor vehicles.

At the time of Bulgaria's membership in the European Union on 1 January 2007 the National Bureau has signed Annex No 3, thus becoming party 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, Chair and Secretary General.

As at 31 December 2014 NBBMI's Management Board comprises: Orlin Tsenkov Penev – Chair of the MoB, Tatyana Yordanova Chonkova – Secretary General and Members: Evgenia Maksimova Kalo-Kolova, Evgeni Svetoslavov Ignatov, Konstantin Stoychev VeleV, Peter Veselinov Avramov, Ivan Georgiev Todorov. The Bureau is represented by Orlin Tsenkov Penev – Chair of the MoB and Tatyana Yordanova Chonkova – Secretary General, jointly and severally.

As at 31 December 2014 the average full-time personnel of the Bureau employed under labour contracts is 12 officers (2013 – 13 officers).

### **1.2. Goals and object of activity**

The goals and object of activity of the Association of National Bureau of Bulgarian Motor Insurers – NBBMI - are as follows:

- It organises, administers and controls the preparation, print out and issuance of the international cards 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.

**NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

- 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 of 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 the Members of the Bureau of any indemnities for damages caused abroad.
- It pays indemnities as a Compensation body in the cases stipulated in the Insurance Code and in Art. 45 of 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 activities of the Bureau throughout the period 2012 - 2014, are presented in the table below:

<b>Indicator</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
GDP in million levs	78,089	78,115	82,164*
Real growth of GDP	0.6%	0.9%	1.7%*
Year-end inflation (HCPI)	2.80%	-0.90%	-2.00%
Year-end inflation (CPI)	4.20%	-1.60%	-0.90%
Average exchange rate of USD for the year	1.52	1.47	1.49
Exchange rate of the USD at the year-end	1.48	1.42	1.58
Basic interest rate at the year-end	0.03%	0.02%	0.02%
Unemployment rate (at the year-end, A3)	11.40%	11.80%	10.60%

Source: BNB

\* Preliminary data as at the end of 2014

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

**2.1. Basis of preparation of the financial statements**

The financial statements of the Bureau have been prepared in accordance with the Accountancy Act and the National Financial Reporting Standards for Small and Medium-Sized Enterprises, approved and supplemented by the Council of Ministers by virtue of Decree of the Council of Ministers No 251 of 17 October 2007, in effect as of 1 January 2008. The Bureau maintains its accounting books in Bulgarian lev (BGN) and prepares its official financial statements in accordance with the Bulgarian accounting and tax legislation. The data in the annual financial statements (AFS) are presented in thousand of Bulgarian levs (BGN'000). The accompanying annual financial statements were prepared under the historical cost convention.



### **2.2. Comparatives**

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

Comparative information is reclassified (and restated) as necessary to achieve comparability with respect to changes in presentation in the current year.

### **2.3. Functional and reporting currency**

The functional and reporting currency of the Bureau is the Bulgarian Lev. The Bulgarian Lev was fixed under the Bulgarian National Bank Act to the Euro at a ratio of BGN 1.95583: EUR 1.

Cash, receivables and payables, denominated in foreign currency, are recorded at the Bulgarian lev equivalent by applying the exchange rate on the transaction date and are restated at the year-end using the official exchange rate quoted by the Bulgarian National Bank (BNB) for the last working day of the year. At 31 December, these amounts are presented in BGN at the closing exchange rate of BNB

Foreign exchange gains and losses arising on the restatement are treated as current income and expenses and are recognised in the income statement on the line item "finance income/(expenses)".

### **2.4. Revenue**

Revenue is recognised based on the accrual concept and to the extent 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 the regulated activities carried out for the purpose of attaining the Bureau's goals are recognised as current *revenue from regulated activities*.

The activity of the NBBMI 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 Rules of the Council of the Bureaux.

Upon rendering of services, revenue is recognised by reference to the stage of completion of the transaction at the date of the balance sheet, provided that this stage, as well as the costs incurred for the transaction and the costs to complete the transaction, 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.

Deferred expenses are deferred and are recognised as current expenses in the period when the contracts they related to are performed.

Finance income and expenses are recognised in the income statement and comprise: interest income and expenses, foreign exchange gains and losses, and income and expenses related to transactions with financial instruments.

Bank fees for the current servicing of the Bureau's operations are presented on the line item "hired services".

Claims paid, claims 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 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. The latter represent only cash flows. 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 are presented in the balance sheet at cost less any accumulated depreciation and accumulated impairment losses.

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

The Bureau has adopted a value threshold of BGN 200, below which assets acquired are expensed at the time of their acquisition, although they have the features of non-current assets.

***Subsequent costs***

Subsequent expenses related to tangible fixed assets that lead to enhancement of the future economic benefits generated by the asset are capitalised as an increase in the asset's carrying amount.

Upon replacement of an identifiable part of a tangible fixed asset the replaced part is derecognised and the expense incurred for its replacement or renewal is recognised as acquisition of a separate asset.

***Depreciation method***

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

- computers and computer equipment – 50%;
- fixtures and fittings – 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 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 tangible fixed assets is the higher of the net market value or 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 presented in the financial statements at acquisition cost (cost), less any accumulated amortisation and impairment losses. Cost is the fair value of the respective asset at the date of the acquisition and includes the purchase price and all directly attributable transaction costs. Intangible assets comprise software (library software).

The Bureau uses the straight-line amortisation method for its intangible assets and their estimated useful life is 2 years.

The carrying amounts of intangible assets are reviewed for impairment when events or changes in circumstances indicate that their carrying amounts might exceed their recoverable amounts. In this case impairment is taken as an expense to the income statement for the year.

### **2.8. Receivables**

Receivables are accounted for and recognised in the financial statements at the original invoice amount and letter of statement of claim, less any allowance for uncollectable debts. An estimate of allowances for doubtful and bad debts is made when significant uncertainty exists as to the collection of the full amount or a part of it. Bad debts are written-off when the legal grounds for this are available (are established).

### **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 (used in) / from regulated activities;
- Cash proceeds from customers and cash payments 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 not matured deposits are treated as cash and cash equivalents for the purposes of presentation in the cash flow statement.

### **2.10. Financial assets 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 measured initially at acquisition cost which is the fair value of the consideration paid, 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 the profit and loss as current finance income or current finance costs.

### **2.11. Payables to suppliers and other payables**

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

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

Labour and insurance relations between Bureau and its personnel are based on the provisions of the Labour Code and effective Bulgarian social security legislation.

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 (2013: 60:40).

The 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 assets to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are similar.

Short-term benefits in the form of remuneration, bonuses and social payments and benefits (due for payment within 12 months after the end of the period when the employees have rendered the service or have satisfied the required terms) are recognised as an expense in the income statement for 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. Social security and health insurance contributions due by the Bureau are recognised as a current expense and liability, at their undiscounted amounts, simultaneously and in the period of accrual of the respective income they are related to.

At the date of each set of financial statements 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 amounts of 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 is not part of the category of capital companies, which are obliged to register certain capital (share capital) at the Commercial Register.

In accordance with its Articles of Association the Bureau sets aside *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 of each member of the Bureau made for each "Green Card" certificate requested, third party liability insurance and frontier insurance. According to the Articles of Association (art. 36, item 23) amounts available in this Fund

are managed and invested by the Management Board 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 2014 is 10% (2013: 10%.)

Deferred income taxes are determined using the liability method for all temporary differences, existing at the date of the financial statements, between the carrying amounts of the 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 they will reverse and a taxable profit will be available 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) as at the date of the transaction.

The carrying amount of all deferred tax assets is reviewed at each financial statements date 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, whereby they can be deducted or set-off.

#### **2.15. Judgements of defining importance in the application of the Bureau's accounting policies. Significant estimates and assumptions with high uncertainty**

##### **2.15.1. Impairment of receivables**

An estimate of the impairment loss on doubtful receivables and bad debts is made individually at each date of financial statements. Receivables where difficulties in their collection have been found are subject to analysis in order to estimate the actually recoverable portion, and the remaining amount to the nominal amount of the respective receivable is recognised in the income statement as impairment loss.

When assessing the collectability of the receivables the management reviews the total exposure to each counterparty in order to assess the actual possibility for its collection, but not only at the level of individual receivables from the respective counterparty in default, including possibilities to charge interest on any amount overdue. The receivables or the portion thereof which the management, based on their experience, assesses that there is high uncertainty with respect to their collection are treated as bad debt and are impaired. The carrying amount of the receivable is adjusted

**NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

using an allowance account, in which all impairment losses are accumulated, and the impairment loss for the period is recognised in the income statement on the line item "other operating expenses". If at a later stage the impairment loss is reversed, such reversal is recognised as a decrease of the impairment loss on the line item "other operating expenses" against a decrease in the adjustment.

### 3. REVENUE

*Revenue from membership fee* reported during the year amounted to BGN 288 thousand (2013: BGN 256 thousand).

Members of the Bureau are all insurers that have licenses 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. As at 31 December 2014 their number is 18.

*Revenue from business activities* amounting to BGN 283 thousand (2013: BGN 261 thousand) include handling fees charged by the Bureau in relation to the handling and payment of 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 Rules of the Council of Bureaux.

### 4. FINANCE INCOME AND EXPENSES

Finance income from regulated activities includes:

	<i>2014</i>	<i>2013</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Interest income on deposits	612	416
Effects from transactions with government securities	41	47
Effect from fair value measurement of government securities	60	-
Foreign exchange gains and losses	-	21
<b>Total</b>	<b>713</b>	<b>484</b>

Finance costs on regulated activities include:

	<i>2014</i>	<i>2013</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Effect from fair value measurement of government securities	54	21
Foreign exchange gains and losses	6	3
<b>Total</b>	<b>60</b>	<b>24</b>

**5. EXPENSES**

*Expenses on regulated activities* include:

	<i>2014</i>	<i>2013</i>
	<i>BGN '000</i>	<i>BGN '000</i>
<b>Personnel costs:</b>		
Expenses on remuneration	232	264
Expenses on social security contributions	22	22
	<b>254</b>	<b>286</b>
<b>Other expenses:</b>		
Legal services	63	39
Membership fee to the Council of Bureaux	60	62
Expenses on fake Green Cards	30	6
Expenses on business trips	25	32
Bank charges	15	8
Conferences, seminars and workshops	3	6
Other expenses	1	28
	<b>197</b>	<b>181</b>

*Administrative expenses* include:

	<i>2014</i>	<i>2013</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Expenses on materials	12	16
Hired services	100	114
Expenses on remuneration	114	42
Expenses on social security contributions	19	10
Depreciation and amortisation expenses	11	13
Entertainment costs	4	-
Other expenses	1	2
<b>Total</b>	<b>261</b>	<b>197</b>

Administrative expenses are expenses incurred in relation to the Bureau's general activities and are allocated to the business and regulated activities, respectively, based on the revenue.

*Expenses on business activities* include:

	<i>2014</i>	<i>2013</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Expenses on remuneration	174	154
Expenses on social security contributions	49	40
Expenses on impairment of receivables	91	-
Expenses on taxes and fees	2	-
Receivables written off	3	-
Other expenses	6	7
Overhead expenses	111	58
<b>Total</b>	<b>436</b>	<b>259</b>



**NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

*Administrative expenses* for the year amount to BGN 111 thousand (2013: BGN 58 thousand) and they include remuneration of the personnel, social security contributions on the labour remuneration, office rent, insurances, depreciation and amortisation, hired services.

**6. TANGIBLE FIXED ASSETS**

	<i>Computer equipment</i>		<i>Fixtures and fittings</i>		<i>Motor vehicles</i>		<i>Total</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</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>
<b><i>Book value</i></b>								
<b>Balance on 1 January</b>	<b>40</b>	<b>33</b>	<b>102</b>	<b>102</b>	<b>-</b>	<b>35</b>	<b>142</b>	<b>170</b>
Additions	15	7	1	-	-	-	16	7
Disposals	-	-	(4)	-	-	(35)	(4)	(35)
<b>Balance on 31 December</b>	<b>55</b>	<b>40</b>	<b>99</b>	<b>102</b>	<b>-</b>	<b>-</b>	<b>154</b>	<b>142</b>
<b><i>Accumulated depreciation</i></b>								
<b>Balance on 1 January</b>	<b>34</b>	<b>29</b>	<b>87</b>	<b>81</b>	<b>-</b>	<b>30</b>	<b>121</b>	<b>140</b>
Depreciation charge for the year	6	6	6	6	-	3	12	15
Depreciation written off during the year			(5)	-		(33)	(5)	(33)
<b>Balance on 31 December</b>	<b>40</b>	<b>35</b>	<b>88</b>	<b>87</b>	<b>-</b>	<b>-</b>	<b>128</b>	<b>121</b>
<b>Carrying amount on 31 December</b>	<b>15</b>	<b>5</b>	<b>11</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>20</b>
<b>Carrying amount on 1 January</b>	<b>6</b>	<b>4</b>	<b>15</b>	<b>21</b>	<b>-</b>	<b>5</b>	<b>21</b>	<b>30</b>

***Other data***

As at 31 December 2014 there are no liens (pledges) on the Bureau's tangible fixed assets (31 December 2013: nil).

## 7. INTANGIBLE FIXED ASSETS

	<i>Software</i>		<i>Total</i>	
	<i>2014</i> <i>BGN'000</i>	<i>2013</i> <i>BGN'000</i>	<i>2014</i> <i>BGN'000</i>	<i>2013</i> <i>BGN'000</i>
<b>Book value</b>				
<b>Balance on 1 January</b>	<b>25</b>	<b>15</b>	<b>25</b>	<b>15</b>
Additions	-	10	-	10
Disposals	-	-	-	-
<b>Balance on 31 December</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Accumulated amortisation</b>				
<b>Balance on 1 January</b>	<b>17</b>	<b>14</b>	<b>17</b>	<b>14</b>
Amortisation charge for the year	5	3	5	3
Amortisation written off for the year	-	-	-	-
<b>Balance on 31 December</b>	<b>22</b>	<b>17</b>	<b>22</b>	<b>17</b>
<b>Carrying amount on 31 December</b>	<b>3</b>	<b>8</b>	<b>3</b>	<b>8</b>
<b>Carrying amount on 1 January</b>	<b>8</b>	<b>1</b>	<b>8</b>	<b>1</b>

## 8. RECEIVABLES UNDER UNDEMANDED CLAIMS

Receivables under undemanded claims as at 31 December 2014 amount to BGN 4 296 thousand (2013: BGN 2 486 thousand) and they represent receivables on claims incurred and paid by the Bureau by a motorist driving a vehicle with Bulgarian registration plates on the territory of another member state and compensations and costs on un-liquidated claims subject to pending lawsuits. As at the date the accompanying financial statements have been approved for issue more than 69% of the receivables under undemanded claims have been settled.

## 9. RECEIVABLES UNDER DEMANDED CLAIMS

*Receivables under demanded claims* as at 31 December 2014 amount to BGN 3 153 thousand (2013: BGN 4 642 thousand). They are related to rejected 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 Rules of the Council of Bureaux; and 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 registration plates. As at the date the accompanying financial statements have been approved for issue more than 70% of the *receivables under demanded claims* have been settled.

## 10. OTHER CURRENT RECEIVABLES AND PREPAYMENTS

*Other current receivables and prepayments* include mainly: membership fee paid to the Council of Bureaux for 2015: BGN 71 thousand (2013 - nil), receivables on interest charged on deposits with banking institutions: BGN 9 thousand (31 December 2013 – BGN 106 thousand) and prepayments for health insurance of the personnel: BGN 4 thousand (2013 – BGN 4 thousand).

## 11. FINANCIAL ASSETS HELD FOR TRADING

*Financial assets held for trading* available as at 31 December amount to BGN 1 332 thousand (31 December 2013: BGN 1 330 thousand) and they represent investments in government securities – bonds, as follows:

### 31 December 2014:

Issue	Currency	Date of issue	Maturity	Coupon	Par value	Fair value	Fair value
				%	‘000	‘000	BGN‘000
BG2040008216	BGN	16.01.2008	16.01.2018	4.50%	109 BGN	111 BGN	111
BG2030013119	BGN	23.01.2013	23.01.2018	3.00%	294 BGN	297 BGN	297
BG2030014117	BGN	30.01.2013	22.01.2019	2.50%	446 BGN	451 BGN	451
XS0802005289	EUR	09.07.2012	09.07.2017	4.25%	215 EUR	218 EUR	427
BG2040114212	EUR	12.02.2014	12.02.2021	3.00%	22 EUR	23 EUR	45
							<b>1,331</b>

### 31 December 2013

Issue	Currency	Date of issue	Maturity	Coupon	Par value	Fair value	Fair value
				%	‘000	‘000	BGN‘000
BG2040008216	BGN	16.01.2008	16.01.2018	4.50%	110 BGN	112 BGN	112
BG2030013119	BGN	23.01.2013	23.01.2018	3.00%	104 BGN	296 BGN	296
BG2040007218	BGN	01.10.2007	10.01.2017	4.25%	108 BGN	275 BGN	275
XS0802005289	EUR	09.07.2012	09.07.2017	4.25%	108 EUR	117 EUR	647
							<b>1,330</b>

**NATIONAL BUREAU OF BULGARIAN MOTOR INSURERS**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

Coupon payments on bonds in Bulgarian lev mature twice a year – every six and twelve months until the maturity date, and those on bonds in Euro – once a year.

## 12. CASH AND CASH EQUIVALENTS

As at 31 December 2014 *cash* amounts to BGN 16 464 thousand (31 December 2013: BGN 9 374 thousand). Cash is held with the following banks: Commercial Bank Allianz Bank Bulgaria AD, UniCredit Bulbank AD, Raiffeisenbank AD, Societe Generale Express Bank AD, DSK Bank AD.

Cash includes:

	<i>31.12.2014</i>	<i>31.12.2013</i>
	<i>BGN'000</i>	<i>BGN'000</i>
Cash at current accounts	4 362	7771
Cash on hand	2	3
<b>Cash and cash equivalents</b>	<b>4 364</b>	<b>7 774</b>
<b>Cash held in long-term deposits</b>	<b>12 100</b>	<b>1 600</b>
<b>Total cash and cash equivalents stated in the balance sheet:</b>	<b>16 464</b>	<b>9 374</b>

*Cash at banks* is in the following currencies:

- in Bulgarian lev: BGN 16 151 thousand (31 December 2013: BGN 8 997 thousand);
- in foreign currency: BGN 311 thousand (31 December 2013: BGN 375 thousand).

*Cash in long-term deposits* is held in Bulgarian lev with original maturity of 12 months and is held in accounts of the Bureau with UniCredit Bulbank, DSK Bank and Societe Generale Expressbank.

## 13. PAYABLES UNDER DEMANDED CLAIMS

As at 31 December 2014 *payables under demanded claims* amount to BGN 838 thousand (2013: BGN 939 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 at the date the accompanying financial statements have been approved for issue 100% of the *payables under demanded claims* have been settled.

## 14. PAYABLES TO SUPPLIERS

Payables to suppliers represent current payables to counterparties in relation to the supply of goods and services rendered. As at 31 December 2014 payables to suppliers amount to BGN 80 thousand (31 December 2013: BGN 4 thousand)

**15. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY**

	<i>31.12.2014</i>	<i>31.12.2013</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Payables to personnel, including:		
<i>accruals for unused compensated leaves</i>	28	-
Payables for social security, including		
<i>accruals for unused compensated leaves</i>	28	-
	<i>1</i>	-
<b>Total</b>	<u><u>29</u></u>	<u><u>-</u></u>

**16. TAX PAYABLES**

As at 31 December 2014 tax payables amount to BGN 8 thousand (31 December 2013: BGN 4 thousand) and they represent:

	<i>31.12.2014</i>	<i>31.12.2013</i>
	<i>BGN '000</i>	<i>BGN '000</i>
Value added tax	8	2
Income taxes	-	2
<b>Total</b>	<u><u>8</u></u>	<u><u>4</u></u>

**17. OTHER CURRENT LIABILITIES**

*Other current liabilities* amount to BGN 109 thousand (31 December 2013: BGN 188 thousand) and they include mainly amounts received from foreign insurance companies or National Bureaux.

**18. GUARANTEE FUND**

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 Articles of Association of NBBMI) and the cash contributions of each member of the Bureau made for each third party liability insurance, frontier insurance and each "Green Card" certificate requested. As at 31 December 2014 the Guarantee Fund of the Bureau amounts to BGN 22 861 thousand (31 December 2013: BGN 15 916 thousand).

As at the end of the reporting year the contributions due to the Guarantee Fund of NBBMI by the members of the Bureau amount to BGN 1 340 thousand (31 December 2013: BGN 1 788 thousand). As at the date the accompanying financial statements have been approved for issue all contributions to the Guarantee Fund for 2014 have been settled.

The opening balances in the 2014 financial statements have been adjusted by BGN 1,315 thousand. These adjustments include:

- reporting of contributions due by the members of the Bureau and uncollected as at 31 December 2013 amounting to BGN 1,364 thousand in relation to the third party liability insurance underwritten during the year (2013), frontier insurances and Green Card insurances. The adjustment was made in increase of the amounts reported on the line items „Contributions due to the Guarantee Fund of the Bureau” and „Guarantee Fund of the Bureau”;
- write-off of a receivable on claim at the expense of the Guarantee Fund of the Bureau amounting to BGN 49 thousand, as per Minutes from a meeting of the Bureau's Management Board of 30 November 2009. The adjustment was made in decrease of the amounts reported on the line items „Receivables under undemanded claims" and Guarantee Fund of the Bureau”.

By virtue of decision of the MoB of 12 February 2015 it was decided to write-off against the Guarantee Fund of the Bureau BGN 482 thousand, representing receivables on claims from a member of the Bureau placed in bankruptcy (BGN 470 thousand) and handling fee paid and administrative expenses incurred on claims with fake Bulgarian registration plates (BGN 12 thousand).

## **19. OTHER RESERVES**

The other net assets of the Bureau represent the result from the regulated activities, as well as business activities carried out. The final result (profit or loss) is reported as an increase / decrease in the net assets. As at 31 December 2014 their amount is BGN 2 773 thousand (31 December 2013: BGN 2 697 thousand).

## **20. CONTINGENT ASSETS**

Each of the eighteen members of the Bureau has established irrevocable, indivisible and payable on demand bank guarantee amounting to EUR 600 thousand in favour of the NBBMI.