For the year ended 31 December 2014

1. Corporate information

The individual financial statements of FLAG JCS (the Company) for the year ended 31 December 2014, were authorized for issue by a decision of the Board of Directors dated 17 March 2015.

FLAG JSC is a joint-stock company incorporated by virtue of Decision No 1 dated 4 July 2007 under company file 10151/2007 of the Sofia City Court, having its seat in the city of Sofia, Sofia Region, Bulgaria. The financial year of the Company ends on 31 December.

The company has made arrangements and consolidated financial statements for 2014 will be drawn up in accordance with IFRS, as adopted by the European Union and in force in 2014. In line with the tentative schedule the management expects that the consolidated report will be finalised and approved by the Board of Directors by 30 April 2015 at the latest and will thereafter be available to third parties.

These individual financial statements have been prepared in accordance with the requirements of the law effective in Bulgaria.

The core activity of the Company includes financing of municipal infrastructure and other projects for consideration and co-financing the development and implementation of projects of the European Union.

As at 31 December 2014 the shareholders of the Company include:
Republic of Bulgaria represented by the Minister of Regional Development and Public Works - 100 percent.

2.1 Basis of preparation of the financial statements

The individual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2 o).

New and amended standards and interpretations

In 2014 the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2014. This adoption did not have a material effect on the accounting policies of the Company.

Certain new standards, changes in standards and interpretations, which will come in force for accounting periods beginning from 1 January 2015, which have not been early adopted during preparation of these individual financial statements. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the individual financial statements of the Company.

Standards issued by IASB/IFRIC and endorsed by EU, but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

IAS 19 Defined Benefit Plans: Employee Contributions – Amendment to IAS 19
The amendments apply to contributions from employees or third parties to defined benefit plans. The amendments are applicable for financial year 2015. They have been adopted for use in the EU. It is not expected that these amendments would be relevant to the Company.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 is effective for annual periods beginning on or after 1 July 2014. It has been adopted for use in the EU. The Company does not expect that IFRIC 21 will have material financial impact on future financial statements.

2.1 Basis of preparation of the financial statements (continued)

Annual improvements to IFRSs 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued amendments to four standards (IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement, IAS 40 Investment Property) which are applicable for financial year 2015. The Company is in the process of assessing the impact of the amendments on its financial statements. The Improvements to IFRS – 2011 – 2013 Cycle have been adopted for use in the EU.

Annual improvements to IFRSs 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued amendments to seven standards (IFRS 2 Share-based Payments, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures, IAS 38 Intangible Assets) which are applicable for financial year 2015. The Company is in the process of assessing the impact of the amendments on its financial statements. The Improvements to IFRS – 2010 – 2012 Cycle have been adopted for use in the EU.

Standards issued by IASB, but not yet effective and not yet endorsed by EU

IFRS 9 Financial Instruments
The new standard is effective for annual periods beginning on or after 1 January 2018. The Company is in process of assessing the impact of the new standard on its financial position or performance.

IFRS 14 Regulatory Deferral Accounts
The new standard is effective for annual periods starting on or after 1 January 2016. The Company is in process of assessing the impact of the new standard on its financial statements.

IFRS 15 Revenue from Contracts with Customers
The new standard is effective for annual periods starting on or after 1 January 2017. The Company is in the process of assessing the impact of the new standard on its financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the Consolidation Exception.
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
These amendments are expected to enter in force for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

Amendments to IAS 27 Equity Method on Separate Financial Statements
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

2.1 Basis of preparation of the financial statements (continued)

Annual Improvements to IFRSs 2012-2014 Cycle
These set of amendments impacts four standards: IFRS 5 Non-current assets held for sale and discontinued operations regarding methods of disposal, IFRS 7 Financial instruments: Disclosures, (with consequential amendments to IFRS 1) regarding servicing contracts, IAS 19 Employee benefits regarding discount rates, IAS 34 Interim financial reporting regarding disclosure of information.
These improvements are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the improvements on its financial statements.

2.2 Summary of significant accounting policies

a) Foreign currency conversion

The financial statements are presented in Bulgarian Levas (BGN), which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the end of each month by applying the closing exchange rate published by the Bulgarian National Bank for the last working day of the respective month. All foreign currency differences are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the exchange rate as at the date of the initial transaction (acquisition).

b) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or due based on the agreed payment terms, net of discounts, rebates, and other sales taxes or customs duties. The Company analyses its selling arrangements against specific criteria to determine whether it acts as a principal or as an agent. It has concluded that it acts as principal in all such arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Interest income
Interest income is recognised using the effective interest rate, i.e. the interest rate that discounts exactly the estimated future cash flows over the estimated useful life of the financial instrument, or a shorter period where appropriate, to the carrying amount of the financial asset.
The calculation includes all fees and consideration paid or received to/from the parties to the contract that are an integral part of the effective interest rate, transaction costs and any other premiums or discounts.
Interest income is included in finance income in the statement of comprehensive income.

Service delivery
The income from service delivery is recognised in the period in which the services were delivered.

c) Taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Management analyses the individual items of the tax return for which the applicable tax provisions are subject to interpretation and recognises provisions where appropriate.

Current income tax is recognised directly in the equity (and not in the statement of comprehensive income) where the tax relates to items that have been recognised directly in the equity.

2.2 Summary of significant accounting policies (continued)

c) Taxes (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed by the Company at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset by the Company only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

d) Financial instruments – initial recognition and subsequent measurement

- **Financial assets**

Initial recognition

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, or loans and receivables, or held-to-maturity investments, or available-for-sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place (regular purchases) are recognised on the trade (transaction) date, which is the date that the Company commits to purchase or sell the asset.

Financial assets of the Company include cash and cash equivalents, loans granted, trade and other receivables.

2.2 Summary of significant accounting policies (continued)

d) Financial instruments – initial recognition and subsequent measurement (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method (EIR), less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised as other expenses in the statement of comprehensive income.

Derecognition

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset or transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case the Company also recognises as associated liability. The transferred asset and the related liability are recognised on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate (EIR).

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.2 Summary of significant accounting policies (continued)
d) Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets at amortised cost

Due to its specific activity, the Company accrues allowance for impairment as follows:

Specific impairment

The purpose of the specific impairment is to adjust the value of specific loans granted, for which objective evidence of impairment exists, to their recoverable amount and to set aside provisions reflecting the risk of non-repayment of the respective loans.

Impairment on a portfolio basis

Impairment is charged in consideration of the common risk nature of the portfolio and takes into account the overall structure of the loan portfolio, the amount of receivables overdue as at the reporting date and the management's expectations as to the recoverable amount of loans granted.
The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans granted and the related allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the statement of comprehensive income.

- **Financial liabilities**

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include interest-bearing loans, trade and other liabilities

Subsequent measurement
The subsequent valuation of financial liabilities depends on their classification as follows:

Loans and borrowings
After initial recognition, interest-bearing loans are subsequently measured by the Company at amortised cost using the EIR method. Gains and losses relating to loans and borrowings are recognised in the statement of comprehensive income for the period when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest expenses in the statement of comprehensive income.

2.2 Summary of significant accounting policies (continued)

d) Financial instruments – initial recognition and subsequent measurement (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and the Company intends to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

f) IFRS 13 Fair value measurement

At each reporting date the company applies IFRS 13 Fair value measurement to the financial instruments and non-financial assets measured at fair value.

The fair value is that, which would be obtained for the sale of an asset or paid for the transfer of a liability in an arm's length transaction between market participants.

Fair market measurement is based on the assumption that the sale of the asset or the transfer of the liability takes place on:

- the principal market of the asset or liability,
- in the absence of such market, the market that is most advantageous for the asset or liability.

The main or the most favourable market should be accessible to the company.

The fair value of the asset or liability is determined by assuming that market participants will use this value in the valuation of the asset or liability and will act in line with their best economic interest.

The fair value of the non-financial assets is determined by taking into account the ability of the participants to generate economic benefits by using the asset or selling it to another contractor in the market who will use it with maximum efficiency.

The company is applying evaluation techniques that appropriate in the circumstances, maximizing the use of observable parameters and minimizing the use of ones that cannot be observed.

All assets and liabilities for the purposes of whose valuation a fair market value is used or disclosed are arranged into the following three hierarchical levels on the basis of the hypotheses underlying valuation techniques:
- Level 1 — Quoted (unadjusted) prices on active markets of identical assets or liabilities;
- Level 2 — Valuation techniques, which allow all fair value parameters to be observed directly or indirectly;
- Level 3 — Valuation techniques, which do not allow fair value techniques to be observed directly or indirectly.

As at each balance sheet date the management carries out an analysis of the changes to the fair market value of the assets and liabilities and monitors their impact on the financial reports in line with the approved accounting policy. The company must ascertain whether or not a change has occurred in the categorization of assets or liabilities in accordance with the hypotheses underlying valuation techniques. With the assistance of certified valuers the management compares each change in the fair value of assets or liabilities with observable parameters in order to ascertain that the changes are reasonable.

The company determines the assets and liabilities whose fair value should be disclosed on the basis of their nature, risk and level in the hierarchy as noted above.

2.2 Summary of significant accounting policies (continued)

g) Equity

The share capital is presented at the par value of shares issued and paid. The Company is obliged to set aside a ***Reserves Fund*** in accordance with the Commercial Act. Sources for the fund may include:

- portion of the profit set by the sole owner of the capital, but no less than 1/10 until the funds in the Reserves Fund reach 1/10 of the capital;
- funds, received in excess of par value of shares at issue thereof;
- other sources in accordance with a decision of the General Meeting.

The Reserves Fund may be used only to cover current and prior year losses. When the Reserves Fund reaches the minimum amount set out in the Articles of Association, the excess may be used to increase the share capital.

h) Plant and equipment

Items of plant and equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When a major inspection of an item of plant and/or equipment is performed, its cost is recognised in the carrying amount of the respective assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income for the period in which they have been incurred.
Depreciation is calculated on a straight line basis over the estimated useful life of the assets, as follows:

Computers	2 years
Plant and equipment	5 years
Motor vehicles	4 years
Fixtures and fittings	5 years

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income for the year in which the asset is derecognised.

i) Software

Software is measured on initial recognition at cost, less any accumulated amortisation and accumulated impairment losses.

Amortisation is calculated on a straight line basis over the estimated useful life of the assets, as follows:

Software	2 years

The assets residual values, useful lives and methods of depreciation/amortisation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

j) Impairment of fixed tangible assets (FTAs)

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

k) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.2 Summary of significant accounting policies (continued)

l) Investments in subsidiaries and consolidation

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Company also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Investments in subsidiaries are stated at cost, less any impairment, in the separate financial statements.

m) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash in bank accounts, cash on hand, and short-term deposits with an original maturity of twelve months or less that are available to the Company on demand without incurring significant financial losses.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

n) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

o) Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of financial receivables

The Company uses an allowance account to report the provision for impairment of doubtful and bad debts. Management assesses the adequacy of this impairment based on an ageing analysis of the receivables, historical experience as to the write-off rates of bad debts, as well as solvency analysis of the respective municipality, changes in the contractual payment terms, etc. If the financial position and financial performance of municipalities deteriorate (more than expected), the amount of the receivables to be written off in the next reporting periods may be higher than the one estimated at the date of the statement of financial position. At 31 December 2014, the best estimate of management for the necessary impairment of receivables amounted to BGN 1,373 thousand (2013: BGN 522 thousand). Further details are given in Note 9.

2.2 Summary of significant accounting policies (continued)

o) Significant accounting judgments, estimates and assumptions (continued)

Corporate income tax

A significant judgement is required to determine the overall tax provision. There are many transactions and calculations, for which the final tax cannot be determined precisely in the normal course of activity. The Company recognises liabilities for estimated tax payables in the event of future tax audits based on the management's judgement as to whether additional taxes will be assessed or not. When the tax finally set as due as a result of such events differs from the one initially reported, the corresponding differences will be reported in the short-term corporate income tax payables and will have an effect on the deferred taxes for the period in which this clarification has been made.

Estimated useful lives of property, plant and equipment

Management uses significant accounting estimates and judgements for the purpose of determining the useful lives of its property, plant and equipment, which are based on a study and judgements of the technical staff that assesses the useful lives of tangible and intangible assets.

3. Income and expenses

3.1 Income from interest

	2014	2013
	BGN'000	*BGN'000*
Interest income on deposits and bank accounts	858	881
Income on loans granted and receivables	6,605	4,739
Total interest income	**7,463**	**5,620**

3.2 Interest expenses and charges

	2014	2013
	BGN'000	*BGN'000*
Interest expenses on loans and borrowings	3,108	1,730
Expenses on fees and commissions and FX differences	873	579
Total interest expenses and charges	**3,981**	**2,309**

3.3 Other operating income

	2014	2013
	BGN'000	*BGN'000*
Income from sales of services	3	7
Income from management and commitment fees	636	437
Total other operating income	**639**	**444**

3.4 Payroll costs

	2014	2013
	BGN'000	*BGN'000*
Salaries and wages	456	414
Social securities	63	57
Total payroll costs	**519**	**471**

3. Income and expenses (continued)

3.5 Other operating expenses

	2014	2013
	BGN'000	*BGN'000*
Accounting and audit services	12	29
Rent	56	46
Materials	16	28
Legal services	88	11
Translation and interpretation services	2	5
Communication services	7	8
Hardware maintenance	5	5
Consulting services	20	21
Social expenditure	2	2
Insurances	1	1
Other expenditure	44	65
Total other operating expenses	**253**	**221**

4. Income tax

The main components of income tax expense for the years ended 31 December 2014 and 2013 include:

	2014	2013
	BGN'000	*BGN'000*
Current income tax expense	247	294
Deferred income tax expense	-	1
Income tax expense	**247**	**295**

In 2014 the applicable statutory tax rate is 10% (2013: 10%).

Reconciliation between income tax expense and the accounting profit multiplied by the statutory tax rate for the years ended 31 December 2014 and 31 December 2013 is presented as follows:

	2014	2013
	BGN'000	*BGN'000*
Accounting profit before taxes	2,495	2,951
Income tax expense at statutory tax rate of 10% for 2014 (2013: 10%)	249	295
Permanent differences	(2)	-
Income tax expense	**247**	**295**

At 31 December 2014 the Company owes corporate income tax amounting to BGN 41 thousand (2013: BGN 11 thousand).

4. Income tax (continued)

Deferred income tax is linked to the following headings in the balance sheet:

	Temporary difference	Tax	Temporary difference	Tax
	31.12.2014	31.12.2014	31.12.2013	31.12.2013
	BGN '000	BGN '000	BGN '000	BGN '000
Unpaid income to individuals and related social security expense	9	1	8	1

5. Cash and cash equivalents

	31 December 2014	2013
	BGN'000	*BGN'000*
Cash in hand and in current accounts	34,768	121
Short-term bank deposits	10,154	17,878
Total cash and cash equivalents	**44,922**	**17,999**

Cash in bank accounts bears floating interest rates based on the daily interest rates on bank deposits. For one of the current accounts is agreed preferential interest rate of 0,85%. The term of short-term deposits is one year, but the amounts therein can be changed depending on the liquidity needs of the Company They bear the agreed interest rates, which vary from 1,5 to 4,0 % p.a. (2013: 3,00-5.75 %). The balances of interest receivables on deposits are included in cash and cash equivalents since the amounts accrued are available to the Company on demand. The fair value of cash and short-term deposits equals their carrying amount.

6. Receivables and prepayments

	31 December 2014	2013
	BGN'000	*BGN'000*
Other receivables	15	9
Total receivables and prepayments	**15**	**9**

Other receivables comprise guarantees provided and non-financial prepayments for future periods.

7. Plant and equipment, software

	Hardware	Fixtures and fittings	Plant and equipment	Vehicles	Software	Other Fixed assets	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN'000*	*BGN'000*
Book value:							
As of 1 January 2013	38	7	3	36	11	-	95
Additions	-	-	16	-	-	5	21
As of 31 December 2013	38	7	19	36	11	5	116
Additions	6	-	2	-	-	-	8
Disposals	(4)	-	-	-	-	-	(4)
As of 31 December 2014	40	7	21	36	11	5	120
Depreciation:							
As of 1 January 2013	(20)	(6)	(1)	(36)	(7)	-	(70)
Depreciation charge	(9)	(1)	(3)	-	(4)	(1)	(18)
As of 31 December 2013	(29)	(7)	(4)	(36)	(11)	(1)	(88)
Depreciation charge	(11)	-	(4)	-	-	(1)	(16)
Written-off depreciation	4	-	-	-	-	-	4
As of 31 December 2014	(36)	(7)	(8)	(36)	(11)	(2)	(100)
Carrying amount							
As of 1 January 2013	**18**	**1**	**2**	**-**	**4**	**-**	**25**
As of 31 December 2013	**9**	**-**	**15**	**-**	**-**	**4**	**28**
As of 31 December 2014	**4**	**-**	**13**	**-**	**-**	**3**	**20**

8. Investment in subsidiaries

By a decision dated 3 April 2012 of the sole owner of FLAG JSC, the Ministry of Regional Decelopment and Public Works, and after a meeting of the Board of Directors of the Fund, a new company was incorporated - Fund for Sustainable Urban Development of Sofia, with capital of BGN 500 thousand. The company was registered on 23 April 2012 with the Registry Agency and the capital was paid in full by FLAG JSC. The purpose of the newly established subsidiary is to implement financing under the European programme Jessica in accordance with a trilateral agreement among EIB, FLAG JSC and FSUDS EAD. As at the end of 2014, the subsidiary had made a disbursement under one loan, which is reported under the heading company receivables from associated entities.

9. Loans granted

	31 December 2014	2013
	BGN'000	*BGN'000*
Loans granted to municipalities	162,697	133,053
Accrued, but unpaid interest related to loans granted to municipalities	142	118
Impairment of receivables related to granted loans to municipalities	(1,373)	(523)
Granted loans to municipalities, net	161,466	132,648
Loans granted to related parties	3,686	914
Accrued, but unpaid interest to loans granted to related parties	2	7
Total granted loans	**165,154**	**133,569**

9. Loans granted (continued)

Loans granted represent loans granted to municipalities. Most of the loans granted – BGN 99,948 thousand are used as bridge financing under European programmes and other BGN 62,749 thousand used for lending for purposes of municipalities' own activities. The utilized loan under the JESSICA initiative is BGN 3,688 thousand.

In 2013, BGN 107,553 thousand are used as bridge financing under European programmes and BGN 25,095 thousand is intended for lending funds for municipalities' own activities. The utilized loan under the JESSICA initiative is BGN 921 thousand.

Receivables on loans granted have been impaired in accordance with the portfolio-based impairment policy adopted by FLAG JSC. Due to problems related to financing of Operative Program Environmental (OPE) during 2014 portfolio of loans related to this program are additionally impaired.

As at 31 December 2014, the impairment of bridge financing loans amounted to BGN 573 thousand (2013: BGN 268 thousand) and the impairment of loans repaid by own funds at 31 December 2014 amounted to BGN 800 thousand (2013: BGN 254 thousand). Loans granted are secured mainly with specific pledges over the future receivables of the municipalities under the grant agreements and the future own revenue of the municipalities.

The movements in the impairment loss provisions of loans granted in 2014 and 2013 are as follows:

	Impairment of receivables on loans granted
As of 01 January 2013 incl.	**(429)**
- for bridge financing	*(235)*
- for own financing	*(194)*
Charged for the year – incl.	(94)
- for bridge financing	*(34)*
- for own financing	*(60)*
As of 31 December 2013 incl.	**(522)**
- for bridge financing	*(268)*
- for own financing	*(254)*
Charged for the year – incl.	(851)
- for bridge financing	*(305)*
- for own financing	*(546)*
As of 31 December 2014 incl.	**(1373)**
- for bridge financing	*(573)*
- for own financing	*(800)*

As of 31.12.2014 impairment loss recorded on portfolio basis is BGN 1,288 thousand. (2013; BGN 522 thousand). As of 31.12.2014 specific impairment loss recorded accounted is BGN 85 thousand (2013; none).

For the year ended 31 December 2014

10. Loans payable to EBRD

	Maturity	31 December 2014	2013
		BGN'000	*BGN'000*
Payables under EBRD Loan 1	August 2023	51,341	57,045
Payables to EBRD under Loan 3 T1	August 2018	33,406	15,350
Payables to EBRD under Loan 3 T2	August 2023	29,337	14,753
Deferred fees under EBRD loans		(926)	(1,111)
Accrued interest due		1,231	671
Total payables under the EBRD loan		**114,389**	**86,708**

Loan payables by the Company to the European Bank for Reconstruction and Development (EBRD) result from the utilisation of funds under two loan agreements.

The first loan with a limit of EUR 35,000 thousand (BGN 68,454 thousand), which amount has two components:

1. Loan "a" – amounting to EUR 18,000 thousand (BGN 35,205 thousand)
2. Loan "b" – amounting to EUR 17,000 thousand (BGN 33,249 thousand).

The term of the loans is 15 years with a 3-year grace period. For the period following the grace period, two equal instalments per year are to be made, from February 2012 to August 2023. The contractual interest rate is based on the six-month EURIBOR plus a floating margin based on the amount of bad debts within the Company's loan portfolio. Additional fees are envisaged: (a) annual commitment fee; (b) one-off Front - End Fee; (c) annual administration fee.
As at 31 December 2014 the Company has utilised the full amount of the loan - EUR 35,000 thousand (BGN 68,454 thousand) – of the resource granted and is not in violation of any covenants of the agreement with EBRD on capital and financial adequacy. In 2014 is the third year of loan repayment and two instalments were repaid amounting to BGN 5,704 thousand in total.

The second loan has a limit of EUR 35,000 thousand, which has two components:

1. Tranche 1 (Loan 3 T1) – in the amount of EUR 20,000 thousand (BGN 39,117 thousand)
2. Tranche 2 (Loan 3 T2) - in the amount of EUR 15,000 thousand (BGN 29,337 thousand).

The term of Tranche 1 is 5 years without a grace period with two equal instalments a year are to be made, from February 2014 to August 2018. The contractual interest rate is based on the six-month EURIBOR plus a floating margin based on the amount of bad debts within the Company's loan portfolio. Additional fees are envisaged: (a) annual commitment fee; (b) one-off Front - End Fee; (c) annual administration fee; and (d) a syndication fee;
The term of Tranche 2 is 10 years with a one-year grace period. After the grace period two equal instalments per year are to be made, from February 2015 to August 2023. The contractual interest rate is based on the six-month EURIBOR plus a floating margin based on the amount of bad debts within the Company's loan portfolio. Additional fees are envisaged: (a) annual commitment fee; (b) one-off Front - End Fee; (c) annual administration fee; and (d) a syndication fee

As of 31 December 2014 the Company has utilized the full amount of loan of EUR 35,000 thousand (BGN 68,454 thousand) and is not in breach of capital and financial adequacy requirements set out in the EBRD loan agreement.
In 2014, the Company repaid first two instalments related to Tranche 1 amounting to 5,711 thousand BGN, and has not made any repayments to Tranche 2. In 2013 no repayment under this loan were made.

For the year ended 31 December 2014

11. Payroll and social securities payables

Payables to personnel and for social security at 31 December 2014 relate to the accrued additional remuneration (bonuses) and are allocated as follows:

	31 December 2014	2013
	BGN '000	*BGN '000*
Payables to personnel	34	34
Payables for social security	15	13
Total payables to personnel and for social security	**49**	**47**

12. Tax payables

Tax payables as of 31.12.2014 are BGN 41 thousand.

The movements in tax liabilities for 2014 and 2013 are as follows:

	2014	2013
	BGN'000	*BGN'000*
Tax receivable / (payable) as at 31 January	**(11)**	**80**
Tax paid throughout the year	217	204
Tax accrued for the year (Note 4)	(247)	(295)
Tax payable as at 31 December	**(41)**	**(11)**

13. Other liabilities

	31 December 2014	2013
	BGN'000	*BGN'000.*
Other liabilities	390	158
incl. contingent fee for loan applicants	*169*	139
Good performance guarantee	*165*	*16*
Payables to suppliers	*52*	*3*
Other payables	*4*	-
Total other liabilities	**390**	**158**

14. Share capital and reserves

14.1 Share capital

	31 December 2014	2013.
	BGN'000.	*BGN'000*
90,000 ordinary shares with a nominal value of BGN 1,000 each	90,000	60,000
Total share capital	**90,000**	**60,000**

At 31 December 2014 and 31 December 2013 the issued registered capital was fully paid-in.

14. Share capital and reserves (continued)

14.2 Statutory reserves

Statutory reserves are formed by FLAG JCS as a distribution of the profit as provided for under Article 246 of the Commercial Act. They are set aside until the amount reaches one tenth or more of the share capital. Sources to form the statutory reserves include at least one tenth of the net profit, share premiums and funds set out in the Articles of Association or in accordance with a decision of the General Meeting of Shareholders.
The statutory reserves may only be used to cover current and prior reporting period losses. As at 31 December 2014 statutory reserves amount to BGN 1,697 thousand (2013: BGN 1,431 thousand).

15. Dividend distribution

In accordance with order № 5 of the Council of Ministers dated 11.06.2014 г. In 2014 are distributed dividends to the sole shareholder amounting to BGN 1,687 thousand (2013: BGN 2,102 thousand). Dividend per share is BGN 28,12 (2013: BGN 35,03)

16. Commitments and contingencies

Legal claims

As at 31 December 2014 and 31 December 2013 there were no litigations against the Company.

Guarantees

As at 31 December 2014 and 31 December 2013 the Company has not extended any guarantees.

Loan commitments

As at 31 December 2014 the Company has taken loan commitments amounting to BGN 48,627 thousand on 22 loan agreements signed with municipalities; no funds were utilized at the year-end. The number of contracts for the previous year was 23 totalling to BGN 41,864 thousand.

Commitments related to rents / operating leases

The Company has a rental contract concluded for the rent of an office for a term of four years, which comes into force on 1 March 2013

17. Related party disclosure

Composition of the related parties

Shareholder – sole owner
The Republic of Bulgaria through the Ministry of Regional Development and Public Works is the sole owner of the shares of FLAG JSC.

The Fund for Sustainable Urban Development of Sofia EAD is a fully-owned subsidiary of FLAG EAD with a capital of BGN 500 thousand fully paid by the shareholder in 2012.

Remuneration of management staff

In 2014, the remuneration of management staff amounted to BGN 110 thousand (2013: BGN 82 thousand).

17. Related party disclosure (continued)

Related party transactions

In 2013 a disbursement was made under the operational agreement between EIB, the subsidiary FSUDS EAD and FLAG EAD. Under an additional credit line agreement signed between FSUDS EAD and FLAG EAD a loan in the total amount of BGN 24 500 thousand was agreed.
During 2014 BGN 3,114 thousand were utilized, BGN 342 thousand have been repaid; BGN 88 interest income was accrued, interest of BGN 93 thousand were received and there is unpaid interest of BGN 2 thousand at the end of the year.
As at 31 December 2013 BGN 914 thousand were utilized under this credit line. As at 31 December 2013, BGN 7 thousand interest was charged on the disbursement, which was not received by the end of the year.

18. Financial risk management objectives and policies

The major financial liabilities of the Company comprise interest-bearing loans and borrowings, and trade payables. The main objective of these financial instruments is to secure financing of the Company's operations. The Company has various financial assets such as loans granted, cash and cash equivalents and short term deposits, which arise directly from its operations.

In 2014 and 2013, the Company neither owned nor traded with derivative financial instruments.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, currency risk and credit risk. The management reviews and agrees policies for managing of each of these risks which are summarised below.

Interest-rate risk

The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's short-term financial liabilities with variable (floating) interest rates. The Company's policy is to manage its interest expenses through using financial instruments with fixed and floating interest rates.

Sensitivity to possible changes in interest rates (through the effect on loans and borrowings with floating interest rates) of the Company's profit before tax, with all other variable held constant is presented below.

	Increase/ Decrease in interest rates	**Effect on the pre-tax profit**
		BGN '000
2014		
Loans payable in EUR	+0.5%	(570)
Loans granted in BGN	+0.5%	832
Loans payable in EUR	-1%	1,141
Loans granted in BGN	-1%	(1,664)
2013		
Loans payable in EUR	+0.5%	(436)
Loans granted in BGN	+0.5%	670
Loans payable in EUR	-1%	871
Loans granted in BGN	-1%	(1,340)

18. Financial risk management objectives and policies (continued)

Liquidity risk

The effective management of the Company's liquidity presumes that sufficient working capital will be ensured mainly through maintaining a given amount of money on deposit. A cash flow movement plan is elaborated based on short-term budgets, and also on long-term planning.

As at 31 December the maturity structure of the Company's financial liabilities, based on the agreed undiscounted payments, is presented below:

Liabilities
As of 31.12.2014

	On demand	< 3 months	3-12 months	1-5 year	> 5 years	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Interest-bearing loans and borrowings	-	10,171	10,047	78,056	28,212	126,486
Trade and other payables	-	390	-	-	-	390
	-	10,561	10,047	78,056	28,212	126,876

As of 31.12.2013

	On demand	< 3 months	3-12 months	1-5 year	> 5 years	Total
	хил. лв.	хил. лв.	хил. лв.	хил. лв.	хил. лв.	хил. лв.
Interest-bearing loans and borrowings	-	5,239	5,484	48,171	39,544	98,438
Trade and other payables	-	158	-	-	-	158
	-	5,397	5,484	48,171	39,544	98,596

The maturity structure of the Company's assets and liabilities at 31 December 2014 has been developed based on the expectations of management regarding the recoverability/settlement of amounts:

Assets	*Within 1 year*	*Over 1 year*	*Total amount*
Cash and cash equivalents	44,922	-	**44,922**
Receivables and prepayments	15	-	**15**
Loans granted	115,847	49,307	**165,154**
Shares in subsidiaries	-	500	**500**
Total assets	160,784	49,807	**210,591**

18. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liabilities	*Within 1 year*	*Over 1 year*	*Total amount*
Other liabilities	390	-	**390**
Payables on the EBRD loan	17,316	97,073	**114,389**
Total liabilities	**17,706**	**97,073**	**114,779**

The maturity structure of the Company's assets and liabilities at 31 December 2013 has been developed based on the expectations of management regarding the recoverability/settlement of amounts:

Assets	*Within 1 year*	*Over 1 year*	*Total amount*
Cash and cash equivalents	17,999	-	**17,999**
Other receivables	9	-	**9**
Loans granted	92,349	41,220	**133,569**
Shares in subsidiaries	-	500	**500**
Total assets	**110,357**	**41,720**	**152,077**

Liabilities	*Within 1 year*	*Over 1 year*	*Total amount*
Other liabilities	158	-	**158**
Payables on the EBRD loan	9,257	77,451	**86,708**
Total liabilities	**9,415**	77,451	**86,866**

Currency risk

The Company has no purchases, sales and does not grant loans denominated in foreign currencies and the loans received are denominated in EUR. Since the exchange rate of BGN / EUR is fixed at the rate of 1.95583, the currency risk arising out of the Company's exposures in EUR is immaterial.

Credit risk

Credit risk is the risk that the clients / counterparties will not be able to pay in full the amounts due to the Company within the envisaged / agreed deadlines. As at the end of 2014 the remaining liability of municipalities to the Company amounted to BGN 162,839 thousand and at the end of 2013 it stood at BGN 133,171 thousand. In 2014 the receivables of the company under loans granted to affiliated entities stood at BGN 3,688 thousand (2013: BGN 921 thousand).

Credit risk management in 2014 was carried out by the "Lending" Directorate and was monitored simultaneously by the Executive Director and the Board of Directors. The credit risk management function is to ensure the implementation of an appropriate investment policy in respect of the funds available and respectively, the compliance of this policy with the related procedures and controls for current monitoring of the respective loan, deposit or receivable.

18. Financial risk management objectives and policies (continued)

Credit risk (continued)

The credit risk exposure is managed through a current analysis of the ability of the counterparties / servicing banks to comply with their contractual obligations to pay interest and principal, as well as through setting appropriate credit limits. Cash deposits are placed with prime banks having good reputation at the Bulgarian market. In compliance with the adopted internal rules for contracting cash deposits, invitations to submit an offer are sent only to banks that have the right to operate in the territory of the Republic of Bulgaria and have an assigned and not withdrawn (valid at the time of offer submission) credit rating not lower than a) BB assigned by the rating agencies Standard and Poor`s or Fitch, or b) Ba2 assigned by Moody`s.

Furthermore, subject to current monitoring is also the existence of concentration of receivables from a particular counterparty, and if such is found – the respective counterparty is subject to special current supervision. The main part of impairment accrued on loans granted as at 31 December 2014 is portfolio based, there is also accrued impairment of BGN 85 thousand in respect of specific exposures.

The maximum exposure of the Company to credit risk as at 31 December 2014 and 31 December 2013 is as follows:

	2014		*2013 г.*	
	Gross maximum exposure	*Net maximum exposure*	*Gross maximum exposure*	*Net maximum exposure*
Exposure				
Cash and cash equivalents	44,922	44,922	17,999	17,999
Loans granted	166,527	165,154	134,092	133,569
Receivables and prepayments	15	15	9	9
Total assets	**211,464**	**210,091**	**152,100**	**151,577**

The Company allocates its financial assets in several classification groups with the aim to assess their credit risk. The table below shows the classification of the gross amount of financial assets from the statement of financial position depending on their arrears at 31 December 2014:

	Neither overdue nor impaired	***Overdue but not impaired***	***Impaired, on an individual base***	***Total***
Cash and cash equivalents	44,922	-	-	**44,922**
Loans granted	164,899	-	255	**165,154**
Other receivables	15	-	-	**15**
	209,836	**-**	**255**	**210,091**

As at the end of 2014 no loans were overdue. As at 31 December 2014 six restructured loans were active, in the amount of BGN 3,400 thousand or 2,06 % % of the loan portfolio.

18. Financial risk management objectives and policies (continued)

Credit risk (continued)

The table below shows the classification of the gross amount of financial assets from the statement of financial position depending on their arrears at 31 December 2013:

	Neither overdue nor impaired	*Overdue but not impaired*	*Impaired, on an individual base*	*Total*
Cash and cash equivalents	17,999	-	-	**17,999**
Loans granted	133,569	-	-	**133,569**
Receivables and prepayments	9	-	-	9
	151,577	-	-	**151,577**

As at the end of 2013 no loans were overdue. As at 31 December 2013 eight restructured loans were active, in the amount of BGN 2,232 thousand or 1.67 % of the total loan portfolio.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value.

The Company manages its capital structure and adjusts it, where necessary, depending on the changes in the economic environment. With decree from Council of Ministers № 295 dated 18.09.2014 share capital of the company is increased with BGN 30,000 thousand. The Company is subject to the rulings of the Council of Ministers on distribution of dividends to the Ministry of Regional Development and Public Works. In 2014 and in 2013 there were no changes in the objectives, policies or processes for the management of capital.

19. Financial instruments

Fair values

Fair value is the amount at which a financial instrument may be exchanged or settled in an arm's length transaction as best proof of its market value in an active market.

The estimated fair value of the financial instruments is determined by the Company on the basis of available market information, if any, or proper valuation models. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the last working date of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Management of FLAG JSC believes that the fair values of financial instruments comprising cash and short-term deposits, trade and other receivables, interest-bearing loans and borrowings, trade and other payables, do not differ significantly from their current carrying amounts, especially when they are short-term in nature or their interest rates are changing in line with the change in the current market conditions. The Company has analysed the fair values of fixed interest rate deposits and is of the opinion that they approximate their carrying amounts.

20. Events after the reporting period

No events have occurred after 31 December 2014, which require additional adjustments and/or disclosures in the Company's individual financial statements for the year ended 31 December 2014.