

*Translation from Bulgarian*

# **EASY ASSET MANAGEMENT AD (PLC)** **Annual Financial Statements**

December 31, 2017

# **EASY ASSET MANAGEMENT AD (PLC)**

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**DECEMBER 31, 2017**

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**EASY ASSET MANAGEMENT AD (PLC)**  
**REPORT ON THE ACTIVITY**  
**DECEMBER 31, 2017**

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The Management presents its Annual Financial Statements as of December 31, 2017, prepared in accordance with the International Financial Reporting Standards (IFRS). These Statements have been certified by Moor Stephens Bulgaria – Audit OOD

**ANNUAL INDIVIDUAL REPORT ON THE ACTIVITY**

***CORPORATE INFORMATION***

EASY ASSET MANAGEMENT AD (PLC) (“the Company”) is a shareholder company established on December 8, 2005 and doing business in Bulgaria. The registered seat and management address of the Company are: 28 Jawaharlal Nehru Blvd., Sofia, Bulgaria. The Company is managed by a Board of Directors which consists of:

- Stanimir Svetoslavov Vasilev – Chairman of the Board of Directors;
- Nedelcho Yordanov Spasov – Member of the Board of Directors;
- Stefan Krasimirov Kolev – Member of the Board of Directors and Executive Director;

The Company is represented by Stefan Krasimirov Kolev – Executive Director.

Stefan Krasimirov Kolev does not participate in business companies as an unlimitedly responsible partner, does not possess more than 25 percent of the capital of another company.

Nedelcho Yordanov Spasov does not participate in business companies as an unlimitedly responsible partner, possesses more than 25 percent of the capital of “Seawines” AD (PLC) and is Member of the Board of Directors. Possesses more than 25 percent of the capital of “Management Financial Group” AD (PLC) and is Vice Chairman of the Board of Directors. Possesses more than 25 percent of the capital of Iuvo Group OÜ. In the companies: „Management Group” EAD – in liquidation, „AXI Finance” IFN S.A, „Armada Capital” AD (PLC), „Easy Asset Management Asia” Limited, „Dynamic Investments” AD (PLC) and „Pioneer Capital” AD (PLC) participates in the Management as Member of the Board of Directors. Nedelcho Spasov is Member of the Board of Directors of Society Endeavour Bulgaria – a non-profit public benefit organization.

Stanimir Svetoslavov Vasilev does not participate in business companies as an unlimitedly responsible partner, possesses more than 25 percent of the capital of “Seawines” AD (PLC) and is Member of the Board of Directors. Possesses more than

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25 percent of the capital of "Management Financial Group" AD and is Vice Chairman of the Board of Directors. Possesses more than 25 percent of the capital of Iuvo Group OÜ. Executive Director of „Management Group“ EAD – in liquidation and Chairman of the Board of Directors. In the companies: „Fintrade Finance“ AD (PLC), „Easy Asset Management Asia“ Limited, „Dynamic Investments“ AD (PLC) and „Pioneer Capital“ AD (PLC) participates in the Management as Member of the Board of Directors.

The Members of the Board of Directors do not obtain remuneration in their capacity of Members of the Board and in 2017 have not acquired or assigned any shares or bonds of the Company.

The shareholder capital has not been increased during the year by issuing of ordinary shares with the right to vote. The number of issued ordinary shares is 8,503,000 with face value of BGN 1, amounting to a total shareholder capital of BGN 8,503 thous. as of December 31, 2017. Each ordinary share gives the right to vote in the General Meeting of the shareholders, the right to dividend and to a liquidation share. Each share gives the right to one vote. The right to dividend and to a liquidation share is determined in proportion with the face value of the share. The Company may redeem its shares under the order and terms provided by law.

„Easy Asset Management“ AD (PLC) is a non-banking financial institution focused in the field of microcrediting and using the trade mark Easy Credit. The Company extends small unsecured short-term loans to customers with low and medium income. The Company exercises its activity through a wide distribution network, which consists of more than 170 offices throughout the country. As of December 31, 2017 the total number of employees working on employment contracts amounts to 1,251 people.

The Company possesses 100% of Easy Credit LLC ("Subsidiary"). The Subsidiary is registered in accordance with Ukrainian law and the regulatory requirements for non-banking financial institutions. The value of the initially registered capital of the Subsidiary amounts to 6,922 Ukrainian hryvnia (UAH), which as of the date of the capital's registration were equal to EUR 800 thous. or BGN 1,565 thous. In 2015, the decision was taken to increase the capital up to UAH 102,460, equal to EUR 4,581 thous. or BGN 8,960 thous. as of the date of the capital's increase.

The Company possesses 100% (99.9995416%) of STs Easy Asset Management IFN AD (PLC) ("Subsidiary"). The Subsidiary is registered in accordance with Romanian law and the regulatory requirements for non-banking financial institutions. The total number of shares is 459 800 pcs., and the capital amounts to BGN 861 thous. (equal to EUR 440 thous.). The currency in which the Subsidiary's capital is registered is Romanian lei (RON). As of December 31, 2017 the shareholder capital of the Subsidiary amounts to RON 1,963 thous.

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The Company possesses 100% of I Credit SP.Z.O.O. ("Subsidiary"), established in 2014. The Subsidiary is registered in accordance with Polish law and the regulatory requirements for non-banking financial institutions. The value of the registered capital of the Subsidiary amounts to BGN 2 thous. (equal to 5 thous. Polish zlotas [PLN]) as of the date of registration. In 2016, the decision was taken to increase the capital up to PLN 200 thous.

The Company possesses 100% of I Credit S.R.O. ("Subsidiary"), established in 2014. The Subsidiary is registered in accordance with Czech law and the regulatory requirements for non-banking financial institutions. The value of the registered capital of the Subsidiary amounts to BGN 142 thous. (equal to 2 million Czech kronas [CZK]) as of the date of establishment.

The Company possesses 100% of the Financial Company M Cash Macedonia DOOEL Skopje ("Subsidiary"), established in 2014. The Subsidiary is registered in accordance with the law of the Republic of Macedonia and the regulatory requirements for non-banking financial institutions. The value of the registered capital of the Subsidiary amounts to BGN 196 thous (equal to EUR 100 thous.).

The Company possesses 70% of M Cash OOD - in liquidation ("Subsidiary"), established in 2014. The value of the registered capital of the Company amounts to BGN 200 thous. The activity of the Company is related with commercial mediation, marketing activity and customer servicing. In 2017, the Company did not perform and business activity.

The Company possesses 100% of Management Group EAD - in liquidation ("Subsidiary"), established in 2015. The Subsidiary is registered in accordance with the law of the Republic of Bulgaria. The value of the registered capital of the Subsidiary amounts to BGN 12 thous. The subject of activity of the Company includes provision of investment management services, entity management advice, accomplishment of transactions and investment. In 2017, the Company did not perform and business activity.

The Company possesses 100% of Dabrava Investments EAD - in liquidation ("Subsidiary"), established in 2014. The Subsidiary is registered in accordance with the law of the Republic of Bulgaria. The value of the registered capital of the Subsidiary amounts to BGN 51 thous. The subject of activity includes preparation of analyses, business and investment plans, transactions and intellectual property, investment management and more. In 2017, the Company did not perform and business activity.

The Company possesses 100% of Access Capital EAD - in liquidation ("Subsidiary"), established in 2014. The Subsidiary is registered in accordance with the law of the Republic of Bulgaria. The value of the registered capital of the Subsidiary amounts to BGN 51 thous. The subject of activity includes implementation of investment

projects, management of real estates, advisory and mediation activity. In 2017, the Company did not perform and business activity.

The Company possesses 84% of Easy Payment Services EOOD ("Subsidiary"), established in 2016. The Subsidiary is registered in accordance with the law of the Republic of Bulgaria. The value of the registered capital of the Subsidiary amounts to BGN 1,000 thous. The activity of the Company is related with implementation of payment operations, issuing of payment instruments and/or acceptance of payments with payment instruments.

The Company possesses 98% of Easy Asset Management Asia Limited ("Subsidiary"), established in 2016. The Subsidiary is registered in accordance with the law and the regulatory requirements of the Republic Union of Myanmar. The value of the registered capital of the Subsidiary amounts to USD 200 thous., equal to BGN 345 thous. as of the date of establishment.

In 2017, "Easy Asset Management" AD initiated acquisition of the shares of the local division of the British group for non-banking user crediting International Personal Finance (IPF) - "Provident Financial Bulgaria" OOD. The Company possesses 100% of Financial Bulgaria EOOD ("Subsidiary"). The Subsidiary is registered in accordance with the law of the Republic of Bulgaria. The value of the registered capital of the Subsidiary amounts to BGN 52.6 million.

#### ***DEVELOPMENT, RESULTS FROM THE ACTIVITY AND STATUS OF THE COMPANY IN 2017.***

Easy Credit is among the biggest companies in Bulgaria for non-banking user credits extended at the customers' homes and one of the most quickly developing companies in its segment in Central and Eastern Europe. In Bulgaria, the Company lends money all over the country through more than 3,000 credit advisors and more than 170 offices servicing over 1,200 settlements. The loans of Easy Credit are also offered in the branches of „Balgarski Poshti (Bulgarian Posts)“.

Since its start more than 10 years ago, the group of Easy Credit has extended over 1 million credits in Europe. The number of Bulgarians who prefer extending credits at their homes by the credit advisors of Easy Credit is increasing continuously. During the past year 2017, the Company has extended to users credits for over BGN 139 million (BGN 128 million in 2016), by 9% more compared to 2016. The collected sum for the period exceeds BGN 204 million (BGN 182 million in 2016) which marks a growth of 12%. The gross credit portfolio of the Company as of December 2017 reaches BGN 73 million which marks a growth of 45% compared to the previous year.

**Bulgaria - Dynamics of the portfolio (in BGN thous.)**

	January - December 2017	January - December 2016	Change in %
<b>Portfolio:</b>			
<b>Extended amounts</b>	139 037	127 791	9%
<b>Collected amounts</b>	204 472	182 491	12%
<b>Receivables from customers:</b>			
<b>Total</b>	73 381	50 476	45%
<i>of which regular</i>	21 164	20 430	4%
<i>between 4 and 90 days</i>	21 473	16 055	34%
<i>between 91 and 360 days</i>	29 767	13 026	229%
<i>with undefined date of payment (incl. judicial)</i>	977	965	1%
<b>Active customers</b>	144 082	100 702	43%
<b>Number of extended credits</b>	232 204	232 114	0%

In its activity, the Company operates on a highly developed and competitive market of financial services, on account of which it is affected by price risk. Part of the Company's competitors are banking and financial institutions having access to cheap financial resource which gives them advantage at price formation of competitive products.

„Easy Asset Management“ AD (PLC) manages the risk of failed payment by the customers of the amounts due under credits and the due interests through developed internal credit activity management rules. The rules regulate the requirements for extending of credits, classification of risk expositions and formation of provisions for losses from depreciation.

For the purpose of managing credit risk, the Company has developed strict procedures for analysis and assessment of potential borrowers, including developed scoring procedures and detailed verification of the provided data. Easy Credit has a developed credit system for monitoring of payments, as well as active measures for collecting of receivables. The Management monitors closely its exposition to this risk at any stage of the credit.

With respect to liquidity, „Easy Asset Management“ AD (PLC) maintains continuously liquid assets (including cash on hand and on payment accounts), sufficient to satisfy the demand of loans and the coverage of current payments. This is necessary because of the specific distribution network of the Company - more than 170 regional offices and over 3,000 credit advisors who must dispose on a daily basis with available funds in order to be able to achieve one of their basic purposes: to provide quick and easy service and extend credits within 24 hours from filing the application.

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	<b>2016</b>	<b>2017</b>
<i>Advisors</i>	2 944	3 203
<i>Offices</i>	158	179
<i>Credits</i>	232 114	232 204

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A thorough review of the financial results, as well as of the financial instruments and the risks related therewith is provided in the Notes to the Financial Statements of the Company, pages 5–43. The major risks faced by the Company, including credit, currency, interest risk and capital management are clarified in the Notes to the Financial Statements.

In 2017, the Company has not performed any scientific-research and development activity.

The Company has no branches.

### **Expected development of the Company and prospects**

The correct attitude and the security, discreteness, speed and convenience, which Easy Credit provides to its customers, are the main reasons for the users' preference for the Company loans.

We continue to follow the strategy for expansion of new markets in Europe where the services provided by us are quite familiar to the users and demanded by them. Our ambitions are to establish ourselves as one of the leaders in the region in our sector in the long run. Our strategy also envisages expansion of new markets outside Europe.

### **Important events which have occurred after the end of the reporting period**

The Company has not identified any significant or correcting events having occurred between the reporting date and the preparation date of the Annual Financial Statements, which are related with its activity during 2017 and which should be disclosed separately or call for changes in the Financial Statements as of December 31, 2017.

### **Responsibilities of the Management**

The Management of Easy Asset Management AD (PLC) has prepared the Financial Statements for 2017 which provides a true and fair idea of the status of the Company as of the end of the year and of its accounting results. The Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

The Management confirms that it has applied consistently adequate accounting policy and that, during the preparation of the Financial Statements as of December



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31, 2017, the principle of cautiousness in the measurement of assets, liabilities, revenue and expenditure has been observed.

The Management also confirms that it has stuck to the applicable accounting standards, whereas the Financial Statements have been prepared based on the going concern principle.

The Management is responsible for the correct keeping of the accounting registers, for the expedient management of the assets and for undertaking of the required measures to avoid and identify possible misuses and other irregularities.

*(Sgd. illegible)*  
Stefan Kolev  
Executive Director

*Round seal of*  
*Easy Asset Management AD (PLC),*  
*City of Sofia*

*(Sgd. illegible)*  
Petar Damyanov  
Financial Director

Date: March 28, 2018

**NON-FINANCIAL DECLARATION OF „EASY ASSET MANGEMENT“ AD  
(PLC) FOR 2017**

This non-financial declaration has been prepared in accordance with the requirements of Article 41 and Article 48 of the Accountancy Act and it is an inseparable part of the Annual Report on the Activity

**1. Business model**

„Easy Asset Management“ AD (PLC) is a shareholder company established on December 8, 2005 and doing business in Bulgaria. The headquarters and the management address of the mother company are: 28 Jawaharlal Nehru Blvd., Sofia, Bulgaria. The major activity of the Company in accordance with the Credit Institutions Act is extending of funds which have not been raised by public attraction of deposits or other restorable funds.

As of the preparation date of these Financial Statements, the Company is managed by a Board of Directors composed of 3 people and is represented by the Executive Director.

**2. Firm policies**

**Ecological policy**

Easy Asset Management AD (PLC) does not produce any produce and does not perform any activity related with pollution of environment and water.

**Social policy**

For the Management of „Easy Asset Management“ AD (PLC) it is very important that the employed staff is satisfied with their labour and feel empathic with the problems and achievements of the Company. The Company believes that the social benefits of the staff are an important prerequisite for the economic development of the Company and its provision with highly qualified staff.

**Policy with respect to the employees**

Driven by the serious deficiency of qualified working force and market dynamics, the Management of the Company is focused on providing continuous care aiming to make each employee feel satisfied with the provided working conditions and options for personal and professional development. The major tasks faced by the Company are the following:

- **Equal treatment and respect for human rights**

The Management of the Company observes strictly the Constitution and the laws of the Republic of Bulgaria, and in particular, any other regulatory acts concerning labour and legal relations. There is equal treatment at employment, not allowing discrimination based on gender, race, nationality, ethnicity, citizenship, religion, political affiliation, disability or age.

- **Health and safety at work**

The Management of the Company appreciates the significance of the provision of additional benefits in the field of health security as an important instrument for staff motivation and keeping and since the beginning of 2018, through a contract with a health insurance company, has been offering additional health coverage to all employees working on employment contracts for the Company.

- **Professional development**

The Management of the Company provides opportunity to each working employee to increase their qualification through participation in workshops and training courses.

**Gender equality in managerial positions**

The Company practices effectively equal treatment of men and women at their employment for managerial position, as well as balanced representation of men and women in the decision-taking process.

**Anti-corruption policy**

„Easy Asset Management“ AD (PLC) does not tolerate any form of bribery or corruption. In particular, the Company accepts to refrain from any actions and behaviour which might be regarded as active or passive bribery.

**Major ecological risks**

The activity of the Company does not create any ecological risks.

Sofia, Bulgaria  
March 28, 2018

Executive Director: *(Sgd. illegible)*  
/Stefan Kolev/

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*Easy Asset Management AD (PLC),*  
*City of Sofia*

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## REPORT OF THE INDEPENDENT AUDITOR

TO THE SHAREHOLDERS OF EASY ASSET MANAGEMENT AD (PLC)

### Report regarding the audit of the Financial Statements

#### Opinion

We performed audit of the Financial Statements of EASY ASSET MANAGEMENT AD (PLC) (“the Company”) containing the Financial Status Report as of December 31, 2017 and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year ending on this date, as well as the clarification appendixes to the Financial Statements also containing summarized disclosure of the essential accounting policies reflected from page 8 to page 56.

In our opinion, the enclosed Financial Statements provide a trustworthy presentation in all essential aspects of the financial status of the Company as of December 31, 2016 and its financial results from the activity and its cash flows for the year ending on this date, in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

#### Basis for expression of an opinion

We performed our audit in accordance with the International Auditor’s Standards (IAS). Our responsibilities according to these standards are described additionally in the section of our report Auditor’s Responsibilities for the Audit of the Financial Statements. We are independent on the Company in accordance with the International Ethics Standards Board for Accountants (IESBA Code) together with the ethics requirements of the Independent Financial Audit Act (IFAA) applicable with respect to our audit of the Financial Statements in Bulgaria, whereas we also implemented the other ethic responsibilities of ours in accordance with the requirements of the IFAA and IESBA. We believe that the auditor’s evidence obtained by us is sufficient and relevant to provide basis for our opinion.

#### Other issues

The Annual Financial Statements of the Company as of December 31, 2016 have been audited by another auditor which on June 27, 2017 has expressed unmodified opinion.

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### **Key auditor’s issues**

The key auditor’s issues are those issues which, according to our professional judgment, have been most important during the audit of the Financial Statements for the current period.

According to our professional judgment, there are no key auditor’s issues to be communicated.

### **Other information different from the Financial Statements and the Auditor’s Report on them**

The Management bears responsibility for the other information. The other information consists of Report on the Activity, including Non-financial Declaration, prepared by the Management according to Chapter Seven of the Accountancy Act, but does not include the Financial Statements and our Auditor’s Report on them.

Our opinion regarding the Financial Statements does not comprise the other information and we do not express a certainty conclusion of any form about it, except as explicitly stated in our Report and insomuch as stated.

In relation with our audit of the Financial Statements, our responsibility lies in reading the other information and thus judging whether this other information is in material discrepancy with the Financial Statements or with our knowledge acquired during the audit or in some other way seeming to contain materially incorrect reporting.

If, based on the work we have done, we arrive at the conclusion that this other information contains some materially incorrect reporting, we shall be required to report this fact.

We have nothing to report in this aspect.

### **Responsibilities of the Management and the persons responsible for the general management of the Financial Statements**

The Management is responsible for the preparation and trustworthy presentation of these Financial Statements in accordance with the IFRS applicable in EU and for such an internal control system as the Company deems to be necessary to provide for the preparation of Financial Statements which do not contain any materially incorrect reportings, regardless of whether due to fraud or mistake.

During the preparation of the Financial Statements, the Management has the responsibility to assess the Company’s ability to continue functioning as a going concern while disclosing, where applicable, issues related with the going concern assumption and using the accounting basis based on the going concern assumption,

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except where the Management intends to liquidate the Company or terminate its activity, or the Management in practice has no other alternative, but to proceed in this way.

The persons responsible for the general management are responsible for the supervision of the process of the Company's financial reporting.

### **Responsibilities of the auditor for the audit of the Financial Statements**

Our objectives are to obtain a reasonable degree of certainty as to whether the Financial Statements on the overall do not contain any materially incorrect reportings, regardless of whether due to fraud or mistake and to issue an Auditor's Report including our auditor's opinion. The reasonable degree of certainty is a high degree of certainty but it is not a guarantee that an audit performed in accordance with IAS will always disclose a materially incorrect reporting, where such one is available. Incorrect reportings might arise as a result of fraud or mistake and they are deemed material, if it may be reasonably expected that they, individually or in the aggregate, might affect the economic decisions of the users taken based on these Financial Statements.

As part of the audit, in accordance with IAS, we apply professional judgment and preserve professional scepticism throughout the audit. We also:

- identify and assess the risks of materially incorrect reportings in the Financial Statements, regardless of whether due to fraud or mistake, develop and apply auditor's procedures in answer to these risks and obtain auditor's evidence which is sufficient and relevant to provide basis for our opinion. The risk of not disclosing a materially incorrect reporting which is the result of fraud is higher than it is for a materially incorrect reporting which is the result of mistake since fraud may involve secret agreement, falsification, deliberate omissions, statements to delude the auditor, as well as neglecting or evading internal control.
- understand internal control referring to audit in order to develop auditor's procedures which are appropriate for the specific circumstances but not for the purpose of expressing an opinion regarding the effectiveness of the Company's internal control.
- assess the relevance of the used accounting policies and the reasonableness of the accounting approximations and disclosures related with them, made by the Management.
- arrive at a conclusion regarding the relevance of the application by the Management of the accounting basis based on the going concern assumption and based on the auditor's evidence as to whether a material uncertainty is available, concerning events or conditions which might give rise to material doubts

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regarding the Company's ability to continue functioning as a going concern. If we arrive at the conclusion that a material uncertainty is available, we shall be required to draw attention in our Auditor's Report to disclosures in the Financial Statements related with this uncertainty or, in case these disclosures are inadequate, to modify our opinion.

- our conclusions are based on the auditor's evidence obtained up to the date of our Auditor's Report. Future events or conditions, however, may cause the Company to terminate its functioning as a going concern.
- evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements present the transactions and events which are fundamental for it in a manner achieving trustworthy presentation.

We communicate to the people responsible for the general management, among other issues, the planned scope and implementation term of the audit and the material conclusions from the audit, including material drawbacks in internal control, which we identify during the audit we perform.

We also present to the people responsible for the general management a statement stating that we have implemented the applicable ethics requirements in relation with independence and that we shall communicate to them all relationships and other issues which might reasonably be considered as relevant to our independence and where applicable, with the precautionary measures related with them.

Among the issues communicated to the people responsible for the general management, we define these issues which have been most important during the audit of the Financial Statements for the current period and which, therefore, are key auditor's issues. We describe these issues in our Auditor's Report, except for the cases where some law or regulation prevents the public disclosure of information regarding this issue or where, in exceptionally rare cases, we decide that a certain issue should not be communicated in our report, since it might be reasonably expected that the unfavourable consequences of this action might exceed the benefits from the viewpoint of the public interest from this communication.

## **Report in relation with other law and regulatory requirements**

### ***Additional issues placed for reporting by the Accountancy Act***

In addition to our responsibilities and reporting according to the IAS described above in section Other Information Different from the Financial Statements and the

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Auditor’s Report on Them, with respect to the Report on the Activity and the Non-financial Declaration, we also applied the procedures added to those required under IAS, according to the Instructions of the Professional Organization of Certified Expert Accountants and Registered Auditors in Bulgaria – Institute of Certified Public Accountants of Bulgaria (ICPAB). These procedures refer to verification of the availability, as well as verification of the form and contents of this other information for the purpose of assisting us in forming opinions as to whether the other information includes the disclosures and reportings envisaged in Chapter Seven of the Accountancy Act, applicable in Bulgaria.

*Opinion in relation with Article 37, para. 6 of the Accountancy Act*

Based on the implemented procedures, our opinion is that:

- a) The information included in the Report on the Activity presented from page 1 to page 7 for the financial year for which the Financial Statements have been prepared complies with the Financial Statements.
- b) The Report on the Activity has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
- c) The Non-financial Declaration for the financial year for which the Financial Statements have been prepared has been submitted and prepared in accordance with Chapter Seven of the Accountancy Act.

***Reporting according to Article 10 of Regulation (EU) No. 537/2014 in relation with the requirements of Article 59 of the Independent Financial Audit Act***

According to the requirements of the Independent Financial Audit Act, in relation with Article 10 of Regulation (EU) No. 537/2014, we also report additionally the information presented here below.

- “Moore Stephens Bulgaria - Audit” OOD has been appointed mandatory auditor of the Financial Statements for the year ending on December 31, 2017 of “Easy Asset Management” EAD (“the Company”) by Letter for Undertaking of Auditor’s Commitment of November 22, 2017 for a period of one year.
- The audit of the Financial Statements of the Company for the year ending on December 31, 2017 constitutes a first complete continuous commitment for mandatory audit of this entity performed by us.
- We confirm that the auditor’s opinion expressed by us complies with the additional report submitted to the Auditing Committee of the Company according to the requirements of Article 60 of the Independent Financial Audit Act.



MOORE STEPHENS BULGARIA  
AUDIT

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- We confirm that we have not provided outside the audit the forbidden services specified in Article 60 of the Independent Financial Audit Act.
- We confirm that, in implementing the audit, we have preserved our independence with respect to the Company.

The partner responsible for the auditing commitment resulting in this Report of the Independent Auditor is Ivan Simov.

Registered Auditor:  
(Sgd. illegible)  
Ivan Simov

June 18, 2018  
Sofia, Bulgaria

MOORE STEPHENS BULGARIA – AUDIT OOD:  
(Sgd. illegible)  
Stefan Nenov  
Managing Partner, Registered Auditor  
*Oval seal of Moore Stephens Bulgaria – Audit OOD,  
Sofia, Registration No. 131*

**EASY ASSET MANAGEMENT AD (PLC)**  
**FINANCIAL STATUS REPORT**  
**DECEMBER 31, 2017**

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**(all amounts are in BGN thousand)**

		<b>December 31</b>	
	<b>Appendix</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>			
Cash and cash equivalents	11	11,455	7,260
Credits and receivables from customers	12	44,621	35,594
Extended individually significant loans to legal entities and natural persons	13	52,265	39,479
Commercial and other receivables	14	2,481	2,839
Investments in subsidiaries	15	6,018	5,844
Investment property	16	-	1,000
Property, plant and equipment	17	277	241
Intangible assets	18	193	83
Assets under deferred taxes	8	297	223
		<hr/>	<hr/>
<b>Total assets</b>		<b>117,607</b>	<b>92,563</b>
<b>CAPITAL</b>			
<b>Capital and owners reserves</b>			
Shareholders capital	22	8,503	8,503
Buyed-up own shares	23	(73)	(67)
Reserves	22	15,910	15,910
Undistributed profit	22	42,287	42,261
<b>Total equity</b>		<hr/> <b>66,627</b>	<hr/> <b>66,607</b>
<b>LIABILITIES</b>			
Liabilities to banks	19	4,904	4,958
Liabilities to staff and insurance institutions	20	5,740	4,475
Commercial and other liabilities	21	40,336	16,134
Liabilities for corporate tax		-	389
<b>Total liabilities</b>		<hr/> <b>50,980</b>	<hr/> <b>25,956</b>
<b>Total equity and liabilities</b>		<hr/> <b>117,607</b>	<hr/> <b>92,563</b>

The financial results from page 8 to page 56 have been approved on March 28, 2018.

Executive Director  
*(Sgd. illegible)*  


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Stefan Kolev

*Round seal of*  
*Easy Asset Management AD (PLC),*  
*City of Sofia*

Financial Director  
*(Sgd. illegible)*  


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Petar Damyanov

**EASY ASSET MANAGEMENT AD (PLC)**  
**FINANCIAL STATUS REPORT**  
**DECEMBER 31, 2017**

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Certified according to Auditor's Report by: *(Sgd. illegible)*

Ivan Simov

Registered Auditor

Date: *June 18, 2018*

*Oval seal of Moore Stephens Bulgaria – Audit OOD,*

*Sofia, Registration No. 131*

The Appendixes on pages from 8 to 56 constitute an inseparable part of these Financial Statements.

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**EASY ASSET MANAGEMENT AD (PLC)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**DECEMBER 31, 2017**

**(all amounts are in BGN thousand)**

	<b>Appendix</b>	<b>December 31</b>	
		<b>2017</b>	<b>2016</b>
Revenue from interests and penalties in case of failed implementation of contractual obligations		92,377	77,978
Expenditure on interests		(1,302)	(627)
<b>Net interest revenue</b>		<b>91,075</b>	<b>77,351</b>
Other financial revenue/(expenditure), net		834	(129)
Expenditure for depreciation of financial assets		(38,462)	(21,527)
<b>Net interest revenue after depreciations</b>		<b>53,447</b>	<b>55,695</b>
Expenditure for staff		(39,225)	(32,623)
Amortization		(405)	(287)
Other operating expenditure, net		(11,841)	(10,684)
<b>Profit before taxes</b>		<b>1,976</b>	<b>12,101</b>
Expenditure on taxes		(216)	(1,216)
<b>Net profit for the period</b>		<b>1,760</b>	<b>10,835</b>
Other comprehensive revenue		-	-
<b>Total comprehensive revenue</b>		<b>1,760</b>	<b>10,835</b>
<i>Revenue per share</i>		0,21	1,27

The financial results from page 8 to page 56 have been approved on March 28, 2018.

Executive Director <i>(Sgd. illegible)</i>	<i>Round seal of Easy Asset Management AD (PLC), City of Sofia</i>	Financial Director <i>(Sgd. illegible)</i>
Stefan Kolev		Petar Damyanov

Certified according to Auditor's Report by: *(Sgd. illegible)*

Ivan Simov

Registered Auditor

Date: June 18, 2018

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Sofia, Registration No. 131*

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**EASY ASSET MANAGEMENT AD (PLC)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**DECEMBER 31, 2017**

**(all amounts are in BGN thousand)**

Referring to equity holders	Exc.					
	Equity	Reserves	Premium reserve	Own shares	Undistribut. profit	Total capital
<b>Balance as of January 1, 2016</b>	<b>8,503</b>	<b>15,910</b>	<b>960</b>	<b>(13)</b>	<b>33,847</b>	<b>59,207</b>
Profit for the year	-	-	-	-	10,835	10,835
Paid-up dividend	-	-	-	-	(1,900)	(1,900)
Redemption of own shares			(960)	(54)	(521)	(1,535)
<b>Balance as of December 31, 2016</b>	<b>8,503</b>	<b>15,910</b>	<b>-</b>	<b>(67)</b>	<b>42,261</b>	<b>66,607</b>
<b>Balance as of January 1, 2017</b>	<b>8,503</b>	<b>15,910</b>	<b>-</b>	<b>(67)</b>	<b>42,261</b>	<b>66,607</b>
Profit for the year					1,760	1,760
Paid-up dividend					(1,600)	(1,600)
Redeemed own shares				(6)	(134)	(140)
<b>Balance as of December 31, 2017</b>	<b>8,503</b>	<b>15,910</b>	<b>-</b>	<b>(73)</b>	<b>42,287</b>	<b>66,627</b>

The financial results from page 8 to page 56 have been approved on March 28, 2018.

Executive Director <i>(Sgd. illegible)</i>	<i>Round seal of Easy Asset Management AD (PLC), City of Sofia</i>	Financial Director <i>(Sgd. illegible)</i>
Stefan Kolev		Petar Damyanov

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Ivan Simov

Registered Auditor

Date: June 18, 2018

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The Appendixes on pages from 8 to 56 constitute an inseparable part of these Financial Statements.

**EASY ASSET MANAGEMENT AD (PLC)**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2017**

(all amounts are in BGN thousand)

	<b>Appen dix</b>	<b>December 31</b>	
		<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activity</b>			
Extended credits to customers		(139,037)	(127,791)
Paid-up credits by customers, incl. paid-up interests		204,472	182,491
Extended individually significant credits		(23,986)	(32,842)
Repayments under extended individually significant credits, incl. repayments of interests		22,237	22,681
Payments to providers and other counterparts		(15,290)	(9,644)
Payments to staff and social security institutions		(36,541)	(30,905)
Payments for taxes		(1,183)	(2,056)
<b>Net cash flow from operating activity</b>		<b>10,672</b>	<b>1,934</b>
<b>Investment activity</b>			
Acquisition of fixed assets		(551)	(150)
Other cash flows from investment activity		(526)	(5,508)
Acquisition of fixed assets		169	2,061
<b>Net cash flow from investment activity</b>		<b>(908)</b>	<b>(3,597)</b>
<b>Cash flow from financial activity</b>			
Redemption of shares		(140)	(553)
Obtained loans from banks		42,780	37,940
Payment-up of obtained bank loans, incl. repayments of interests		(42,908)	(38,219)
Paid-up dividends		(1,002)	(1,564)
Obtained commercial loans, net, incl. redemption of interests		(4,077)	(8,964)
Other		(222)	(167)
<b>Net cash flow from financial activity</b>		<b>(5,569)</b>	<b>6,401</b>
<b>Net (decrease)/increase of cash</b>		<b>4,195</b>	<b>4,738</b>
Cash in the beginning of the year		7,260	2,522
<b>Cash in the end of the year</b>		<b>11,455</b>	<b>7,260</b>

The financial results from page 8 to page 56 have been approved on March 28, 2018.

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**EASY ASSET MANAGEMENT AD (PLC)**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2017**

Certified according to Auditor's Report by: *(Sgd. illegible)*

Ivan Simov

Registered Auditor

Date: *June 18, 2018*

*Oval seal of Moore Stephens Bulgaria – Audit OOD,  
Sofia, Registration No. 131*

The Appendixes on pages from 8 to 56 constitute an inseparable part of these Financial Statements.

## **Appendixes to the Financial Statements**

### **1. 1. General Information**

EASY ASSET MANAGEMENT AD (PLC) (“the Company”) is a shareholder company established on December 8, 2005 and doing business in Bulgaria, UIC (Unified Identification Code) 131576434. The registered seat and management address of the Company are: 28 Jawaharlal Nehru Blvd., Sofia, Bulgaria. The Company is managed by a Board of Directors which consists of:

- Stanimir Svetoslavov Vasilev – Chairman of the Board of Directors;
- Nedelcho Yordanov Spasov – Member of the Board of Directors;
- Stefan Krasimirov Kolev – Member of the Board of Directors and Executive Director;

The Company is represented by Stefan Krasimirov Kolev – Executive Director.

The shareholder capital has not been increased during the year by issuing of ordinary shares with the right to vote. The number of issued ordinary shares is 8,503,000 with face value of BGN 1, amounting to total shareholder capital of BGN 8,503 thous. as of December 31, 2017. Each ordinary share gives the right to vote at the General Meeting of the shareholders, the right to dividend and to a liquidation share. Each share gives the right to one vote. The right to dividend and to a liquidation share is determined in proportion to the face value of the share. The Company may redeem its shares under the order and terms determined by law.

„Easy Asset Management“ AD (PLC) is a non-banking financial institution, with focus in the field of microcrediting and uses the trade mark Easy Credit. The Company extends small unsecured short-term loans to customers with low or medium income. The Company carries out its business through a wide distribution network which consists of more than 160 offices throughout the country. As of December 31, 2017, the total number of the employees working on employment contracts amounts to 1,251 people.

The Company has the following investments in subsidiaries:

- Easy Credit LLC (Ukraine) – 100%
- STs Easy Asset Management IFN AD (Romania) – 100% (99.9995416 %)
- I Credit SP.Z.O.O. (Poland) – 100%
- I Credit S.R.O. (Czechia) – 100%
- Financial Company M Cash Macedonia DOOEL – 100%
- M Cash OOD (Bulgaria) – in liquidation - 70%
- Management Group EAD (Bulgaria) – in liquidation – 100%.
- Dabrava Investments EAD (Bulgaria) – in liquidation – 100%
- Access Capital EAD (Bulgaria) – in liquidation – 100%
- Easy Payment Services EOOD (Bulgaria) – 84%
- Easy Asset Management Asia Limited (Mianmar) – 98%



- Financial Bulgaria EOOD – 100%

Detailed information about the investments is presented in Note 15.

In accordance with the requirements of IFRS 10 *Consolidated Financial Statements*, the Company also prepares consolidated Financial Statements, which will be issued in June 2018.

## **2. Accounting policy (continued)**

The major accounting policies applied during the preparation of these individual Financial Statements are specified here below. These policies have been applied systematically for all presented reporting periods, except where stated otherwise.

- *Basic provisions of the accounting policy*

The individual Financial Statements include Individual Statement of Comprehensive Income, Individual Financial Status Report, Individual Statement of Changes in Equity, Individual Statement of Cash Flows and Clarification Notes to them. The Individual Financial Statements have been prepared in keeping with the principle of the historical price, except for the positions in the Report on the Financial Status requiring presentation at fair value in accordance with the applicable accounting standards. The Company classifies its expenditure in accordance with their nature.

## **2. Accounting policy**

Here below is described the accounting policy applied during the preparation of the Financial Statements.

The policy has been applied consistently for all presented years, except where explicitly specified otherwise.

### **2.1 Basis for preparation of the Financial Statements**

These Financial Statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS), adopted by the European Union (IFRS, adopted by EU) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). These Financial Statements have been prepared in keeping with the principle of the historical price, except for the cases of carried out depreciation of lands and buildings, disposable financial assets for sale and financial assets and liabilities (including derivative instruments), reported at fair value in the profit or loss.

The preparation of the Financial Statements in accordance with IFRS requires the use of accounting approximations. When applying the accounting policy of the entity, the Management based itself on its own judgment. The elements of the Financial Statements the presentation of which involves higher degree of judgment or subjectivity, as well as those

**EASY ASSET MANAGEMENT AD (PLC)**  
APPENDIXES TO THE ANNUAL FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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elements for which the assumptions and measurements have significant effect on the Financial Statements on the overall, have been disclosed separately.

**2.1.1. Going concern principle.**

The Management has reasonable expectations that the Company avails of adequate resources to continue operating in the foreseeable future. Therefore, the Company continues to assume the going concern principle in the preparation of its Individual Financial Statements.

**2.1.2. Changes in the accounting policy and disclosures**

*/a/ New and amended standards, adopted by the Company.*

Initial application of new amendments to available standards and clarifications which have taken effect during the current reporting period.

The current standards have been adopted by the Group for the first time in the financial year starting on or after January 1, 2017:

- Acknowledgment of assets under deferred taxes for unrealized losses – amendments to IAS 12 Clarification of the admissible amortization methods – amendments to IAS 16 and IAS 38
- Disclosure initiative - amendments to IAS 7
- Annual improvements during the period 2014-2016 - amendments to IFRS 12.

New standards and clarifications issued by IASB, not adopted yet by the Company

New accounting standards and interpretations were published, which are not mandatory for the reporting period as of December 31, 2017 and have not been adopted earlier by the Company.

- IFRS 9 Financial Instruments

IFRS 9 refers to the classification, evaluation and striking-off of the financial assets and financial liabilities, introduces new rules for hedge reporting and a new depreciation model for financial assets

Its application is mandatory for the years starting on or after January 1, 2018.

- IFRS 15 Revenue from Contracts with Customers

The International Accounting Standards Board (IASB) issued a new standard for revenue recognition. It will replace IAS 18, which covers the contracts for goods and services, and IAS 11, which covers the building contracts.

The new standard is based on the principle that the revenue is recognized when the control over the goods or services is transferred to the customer. The standard allows for complete retrospective or modified retrospective approach of acceptance. The standard is mandatory for the financial years starting on or after January 1, 2018. Expected date of adoption by the Company - January 1, 2018.

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- IFRS 16 Lease Contracts

IFRS 16 was issued in January 2016. It will affect nearly all lease contracts recognized in the Balance Sheet, since the difference between operating and financial lease has been removed. According to the new standard, an asset (the right to use of the lease position) and the financial liability to pay lease instalments have been recognized. The only exception concerns short-term and low-value leases. The reporting with the Lessor will not be changed materially. The standard shall take effect for the reporting periods starting on or after January 1, 2019.

At this stage, the Company does not plan to adopt the standard before its effective taking effect.

- IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as a substitute to IFRS 4 *Insurance Contracts*. It requires a current measurement model, with which the forecasts are re-measured for each reporting period. The standard allows a choice between recognition of the changes in the discount percent either in the Income Statement or directly in some other comprehensive revenue. Expected date of adoption by the Company - January 1, 2021.

- Interpretation of IAS 22 Transactions in Foreign Currency and Preliminary Considerations

The interpretation clarifies how the date of the transaction should be determined for the exchange rate to be used at initial recognition of a related asset, expenditure or revenue when the entity pays or obtains preliminary remuneration for contracts denominated in foreign currency. Expected date of adoption by the Company - January 1, 2018.

- Transfer of Investment Property – amendments to IAS 40

The amendments show that transfers to or from investment property may be performed, if only there is a change in use supported by evidence. Change in property occurs when the property complies or ceases to comply with the definition of investment property. Expected date of adoption by the Company - January 1, 2018.

IFRS 9 Financial Instruments (in effect for annual periods starting on or after January 1, 2018), which uses one method to determine whether the financial asset has been measured at amortized cost or at fair value, replacing IAS 39 *Financial Instruments: Recognition and Measurement*, while containing requirements regarding the recognition, measurement, depreciation and striking-off of financial instruments, as well as for reporting of hedging. The approach in IFRS 9 is based on the manner in which the Company manages its financial instruments (business model) and specific cash flows for financial assets. The new standard also requires the use of one depreciation method, replacing the various methods in IAS 39.

- o Classification and evaluation – IFRS 9 presents a new approach to classification of financial assets, based on the characteristics of cash flows and the business model within which the respective financial asset is managed.

- o Depreciation – A new model is introduced for depreciation of financial instruments to the amount of expected credit losses, which will result in earlier reporting of credit losses.

- o The reporting of hedging may follow more precisely the risk management strategy, allowing for a wider range of hedging instruments and hedged objects. Retrospective

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evaluation of the hedge's effectiveness is not required, and the prospective evaluation is based on the economic relation principle.

The new accounting standard IFRS 9 Financial Instruments, which takes effect for annual periods starting on or after January 1, 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement, introduces a new approach to the classification of financial assets based on the characteristics of cash flow and a business model within which the asset is managed. In relation with this, the financial assets of the Company were analysed so as to determine whether the characteristics of the agreed cash flows allow for their measurement at amortized cost or at fair value through the comprehensive revenue. This analysis was made at contract level (individually) or based on a credit portfolio of identical credit products.

The Company recognized financial liabilities at amortized cost, except for the cases where the standard requires other treatment or measurement at fair value through the profit or loss.

IFRS 9 introduces a depreciation model based on expected losses, whereat the standard requires of the companies to report the expected credit losses from the time of their initial recognition. The Company does not expect any material effects from the initial application of IFRS 9 for the first time with respect to the depreciation of financial assets (credits and receivables from customers).

- IFRS 16 Lease (in effect for annual periods starting on or after January 1, 2019), which envisages recognition by the Lessee of the right to use, constituting amortizable non-financial asset and liability under a lease. It envisages the application of a detailed model for identification and reporting of lease contracts by Lessors and Lessees. On taking effect, IFRS 16 rescinds IAS 17 Lease and Related Interpretations, applicable as of the date of these Financial Statements. IFRS 16 differentiates lease contracts from service provision contracts following the concept for exercising control on the part of the customer over an identifiable asset. The differentiation between operating lease and financial lease is rescinded, whereat it is replaced by a reporting model of the right to use in the form of an asset and lease liability which should be recognized on-balance by the Lessees for all lease contracts, except for the short-term leases and the leases of low-value assets. The right to use is evaluated initially at prime cost, and subsequently, at prime cost (subject to some exceptions) reduced by the accumulated amortization and losses from depreciation, corrected for changes in the determined value of the lease liability. In contrast to the reporting by the Lessee, IFRS 16 does not change materially the requirements of IAS 17 with respect to the reporting by the Lessor, while preserving the requirement for the Lessor to classify the lease contract as operating or financial lease. IAS 17 does not require recognition of an asset related with the right to use or of a liability for future payments under these contracts; instead, information about the commitments under operating lease is disclosed in Note 28.

## **2.2 Transactions in foreign currency**

### *(a) Functional currency and presentation currency*

The individual elements of the Financial Statements of the Company are evaluated in the

**EASY ASSET MANAGEMENT AD (PLC)**  
**APPENDIXES TO THE ANNUAL FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

currency of the basic economic environment in which the entity carries out its business (“functional currency”).

The Annual Financial Statements are presented in thousands of Bulgarian Lev (BGN), which is the functional currency and the presentation currency.

Bulgarian Lev is fixed to the Euro (EUR) through the mechanism of the currency board introduced in the Republic of Bulgaria since January 1, 1999.

*(b) Transactions and balances*

The transactions in foreign currency are transformed into functional currency, applying the official exchange rate for the respective date. The profits and losses from currency rate changes arisen as a result from settlements under transactions in foreign currency, as well as from depreciation under conclusive currency rate of assets and liabilities denominated in foreign currency are recognized in the Income Statement.

The profit and loss from transactions in foreign currency, which refer to receivables and cash on hand, are presented in the Income Statement as „financial revenue or expenditure“. All other profits and losses are presented in the Income Statement as „other (losses)/profits – net“.

The monetary assets and liabilities in foreign currency are reported at the conclusive exchange rate of the Bulgarian National Bank as of the date of the Balance Sheet.

Significant exchange rates:

	<b>December 31, 2017 BGN</b>	<b>December 31, 2016 BGN</b>
1 US dollar equals	1.63081	1.85545
1 Euro equals	1.95583	1.95583

**2.3. Losses from depreciation of credits and receivables**

The Company reviews the portfolio of credits and receivables and determines the losses for depreciation and non-collectability on a monthly basis. When determining the amount of depreciations, the Company makes assessments and assumptions regarding the availability of measurable reduction of the expected future cash flows of the loan and credit portfolio before this reduction may be established in the credit pool. Analysis is made of all available indications of available problems in the credit and payment status of the borrowers, the possible changes in the economic environment at local and national level are analysed. Because of the fact that the Company has no significant concentration of credit risk on the individual positions of the microcredit portfolio, the analyses are made for the entire credit pool as of a certain moment. In making these assessments and analyses, the Company uses historical data about the realized losses from assets with similar risk characteristics. The

**EASY ASSET MANAGEMENT AD (PLC)**  
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methodology and the basic assumptions of the models used to calculate the amounts and the time structure of the cash flows are analysed periodically, so as to correspond more precisely to the losses actually occurred.

Detailed analysis of the losses from depreciation by credits measured on portfolio basis is presented in Note 12.

Provisions for depreciation of individually significant credits and receivables are charged in cases where objective evidence is available that the Company will not be able to collect all amounts due on the credit. The amount of depreciation is determined as the difference between the reporting value and the restorable value as of the end of each month.

Detailed analysis of the losses from depreciation on credits measured on individual basis is presented in Note 13.

#### **2.4. Financial assets and liabilities**

In accordance with IAS 39, all financial assets and liabilities which may also include derivative financial instruments must be recognized in the Financial Status Report and must be measured in accordance with their categorization.

The Company categorizes financial assets into the following groups: financial assets reported at fair value in the profit or loss; investments held until payment date; financial assets available for sale. The Management of the Company determines the categorization of the financial instruments at their initial recognition.

##### **Financial assets reported at fair value in the profit and loss**

This category consists of two subcategories: instruments held for trading, and instruments which, at their initial recognition, have been determined to be reported at fair value in the profit or loss and which subsequently are revaluated at fair value.

A financial asset is classified as held for trading, if it has been acquired for the purpose of short-term resale or reacquisition, or if it is a part of a portfolio of identified financial instruments which are managed jointly and for which a recent practice is available for short-term obtaining of profits through purchase or sale. Derivative instruments are also categorized as held for sale, except where they have been determined to serve as hedging instruments and play effectively this role. Financial assets held for trading consist of debt instruments, capital instruments, as well as financial assets with embedded derivatives.

At their initial recognition, the instruments of this category are indicated at fair value. Transaction expenditure is indicated directly in the Statement of Comprehensive Income. All changes in the fair value are reflected in the Statement of Comprehensive Income as profit or loss. The revenue from interests is reported as such in the profit or loss using the effective interest method. The revenue from dividends is indicated as other operating revenue at obtaining the right to dividend. The instruments of this category are stricken-off at

**EASY ASSET MANAGEMENT AD (PLC)**  
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withdrawal of the rights to obtain cash flows related with them, or at the factual transfer of all risks and benefits related with their possession, if the transfer complies with the conditions for striking-off specified in IAS 39.

The Company may classify certain financial assets at their initial recognition as instruments reported at fair value in the profit or loss (so-called reporting at fair value option). This classification may not be changed subsequently. According to IAS 39, the reporting at fair value option is applied only in the cases where the following conditions are satisfied:

- the application of the reporting at fair value option reduces or eliminates accounting discrepancies between assets and liabilities, revenue and expenditure; or
- financial assets are part of a portfolio of financial instruments which is managed and reported based on fair value according to documented investment strategy and risk management; or
- financial assets contain debt and embedded derivative(s), which modify cash flows to a material degree and, therefore, must be separated and reported separately.

**Investments held until payment date**

Financial assets held until payment date are non-derivative financial instruments with payments which are fixed or may be determined and with definite term, and which the Company has positive intention and possibility to keep until payment date, except for:

- (a) the instruments classified as held for trading
- (b) the instruments reported at fair value in the profit or loss
- (c) financial assets and liabilities which comply with the definition for credits and receivables arisen at the Company.

The initial recognition is made at acquisition price, which also includes the expenditure related with the effecting of the transactions and reflects the fair value as of this moment. The subsequent measurement is made at amortized cost using the effective interest rate method, reduced by the accrued depreciations. At calculation of the amortized cost, premiums and discounts are included, related with the acquisition, commission and other expenditure or revenue related with the transaction, as well as all other revenue and expenditure which are an integral part of the effective profitability of the instrument. The revenue from interests is specified as such in the Statement of Comprehensive Income. The amortized part, included in the calculation of the effective interest for the period, is indicated as correction of the interest revenue in the Statement of Comprehensive Income. The losses from depreciation are included in the Statement of Comprehensive Income for the period of effecting the depreciation.

As of December 31, 2017 and December 31, 2016 the Company does not possess any investments held until payment date.

## **Financial assets available for sale**

Investments available for sale are financial assets which are intended to be held for an indefinite period of time which may be sold in response to liquid needs or changes in the interest rates, exchange rates or prices of shares, or which have not been classified as loans or receivables, investments held until payment date or financial assets reported at fair value in the profit or loss for the period. Financial assets available for sale include shares and interests, as well as debt securities. The Company has not classified any credits and receivables as being available for sale.

Financial assets available for sale are initially recognized at fair value, which is the paid-up remuneration and the expenditure related with the transaction, and are measured subsequently at fair value, whereas the profits and losses from depreciation are recognized in the other comprehensive revenue, except for the losses from depreciation and the profits and losses from change of the exchange rates. At the investment's release, the cumulative profit or loss which has been indicated in the equity is recognized in the Statement of Comprehensive Income, in Article Other Operating Revenue. In the cases where the Company possesses more than one investment in the same financial instrument, the value of the sold instrument is calculated after the method „first in, first out price“. The interests obtained for the period of holding are reported as revenue from interests using the effective interest method. If a financial asset available for sale is depreciated, the cumulated profit or loss which has been previously recognized in the equity is transferred to the Statement of Comprehensive Income. The revenue from dividends is recognized in the profit or loss for the period in which the right to obtain payment has been undoubtedly established.

Investments in subsidiaries are presented in the group of financial assets available for sale.

## **2.5. Investment property**

Investment property is property (land, building, parts of a building or building under construction), which is held for the purpose to be let for rent under the conditions of operating lease or for the purpose of increasing the capital's value, or both, in accordance with IAS 40 Investment Property, and which is not expected to be used in the common business of the Company.

Investment property is recognized as an asset only where it is possible for future economic benefits related with the property to be obtained by the Company and when the acquisition price may be determined reliably. Recognition is usually made from the time when all benefits and risks related with the asset are transferred to the Company.

Investment property is initially evaluated at acquisition price, including the expenditure related with the transaction. The current expenditure related with the asset's servicing is not included in the reporting value, but is reported as direct expenditure for investment property in the Statement of Comprehensive Income for the period.

Easy Asset Management AD (PLC) applies the model of the acquisition price for subsequent



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**APPENDIXES TO THE ANNUAL FINANCIAL STATEMENTS**  
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reporting of investment property. The model of the acquisition price requires that investment property is reported at the acquisition price reduced by the charged amortizations and losses from depreciation. Amortization is effected based on the linear method. The land classified as investment property is not amortized. The Company does not possess any investment property, except for land.

Investment property should be checked-up for depreciation every time when indications arise that the reporting value of the asset may not be restored. Loss from depreciation is recognized up to the amount of the positive difference between the reporting value and the restorable value of the asset. The restorable value is determined as the higher of the fair value reduced by the expenditure for realization and the value of the asset in use.

The Company classifies investment property in level 3 of the fair value hierarchy.

Profits or losses resulting from decommissioning or release of investment property are determined as the difference between the net revenue from release and the balance sheet value of the asset and are recognized in the profit or loss in the period of their decommissioning or release.

## **2.6. Credits and receivables**

Credits and receivables are non-derivative financial assets with payments which are fixed or subject to determining, which are not quoted on the active market, and which are not:

- (a) credits which the Company intends to sell immediately, which are classified as held for trading, and those which, after the initial recognition, are determined as reported at fair value in the profit or loss;
- (b) credits which the Company, after the initial recognition, has classified as available for sale; or
- (c) credits for which the Company may not restore to a significant degree the entire initial investment for a reason different from deterioration of the borrower's status.

These financial assets are initially reported at fair value and subsequently, at amortized cost, using the effective interest rate method, reduced by losses from depreciation and non-collectability.

The amortized cost is calculated taking into account all provided discounts or premiums at acquisition and includes fees which are an inseparable part of the valid interest rate, as well as the expenditure related with the transaction. The credits and receivables are indicated in the Financial Status Report as loans and advances extended to customers. The accrued interest is included in the Statement of Comprehensive Revenue as Revenue from Interests. In case of depreciation, the loss from depreciation is reported as withholding from the balance sheet value of the investment and is recognized in the Statement of Comprehensive Revenue as Loss from Depreciation. The amortized part included in the calculations of the effective interest for the period is indicated as correction of the interest revenue in the Statement of Comprehensive Revenue. The losses from depreciation are included in the

Statement of Comprehensive Revenue for the period of effecting the depreciation.

The Company may undertake commitments for crediting where the loans are classified as held for trading since the intention is to sell the credits in the short run. These undertaken commitments for crediting are indicated as derivatives and are evaluated at fair value in the profit or loss for the period.

The credit commitments for which it is expected to be held by the Company after they have been extended are indicated as liability only in the cases where an encumbering contract is available, which will possibly result in loss.

### ***2.7. Financial liabilities***

Financial instruments issued by the Company which do not constitute equity elements in their essence and which are not reported at fair value in the profit or loss for the period are classified as liabilities („attracted funds"), if the contractual agreement results in arising of an obligation for the Company to either provide cash on hand or some other asset to the holder or to implement the obligation through exchange of a fixed amount in cash or some other financial asset for a fixed number of own shares. Financial liabilities are initially recognized at fair value, net of the direct expenditure related with their arising.

After the initial recognition, the issued bonds and the other attracted funds are measured at amortized cost using the effective interest method. The amortized cost is calculated taking into account all discounts or premiums provided at acquisition and it includes fees and remunerations which are an inseparable part of the effective interest rate, as well as the expenditure related with the transaction. The expenditure for interests is indicated in the Statement of Comprehensive Revenue.

A designed financial instrument, which contains simultaneously debt and capital component, is divided on the issue date. The part of the net revenue from the instrument, allocated to the debt component on the issue date is calculated based on the fair value (determined based on a quoted market price for similar debt instruments). The part of the revenue, allocated to the capital component, is equal to the residual sum upon withholding of the sum attributed to the debt instrument. The value of all embedded derivatives (such as, call options), which are different from the capital component, is included in the debt component.

### ***Striking-off of financial assets and liabilities***

A financial asset (or in the cases where applicable, a part of a financial asset or a part of a group of similar financial assets) is stricken-off when the rights to obtain cash flows from this asset have expired, or the Company has transferred its right to obtain cash flows from the asset, or has undertaken a commitment to pay the obtained cash flows in full and with no material delay to a third party under a transfer agreement, and the Company has transferred to a material degree all risks and benefits related with the asset, or the Company has neither received, nor retained to a material degree all risks and benefits from the asset,

but has transferred the control over the asset.

In the cases where the Company has transferred its rights to obtain cash flows from the asset or has concluded a transfer agreement but has neither transferred nor retained to a material degree all risks and benefits from the asset or has not transferred the control over the asset, the asset is recognized up to the degree of the Company's continuing interest in it. In this case, the Company also recognizes the liability related with the asset. The transferred asset and the liability related with it are measured in a way which reflects the rights and obligations preserved by the Company.

The continuing interest in the form of guarantee over the transferred asset is measured by the smaller of the original balance sheet value of the asset and the maximal value of the remuneration which might be required from the Company as back payment.

A financial asset is stricken-off in the cases where the liability is paid-up, cancelled or expires. In the cases where an available financial liability is replaced by another liability with the same creditor under materially different conditions or the conditions of the available liability are changed materially, this change or modification is treated as termination of the recognition of the initial liability and recognition of a new one. The difference between the balance sheet value of the original financial liability and the paid remuneration is indicated in the profit or loss for the period.

### ***2.8. Measurement of the fair value***

For financial instruments which are traded on active markets, the measurement of the fair value is based on market prices or dealer price quotes. A financial instrument is deemed to be traded on an active market, if the quoted prices are regularly available with a stock exchange, dealer, broker, company of the respective industry or regulatory agency and these prices represent actual and regularly effected transactions on the market. If the above-mentioned criteria are not satisfied, the market is deemed to be inactive.

For all other financial instruments, the fair value is measured using measurement models. They include the discounted cash flow method, comparison with similar instruments, for which appropriate for observation market prices are available, option transformation models, credit models, and other relevant measurement models. In applying these models, the fair values are calculated based on observed data with respect to similar financial instruments, use of measurement models for the current value of the expected future cash flows or other measurement techniques, which use input data available as of the date of the Financial Status Report. Some of the input data for these models may not be observable on active markets and therefore, they are measured based on assumptions. The results of a given model represent a measurement or approximation, which may not be determined with absolute certainty and it is possible for the used measurement techniques to not reflect completely all factors corresponding to the positions occupied by the Company. Therefore, the measurements and models are corrected, where appropriate, to allow the inclusion of additional factors, model risks and credit risks including. In the cases where the fair value of a non-quoted capital instrument may not be measured for sure, the instruments are reported

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at acquisition price minus depreciation. The fair values of the credits and advance payments, as well as the liabilities to third parties, are determined using a current value model based on agreed cash flows, taking into account the credit quality, liquidity and expenditure; their fair value does not differ materially from their net balance sheet value. The fair values of contingent liabilities and non-cancellable liabilities under loans correspond to their balance sheet values.

For financial assets and financial liabilities with short-term payment date (less than three months), it is assumed that the balance sheet value is close to their fair value. This assumption is also applied with respect to demand deposits and termless savings deposits.

IFRS 7 *Financial Instruments: Disclosure* requires the clarification appendixes to the Financial Statements to contain information for determining the fair value in accordance with IFRS 13 *Fair Value Measurement* of the financial assets and liabilities which have not been presented at fair value in the Financial Status Report. IFRS 13 defines a hierarchy of the measurement techniques depending on the degree to which the models' input data may be observed or not. Input data which may be observed include market information obtained from external information sources; input data which may not be observed include assumptions and assessments of the Company.

These two types of input information define the following fair value measurement hierarchy:

- Level 1 – quotes from active markets for identical financial instruments. This includes listed capital and debt instruments.
- Level 2 – input data different from the data of Level 1, which may be observed directly or indirectly (i.e. may be derived from market prices).
- Level 3 – input data which may not be observed and/or based on external market information. This group includes instruments the significant components of which may not be observed.

The above-mentioned hierarchy of the measurement methods requires the use of market information wherever possible. In performing the measurements, the Company takes into account the respective possible-for-observation market prices in the cases where this is possible.

Fair value of the financial instruments:

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	<i>As of December 31,</i> 2017		<i>As of December 31,</i> 2016	
	<i>Balance sheet value</i>	<i>Fair value</i>	<i>Balance sheet value</i>	<i>Fair value</i>
<b>Financial assets</b>				
Cash and cash equivalents	11,455	11,455	7,2 60	7,2 60
Credits and receivables from customers	44,621	44,621	35,594	33,661
Extended individually significant loans to legal entities and natural persons	52,265	52,265	29,479	39,479
Commercial and other receivables	2,481	2,481	2,839	2,839
Investments in subsidiaries	6,018	6,018	5,844	5,844
Investment property	-	-	1,000	1,000
<b>Total assets</b>	<b>116,840</b>	<b>116,840</b>	<b>92,016</b>	<b>90,083</b>
<b>Financial liabilities</b>				
Liabilities to banks	4,904	4,904	4,958	4,958
Liabilities to staff and social security institutions	5,740	5,740	4,475	4,475
Commercial and other liabilities	40,336	40,336	16,134	16,134
<b>Total liabilities</b>	<b>50,980</b>	<b>50,980</b>	<b>25,567</b>	<b>25,567</b>

In relation with the requirements of IFRS 13 Fair Value Measurement, the Company considers with particular attention the financial instruments of Level 3, to which refer prices determined by use of input data where observable market information is lacking or where there is small (if any at all) market activity for the asset or liability on the measurement date. The entity prepares observable input variables using the best available information under the given circumstances, which may be entity's own data, while taking into account the whole available information for the assumptions of the market participants. When considering credits extended to customers, which are presented in the reports at amortized cost, measurement techniques are used, based on the revenue approach, which transform future sums (cash flows or revenue and expenditure) into one current (discounted) sum. The measure of the fair value is determined based on the value which is imposed by the current

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market expectations regarding these future sums.

When determining the fair value of the extended credits from the segment of individually significant credits, detailed analysis is made of the restorable values and forecast cash flows, used for measurement by entity. The Company reasonably accepts that the fair value of these financial assets is equal to their balance sheet value.

The following table provides information about the financial instruments as of December 31, 2017, for which disclosure of fair value is required in accordance with IFRS 7, distributed depending on the used evaluation method:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>Financial assets</b>				
Cash and cash equivalents	11,455	-	-	11,455
Credits and receivables from customers	-	-	44,621	44,621
Extended individually significant loans to legal entities and natural persons	-	-	52,265	52,265
Commercial and other receivables	-	-	2,481	2,481
<b>Financial liabilities</b>				
Liabilities to banks	-		4,904	4,904
Liabilities to staff and social security institutions	-	-	5,740	5,740
Commercial and other liabilities	-	-	40,336	40,336

Capital investments in subsidiaries totalling BGN 6,018 thous. have been represented at acquisition price, since their fair value as of December 31, 2017 may not be determined reliably.

***Compensation of financial instruments***

Financial assets and liabilities are netted and the net sum is indicated in the Financial Status Report in the cases where there is executable right to compensate the recognized sums and there is intention to achieve agreement on a net basis or to simultaneously realize the asset and settle the liability.

***Depreciation of financial assets***

*(A) Depreciation of assets reported at amortized cost*

The Company determines at each reporting date whether objective evidence is available that a financial asset or a group of financial assets have been depreciated. A financial asset or a group of financial assets are depreciated only in the cases where objective evidence of

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depreciation is available, resulting from one or more events which have occurred after the initial recognition of the asset („event of loss“) and this event (or events) of loss has had negative effect on the expected future cash flows from the financial asset or group of financial assets of the Company, which may be measured reliably. The criteria used by the Company to determine whether objective evidence of loss from depreciation is available include:

- (a) material financial difficulties of the obligated person;
- (b) violation of a contract, such as failed implementation or delay of interest or principal payment instalments;
- (c) available objective data pointing out that a measurable reduction of the expected future cash flows from a financial asset portfolio is available after the time of the initial recognition of these assets in spite of the fact that the reduction with respect to the individual financial assets in this portfolio may not be identified yet;
- (d) unfavourable changes in the payment status of the borrowers in the portfolio.

Other circumstances may also exist (such as, fraud, unfavourable changes in the employment rate and so on), which are assumed as indication of the credits' depreciation. The Company determines the availability of objective evidence for depreciation of individual credits or groups of credits with similar credit risk characteristics, which are not individually significant and measures them for available depreciation.

The sum of the loss is measured as the difference between the balance sheet value of the asset or group of assets and its/their restorable value which is the current value of the expected future cash flows (except for the future credit losses which have not occurred).

The balance sheet value of the loans is reduced by the amount of the depreciation and the sum of the loss is recognized in the Statement of Comprehensive Income for the period in which the loss has occurred.

The future cash flows of a group of financial assets which are examined for depreciation on a portfolio basis are calculated based on the contractual cash flows, taking also into account historical losses from assets with similar credit risk characteristics. The methodology and the assumptions used to measure future cash flows are reviewed on a regular basis to reduce the differences between the expected values of the losses and the actual losses. In the cases where a certain loan may not be paid-up, it is stricken-off against the accumulated depreciation. These loans are stricken-off after all required procedures have been completed and the sum of the loss has been measured. If, during a next period, the sum of the loss for depreciation is reduced and the reduction is objectively related with an event which occurs after the depreciation's recognition, the loss from depreciation which has been recognized before is restored in the Statement of Comprehensive Income.

***Depreciation of assets classified as available for sale***

The Company determines as of each date of the Financial Status Report whether objective evidence is available that a financial asset or a group of financial assets have been

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depreciated. The material or continuous reduction of the fair value of a financial asset available for sale constitutes objective evidence for depreciation which results in recognition of loss from depreciation. If such evidence exists with respect to assets held for sale, the cumulative loss measured as the difference between the value at acquisition and the current fair value is transferred from the capital and is indicated in the profit or loss for the period.

If, during a subsequent period, the fair value of a debt instrument classified as available for sale is increased and the increase is due to an event which has occurred after the period when the depreciation has been recognized in profits or losses, the depreciation is restored through the Statement of Comprehensive Income.

Losses from depreciation recognized in the profit or loss as investments in capital instruments classified as „available for sale“ are not restored in the profit or loss.

***Depreciation of non-financial assets***

As of each reporting date, the Company determines whether indications are available that the value of a certain asset has been depreciated. If indications for depreciation are available, the restorable value of the asset is measured. In case the restorable value of a certain asset is lower than its balance sheet value, the balance sheet value is reduced up to the amount of the restorable value. Irrespective of whether there are indications for depreciation or not, the Company examines for depreciation all intangible assets with undefined useful life or intangible assets still not available for use on an annual basis.

The restorable value of an asset or cash flow generating unit is the higher of the fair value reduced by the sale-related expenditure of this asset and its value in use. The restorable value is determined for an individual asset, except for the case where, during the asset's use, cash flows are generated which are materially dependent on the cash flows generated by other assets or groups of assets. If this is so, the restorable value is determined for the cash flow generating unit to which the asset pertains. As of each reporting date, the Company determines whether indications are available that a loss from depreciation of a non-financial asset, different from reputation recognized in previous years, may be no more existing or may have been reduced. If such indications are available, the restorable value of the respective asset is measured.

The loss from depreciation of an asset is restored only where a change has occurred in the measurements used during the initial measurement of the asset's restorable value, after the recognition of the last loss from depreciation. In this case, the balance sheet value of the asset is increased to its restorable value, whereas this value does not exceed the balance sheet value, which would have been measured upon withholding amortization provided, during previous years, no loss from depreciation of the asset has been recognized.

***2.9. Lease***

Lease contracts are reported in accordance with IAS 17 and IFRSIC 4. The contracts are classified as financial lease or operating lease, depending on the degree to which the risks



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and benefits from the ownership of the leased asset are for the Lessor or for the Lessee. The judgment as to whether a given agreement constitutes or contains a lease is based on the essence of the agreement, upon determining whether the agreement's implementation depends on the use of the specific asset, as well as determining whether and to what degree the agreement transfers the right to the asset's use. The judgment as to whether a given agreement involves a lease is made in the beginning of the contract.

Another judgment as to whether a given agreement involves a lease after its beginning is made, if only one of the following conditions is satisfied:

- (a) a change in the contractual conditions is available, except where the goal of the change is to renew or extend the agreement;
- (b) the renewal option has been exercised or extension of the agreement has been agreed by the parties, except for the case where the term of the renewal or extension has been initially included in the lease period;
- (c) a change in the judgment as to whether the implementation depends on the specific asset is available;
- (d) a material change in the asset is available, such as material physical change;

If a given agreement is subject to another judgment and it is determined that it involves a lease (or does not involve a lease), the accounting reporting of the lease is applied (or terminated) from the time of arising of the change of the circumstances which have caused the second judgment to be made or accordingly, from the beginning of the period of renewal or extension.

Lease contracts where not all material risks and benefits resulting from the ownership of the asset are transferred are classified as operating lease. Lease payments under operating lease are recognized as expenditure in the Statement of Comprehensive Income proportionally for the whole period of the lease contract. At termination of a lease contract before expiration of the contract's term, expenditure amounting to the penalties or other payments due to the Lessor, related with the contract's termination, is recognized in the Statement of Comprehensive Income on a current basis.

Lease contracts where all significant risks and benefits resulting from the ownership of the asset are transferred are classified as financial lease. In the beginning of the lease term, financial lease is recognized as asset and liability in the Financial Status Report with amount equal to the fair value of the leased property in the beginning of the lease term or, if it is lower - to the current value of the minimal lease payments determined in the beginning of the lease contract. The initial direct expenditure is added to the value recognized as an asset. The obligation for future lease payments, reduced by the financial expenditure for future periods, is reflected in the Financial Status Report.

The minimal lease payments are distributed between the financial expenditure and the reduction of liability. The financial expenditure is distributed by periods for the term of the lease contract, so as to obtain constant interest rate for the periods on the residual amount of the liability. The amortizable sum of the leased asset is distributed on a systematic basis for

each reporting period during the expected use in accordance with the amortization policy adopted by the Company. If there is sufficient degree of certainty that the right to ownership will be obtained by the end of the lease contract's term, the period of expected use is equal to the useful life of the asset; otherwise, the asset is amortized during the shorter of the two terms – the term of the lease contract or the useful life of the asset.

## **2.10. Recognition of revenue and expenditure**

Revenue is recognized to the degree to which economic benefits are available, which are possible to pass over to the Company, and these economic benefits may be measured reliably. The Company observes the following specific criteria for recognition of revenue:

For all financial instruments reported at amortized cost, interest-bearing financial assets classified as available for sale, and financial instruments reported at fair value, the revenue and expenditure from interests are reported in the Financial Statements as *Revenue from Interests* and *Expenditure from Interests* using the effective interest rate method. This is a method for calculation of the amortized cost of financial asset or financial liability and allocation of the revenue from interests or expenditure for interests for the respective period. Effective interest is the interest rate which discounts precisely the measured future cash flows for the life cycle of the financial instrument or where required – for a shorter period with respect to the net carry-over sum of the financial asset or financial liability.

During the calculation of the effective interest rate, the Company measures the cash flows which take into account all contractual conditions of the financial instrument (such as, advance payment options), but does not take into account future credit losses. The calculation includes all fees and commissions paid-up or obtained between the parties to the contract, which constitute an inseparable part of the effective interest rate, transaction expenditure, and all other given or obtained premiums and discounts.

The revenue from penalties and in case of failed implementation of the contractual obligations of the borrowers under extended credits is recognized proportionally to the credit's term. In the cases of payment ahead of time, the residual amount of the receivable is recognized as revenue on the date of the ahead-of-time payment.

### **Revenue from fees and commissions, revenue from dividends**

The fees and commissions are charged at the time of the service's provision. The fees obtained for provision of services for a definite period of time are charged within this period of time. The fees for obligations for extension of loans, which most probably will be drawn, and other fees related with credits, are deferred (together with all additional expenditure) and are recognized by changing the effective interest rate on the loan. The dividends are indicated as revenue in the Statement of Comprehensive Income after the right to their obtaining is established.

## **Customer loyalty programmes**

The credits extended under customer loyalty programmes constitute a separate subject-to-identification component of the transaction under which they have been extended. The fair value of the obtained remuneration with respect to the initial sale is distributed among the credits and the other components of the transaction. The credits extended under loyalty programmes are reported as a correction of the balance sheet value of the credit portfolio and the interest revenue for the period.

### **2.11. Cash and cash equivalents**

Cash and cash equivalents indicated in the Statement of Cash Flows include cash on hand, current accounts and bank deposits with initial date of payment less than three months.

### **2.12. Property, plant and equipment**

Fixed tangible assets are measured at historical price excluding the expenditure for current maintenance minus the accumulated amortization and depreciations. The historical price also includes expenditure which may be directly included in the acquisition price of the respective asset. Subsequent expenditure is capitalized in the value of the asset or is recognized as a separate tangible asset only in the cases where it is possible to generate future economic benefits and where this additional expenditure may be measured reliably. The carry-over value of a replaced part of a fixed tangible asset is stricken-off. All other expenditure for repair and maintenance are recognized in the Statement of Comprehensive Income in the period of their arising.

The amortizations of fixed assets are calculated after the linear method so that their wearing-out corresponds to the useful life envisaged for them as of December 31, 2017 and December 31, 2016, as follows:

Equipment	3.33 years
Vehicles	4 years
Computers and periphery	2 years
Other	6.7 years

### **2.13. Intangible assets**

Intangible assets consist of software, licenses and other separately identifiable assets. Fixed intangible assets are reported at acquisition price minus the accumulated amortization and the accumulated losses from depreciation. The amortizations of fixed assets are calculated after the linear method so that their wearing-out corresponds to their envisaged useful life.

The management of the Company recalculates the carry-over value and the residual useful life of intangible assets as of each reporting date. In case of occurred changes in the residual useful life of the assets, the methods or the amortization period is changed, which is treated as change of accounting estimates. Intangible assets with indefinite useful life are not

amortized, but are examined from time to time for available indications of depreciation. Review for available indications of depreciation is made on an annual basis for all intangible assets. In case such indications are available as of the date of the Financial Status Report, the assets are subject to additional analysis to establish whether their balance sheet value is restorable. In case the balance sheet value of an intangible asset is lower than the restorable value, loss from depreciation is recognized in the Statement of Comprehensive Income.

The acquired licenses for program software are recognized in the cases where they may be separated or they result from contractual or other legal rights, the expenditure related with their acquisition may be measured reliably, and it is possible for future economic benefits to arise from their use. Software has maximal expected useful life of 2 years.

The other intangible assets are initially recognized when they are identified or arise as a result of contractual or other legal rights, the expenditure related with their acquisition may be measured reliably and (in the case of intangible assets which have not been acquired as a result of business combinations), when expected future economic benefits related with the assets are available. The other intangible assets are measured at prime cost reduced by the accumulated amortization and depreciation. These assets are amortized for their useful period of use in a way which reflects their contribution to the future cash flows of the Company.

#### **2.14. Provisions**

Provision for legal or constructive obligation is recognized when the Company has current liability as a result of past events; it is highly probable that, to pay-up the obligation, an outgoing flow of resources will be required; reliable measurement of the value of liability may be made. The expenditure in relation with all provisions is presented in the Statement of Comprehensive Income without compensation. The Company does not recognize provisions for future operating losses. In the cases where there are multiple liabilities of similar nature, the probability for settlement is determined, considering these similar liabilities as a whole. Provision is recognized even where the probability for payment of a given separate liability from the group of similar liabilities is low. Provisions are discounted when the effect is material, whereas in these cases, the sum of the provision represents the current value of the payments which are expected to be made to cover the liability. The discount percent is the percent before taxation which reflects the current market measurement of the time differences in cash value and liability-specific risks. The discount percent does not reflect risks for which the future cash flows have been already recalculated. The increase of the provision due to lapse of time is recognized as expenditure for interests.

#### **2.15. Payments based on shares**

The staff of the Company obtains remunerations based on shares, whereas the employees provide services for remuneration obtained in the form of capital instruments. The expenditure for transactions related with shares is recognized together with the respective increase of the capital for the period during which the implementation and/or the conditions for provision of services have been satisfied as of the date on which the respective

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employees obtain full right to their receival („date of rights acquisition“). The cumulative expenditure recognized for the transactions related with shares for each reporting date until the date of acquisition of rights, reflects the degree to which the period of rights acquisition has elapsed and the best measure of the Company regarding the capital instruments for which rights will be ultimately acquired. The expenditure is indicated as *Expenditure for Staff*. In the cases where the conditions for payments based on shares are changed, the minimal expenditure recognized in *Expenditure for Staff* are the expenditures such as they would have been, if the conditions had not been changed. Additional expenditure for all modifications is recognized, which increases the total value of the agreement for payment by shares or is otherwise to the benefit of the employee. In the cases where payments based on shares are cancelled, the cancellation is treated as transferred right from the date of cancellation and all expenditures which have still not been recognized by the cancellation date are recognized immediately.

If, in the place of an old programme for payment by shares, a new programme is introduced, the cancelled programmes and the new programmes are treated in such a way, as if they are a modification of the original programme, as described above.

The expenditure for payments based on shares is measured initially at fair value using price formation model taking into account the conditions under which the instruments have been provided. This fair value is indicated as expenditure for the period of the rights' acquisition. The liabilities under the programme are recalculated at fair value in each Financial Status Report until the settlement date including, whereas the changes in the fair value are reported in the Statement of Comprehensive Income.

#### **2.16. Current income tax**

The Company charges current taxes according to Bulgarian law. The profit tax is calculated based on the taxable profit for the period determined in accordance with the rules established by the tax regulatory actions. The tax effect related with transactions or other events is reported in the Statement of Comprehensive Income. The tax effect related with transactions or other events, reported directly in the equity, is referred directly to the equity. The current tax assets and liabilities for the current year and the previous years are the amount which is expected to be restored by or paid to the tax authorities. The tax tariffs used during the calculations are those which have been established by law as of the date of the Financial Status Report.

#### **2.17. Deferred taxes**

The receivables and liabilities under deferred taxes are reported for all temporary differences subject to taxation using the balance sheet method of the liabilities, applied on the difference on the tax basis of the assets and liabilities and their reporting value indicated in the Financial Statements. Deferred taxes are reported for all temporary differences subject to withholding up to the degree to which it is possible to have available future taxable profit against which the respective withholdings are to be made.

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Deferred taxes are recognized as revenue or expenditure and are included in the net profit for the period, except for the cases where these taxes arise from a transaction or an event reported for the same period or a different period directly in the equity. Deferred taxes are calculated in or withheld directly from the equity where these taxes refer to positions which are charged or withheld through the same period or a different period directly in the equity.

Deferred taxes are recognized as revenue or expenditure using the tax tariffs applicable as of the date of preparation of the Financial Statements. Deferred taxes are not recognized in the cases where they arise from the initial reporting of an asset or liability with a transaction for which, as of the time of transaction, there is no reflection in the accounting profit or the tax profit (loss). Deferred taxes arisen as a result of investments in subsidiaries and operations abroad are recognized in the Statement of Comprehensive Income and the Financial Status Report, except for the cases where the period of calculation (or withholding) of these temporary differences is controlled by the Company and it is highly probable that the temporary difference will not be displayed retrospectively in the future.

### **2.18. Redeemed own shares and own share contracts**

The equity instruments of the Company which have been acquired by it or by its subsidiaries (own Company shares) are withheld from the capital and are reported at weighted average acquisition price. The paid-up or obtained remuneration for purchase, sale, issuing or cancellation of the Company's equity instruments is recognized directly in the equity. The profits or losses are not recognized in the Statement of Comprehensive Income. The contracts for own shares which are related with issuing of own shares for a remuneration are classified as capital and are added to or withheld from the capital. The contracts for own shares which require net settlement in cash or provide a settlement choice while keeping the value of the contractual obligation, resulting in change of the number of shares or change of their fair value, are classified as financial liabilities.

### **2.19. Dividends**

The dividends related with ordinary shares are recognized as liability and are withheld from the capital in the cases where they have been approved by the Company shareholders. The intermediate dividends are withheld from the capital in the cases where they have been declared. The dividends for the year, which have been approved after the end of the reporting period, but before the date of issuing of the Financial Status Report, are disclosed as an event after the date of issuing of the Financial Status Report.

### **2.20. Staff revenue**

The Company makes contributions to different public or privately administered pension schemes and funds. The effected payments in relation with this short-term staff revenue are recognized as staff expenditure for the period.

The Company is obliged to pay to its employees income at retirement, provided a number of legal grounds are satisfied in accordance with the respective labour law. The Company

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recognizes expenditure for compensations at termination of employment contracts, if the following conditions are satisfied: a solid commitment and a detailed plan for termination of employment relationships and a legally established obligation for payment of such short-term income to the staff are available. Staff income which is due for a period longer than one year after the date of o, is discounted to its current value.

In accordance with Bulgarian labour law, the Company is obliged to pay 2 or 6 gross monthly working remunerations to its employees at retirement, whereas the amount depends on the length of service with the Company. If the length of service of the employee with the Company is more than 10 years, the income at retirement amounts to 6 gross monthly salaries; in the other cases, the sum of the compensation at retirement amounts to 2 gross monthly salaries. These liabilities for payment of income at retirement are not secured by funds collected in a special fund (i.e. the obligations are not funded). The Management of the Company has calculated the current value of these liabilities as of the preparation date of the Financial Statements based on actuary calculations after the forecast unit method.

### **2.21. Comparative data**

Except for the cases where some standard or standard interpretation requires or admits otherwise, all values in the report are indicated or disclosed together with comparative information for previous periods. In the cases where IAS 8 is applied, comparative data are corrected, so as to comply with the changes in presentation during the current year.

### **2.22. Related persons**

For the purposes of these Financial Statements, the Company presents as related persons the partners, their subsidiaries and associated companies, company officers, as well as close members of their families, including the companies controlled by all above-mentioned persons, are considered and treated as related persons.

### **2.23. Significant accounting calculations and approximations**

The presentation of the Financial Statements according to IFRS requires of the Management to make the best approximations and reasonably grounded assumptions which affect the reported values of the assets and liabilities and the disclosure of contingent receivables and liabilities as of the date of the report, and accordingly, the values of the revenue and expenditure for the reporting period.

The approximations and the related assumptions are based on the historical experience and other factors which are reasonable under these circumstances and the results of which form the basis for approximations regarding the balance sheet value of the assets and liabilities, which are not evident from other sources. The actual results may differ from the preliminary approximations made.

Accounting approximations and basic assumptions are reviewed on a regular basis. Correction of accounting approximations is made in the year of the second reviewing of approximations,

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if the correction refers to the current year and the future years. The approximations of the Management in applying IFRS, which have material effect on the financial reports, and the accounting approximations with material risk of material correction during the next year are presented here below.



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(in all Appendixes the amounts are indicated in BGN thous., except where stated otherwise)

**3. Revenue from interests and penalties in case of failed implementation of the contractual obligations**

	<b>2017</b>	<b>2016</b>
Revenue from interests and penalties in case of failed implementation of the contractual obligations of the borrowers under extended credits	92,376	77,970
Revenue from interests on deposits and current accounts	1	8
	<u>92,377</u>	<u>77,978</u>

**4. Expenditure for interests**

	<b>2017</b>	<b>2016</b>
Interests on bank loans	76	216
Interests on financings	1,104	400
Other interests on transferred financial assets	122	11
	<u>1,302</u>	<u>627</u>

**5. Other financial revenue/(expenditure), net**

	<b>2017</b>	<b>2016</b>
<b>Revenue:</b>		
Revenue from currency operations and depreciations	133	519
Revenues from ceded receivables	2,413	1,835
Collected sums exceeding the acquisition price of purchased receivables (see also Note 12)	-	48
	<u>2,546</u>	<u>2,402</u>
<b>Expenditure:</b>		
Expenditure under currency operations and depreciations	(729)	(655)
Expenditure under operations with financial assets and instruments	(110)	(21)
Expenditure related with foreign currency trading	(645)	(1,695)
Expenditure for fees and commissions	(228)	(160)
	<u>(1,712)</u>	<u>( 2,531)</u>
	<u>834</u>	<u>(129)</u>

**6. Expenditure for staff**

	<b>2017</b>	<b>2016</b>
Salaries and remunerations	34,862	29,061
Social security contributions	4,363	3,562
	<u>39,225</u>	<u>32,623</u>

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**7. Other operating expenditure, net**

	<b>2017</b>	<b>2016</b>
<i>Other operating revenue:</i>		
Revenue from provision of services	160	121
Other operating revenue	53	49
	<u>213</u>	<u>170</u>
<i>Other operating expenditure:</i>		
Expenditure for materials	(1,269)	(1,085)
Operating lease	(2,315)	(1,876)
Advertising and marketing	(2,910)	(2,759)
Telecommunication and postal expenditure	(615)	(535)
Transport and business trips	(1,290)	(937)
Advisor's, legal services	(362)	(485)
Consumables, electricity including	(373)	(333)
Office security	(122)	(94)
Insurances	(144)	(146)
Repair and technical maintenance	(248)	(257)
Representative and not related with the activity	(684)	(512)
Other operating expenditure	(1,722)	(1,835)
	<u>(12,054)</u>	<u>(10,854)</u>
	<b><u>(11,841)</u></b>	<b><u>(10,684)</u></b>

**8. Temporary tax differences**

The Company has no contingent receivables or liabilities related with taxation, and it does not expect any significant changes in its tax status, related with changes in tax tariffs or tax acts in subsequent reporting periods.

	<b>2017</b>	<b>2016</b>
Expenditure for current corporate tax	290	1,288
Effect from deferred taxes	(74)	(22)
<b>Total</b>	<b><u>216</u></b>	<b><u>1,266</u></b>

The applicable tariff for tax liabilities in Bulgaria for 2017 is 10% (2016: 10%). The calculation of the tax expenditure and the accounting profit multiplied by the applicable tax tariff for the years ending on December 31, 2017 and December 31, 2016 is, as follows:

	<b>2017</b>	<b>2016</b>
Profit before taxes	1,976	12,101
Expenditure for tax with effective tax tariff of 10% (2016: 10%)	198	1,210
Tax effect from expenditure not recognized for tax purposes and other	18	56
<b>Expenditure for tax</b>	<b><u>216</u></b>	<b><u>1,266</u></b>

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The following table shows the effect of deferred tax assets and liabilities in the Financial Status Report and the Statement of Comprehensive Income:

	<b>2017</b>	<b>2016</b>
Assets under deferred taxes	<b>297</b>	<b>223</b>
	<b>2017</b>	<b>2016</b>
In the beginning of the year:	223	229
(Expenditure)/Revenue in the Income Statement	74	(6)
<b>In the end of the year</b>	<b>297</b>	<b>223</b>

The movement of the temporary tax differences (before compensation of the sums in the respective tax jurisdiction) during the period is, as follows:

<b>Assets/liabilities under deferred taxes</b>	Unused leaves	Staff income	Other	Total
<b>As of January 01, 2016</b>	<b>75</b>	<b>95</b>	<b>31</b>	<b>201</b>
(Expenditure)/Revenue in the Income Statement	28	(5)	(1)	22
<b>As of December 31, 2016</b>	<b>103</b>	<b>90</b>	<b>30</b>	<b>223</b>
<b>As of January 01, 2017</b>	<b>103</b>	<b>90</b>	<b>30</b>	<b>223</b>
(Expenditure)/Revenue in the Income Statement	53	4	17	74
<b>As of December 31, 2017</b>	<b>155</b>	<b>95</b>	<b>47</b>	<b>297</b>

## **9. Revenue per share**

The major revenue per share is calculated dividing the net profit for the year which is due to the ordinary shareholders by the weighed average of ordinary shares which have not been paid during the respective year. The Company has not issued or obtained any financial instruments reducing the value of the profit per share. There have been no material transactions including ordinary shares or potential ordinary shares between the reporting date and the date of approval of these individual Financial Statements which might require recalculation of the revenue per share.

The following table shows the data used in the calculations of the profit per share:

	<b>2017</b>	<b>2016</b>
Net profit distributable for the shareholders	1,760	10,835
Number of ordinary shares	8,503	8,503
<b>Revenue per share</b>	<b>0.21</b>	<b>1.27</b>

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### **10. Dividends**

In 2017, dividends have been distributed and paid-up, amounting to BGN 1,600 thous. (BGN 1,900 thous. in 2016).

### **11. Cash and cash equivalents**

	<b>2017</b>	<b>2016</b>
Cash on current accounts	10,249	6,347
Cash on hand	1,118	859
Cash in transit	88	54
	<u>11,455</u>	<u>7,260</u>

Cash and cash equivalents represent cash on hand and cash on bank accounts.

### **12. Credits and receivables from customers**

	<b>2017</b>	<b>2016</b>
Principles and charged interests	72,404	49,511
Other receivables, including judicial	977	965
Minus: charged losses from depreciation	(28,760)	(14,882)
	<u>44,621</u>	<u>35,594</u>

All credits are with fixed interest rates.

The change of losses from depreciation of credits to customers is, as follows:

	<b>2017</b>	<b>2016</b>
<b>In the beginning of the period</b>	14,882	15,741
Charged during the year, net of reintegrated depreciations	38,457	14,998
Restored loss from depreciations	-	(11)
Stricken-off against provisions	(24,579)	(15,846)
<b>In the end of the period</b>	<u>28,760</u>	<u>14,882</u>

For its internal needs, the Company uses its own models to measure and analyse credit risk. These rating and measurement models are used during the analysis of the credit portfolio and serve as a basis in the calculation of the loss from non-returnable credits.

**13. Extended individually significant loans to legal entities and natural persons**

	<u>2017</u>	<u>2016</u>
Extended commercial loans to related persons, including charged interests	50,580	35,800
Extended commercial loans to legal persons, including charged interests	17,873	18,862
Extended commercial loans to natural persons, including charged interests	738	1,615
Minus: losses from depreciation	<u>(16,926)</u>	<u>(16,798)</u>
<b>Total</b>	<b><u>52,265</u></b>	<b><u>39,479</u></b>

All extended commercial loans are unsecured and with fixed interest rate.

The change of the losses from depreciation of loans extended to legal entities and natural persons is, as follows:

	<u>2017</u>	<u>2016</u>
<b>In the beginning of the period</b>	16,798	19,188
Charged during the year, net of reintegrated depreciations	136	2,744
Restored loss from depreciation	-	(4,064)
Stricken-off against provisions	<u>(8)</u>	<u>(1,070)</u>
<b>In the end of the period</b>	<b><u>16,926</u></b>	<b><u>16,798</u></b>

The extended individually significant commercial loans are reviewed for depreciation based on the individual characteristics of the credit receivable.

**14. Commercial and other receivables**

	<u>2017</u>	<u>2016</u>
Extended advance payments	679	778
Guarantees	143	102
Receivable under cession of credits and receivables	1,033	1,258
Other receivables from related persons	-	667
Receivable for corporate tax	411	-
Other	<u>215</u>	<u>34</u>
<b>Total</b>	<b><u>2,481</u></b>	<b><u>2,839</u></b>

The structure of the receivables under cession of credits and receivables is, as follows:

	<u>2017</u>	<u>2016</u>
Receivable under cession of an active portfolio in relation with termination of the offering of the respective product	685	1,146
Receivable under cession of unserviced receivables own portfolio	<u>348</u>	<u>112</u>
<b>Total</b>	<b><u>1,033</u></b>	<b><u>1,258</u></b>

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The receivable under cession of an active portfolio in relation with termination of the offering of the respective product has been discounted for the time of realization, whereas the gross amount of the receivable as of December 31, 2017 amounts to BGN 938 thous. (BGN 1,538 thous. as of December 31, 2016), the effect of discounting at measurement of the restorable value amounts to BGN 249 thous. (BGN 392 thous. as of December 2016). In 2017, the sum of reintegrated depreciations amounts to BGN 143 thous. (BGN 99 thous. for 2016).

**15. Investments in subsidiaries**

Information about the investments in subsidiaries is presented on the following table:

	Gross amount of investment		Charged depreciation		Net balance sheet value after depreciation	
	<i>As of December 31, 2017</i>	<i>As of December 31, 2016</i>	<i>As of December 31, 2017</i>	<i>As of December 31, 2016</i>	<i>As of December 31, 2017</i>	<i>As of December 31, 2016</i>
Easy Credit LLC	13,797	13,797	12,232	12,232	1,565	1,565
STs Easy Asset Management IFN AD	861	861	4	4	856	856
I Credit SP.Z.O.O.	90	90	-	-	90	90
I Credit S.R.O. Financial	44	44	1	1	43	43
Company M Cash Macedonia	196	196	-	-		
DOOEL Skopje					196	196
M Cash OOD	-	180	-	-	-	180
Management Group EAD	12	12	12	-	-	12
Easy Payment Services EOOD	840	700	-	-	840	700
Dabrava Investments EAD	1,050	1,050	-	-	1,050	1,050
Акces Капитал ЕАД	1,050	1,050	-	-	1,050	1,050
Easy Credit Asia Financial Bulgaria	102	102	-	-	102	102
EOOD	225	-	-	-	226	-
<b>Total</b>	<b>18,267</b>	<b>18,081</b>	<b>12,249</b>	<b>12,237</b>	<b>6,018</b>	<b>5,844</b>

The Company possesses 100% of Easy Credit (“Subsidiary”). The Subsidiary is registered in accordance with Ukrainian law and the regulatory requirements regarding non-banking financial institutions. The sum of the initially registered capital of the Subsidiary is 6,922 Ukrainian hryvnia (UAH), which as of the date of

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the capital's registration were equal to EUR 800 thous. or BGN 1,565 thous. In 2015, the decision was taken to increase the capital up to UAH 102,460, equal to EUR 4,581 thous. or BGN 8,960 thous. as of the date of the capital's increase.

The Company possesses 100% (99.9995416%) of STs Easy Asset Management IFN AD ("Subsidiary"). The Subsidiary is registered in accordance with Romanian law and the regulatory requirements for non-banking financial institutions. The total number of shares is 459 800 pcs., and the capital amounts to BGN 861 thous. (equal to EUR 440 thous.). The currency in which the Subsidiary's capital is registered is Romanian lei (RON). As of December 31, 2017 the shareholders capital of the Subsidiary amounts to RON 1,963 thous.

The Company possesses 100% of I Credit SP.Z.O.O. ("Subsidiary"), established in 2014. The Subsidiary is registered in accordance with Polish law and the regulatory requirements for non-banking financial institutions. The value of the registered capital of the Subsidiary amounts to BGN 2 thous. (equal to 5 thous. Polish zlotas [PLN]) as of the date of registration. In 2016, the decision was taken to increase the capital up to PLN 200 thous.

The Company possesses 100% of I Credit S.R.O. ("Subsidiary"), established in 2014. The Subsidiary is registered in accordance with Czech law and the regulatory requirements for non-banking financial institutions. The value of the registered capital of the Subsidiary amounts to BGN 142 thous. (equal to 2 million Czech kronas [CZK]) as of the date of establishment.

The Company possesses 100% of the Financial Company M Cash Macedonia ("Subsidiary"), established in 2014. The Subsidiary is registered in accordance with the law of the Republic of Macedonia and the regulatory requirements for non-banking financial institutions. The value of the registered capital of the Subsidiary amounts to BGN 196 thous. (equal to EUR 100 thous.).

The Company possesses 70% of M Cash OOD - in liquidation ("Subsidiary"), established in 2014. The value of the registered capital of the Company amounts to BGN 200 thous. The activity of the Company is related with commercial mediation, marketing activity and customer servicing. In 2017, the Company did not perform and business activity.

The Company possesses 100% of Management Group EAD - in liquidation ("Subsidiary"), established in 2015. The Subsidiary is registered in accordance with the law of the Republic of Bulgaria. The value of the registered capital of the Subsidiary amounts to BGN 12 thous. The subject of activity of the Company includes provision of investment management services, entity management advice, accomplishment of transactions and investment. In 2017, the Company did not perform and business activity.

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The Company possesses 100% of Dabrava Investments EAD – in liquidation (“Subsidiary”), established in 2014. The Subsidiary is registered in accordance with the law of the Republic of Bulgaria. The value of the registered capital of the Subsidiary amounts to BGN 51 thous. The subject of activity includes preparation of analyses, business and investment plans, transactions and intellectual property, investment management and more. In 2017, the Company did not perform and business activity.

The Company possesses 100% of Access Capital EAD – in liquidation (“Subsidiary”), established in 2014. The Subsidiary is registered in accordance with the law of the Republic of Bulgaria. The value of the registered capital of the Subsidiary amounts to BGN 51 thous. The subject of activity includes implementation of investment projects, management of real estates, advisory and mediation activity. In 2017, the Company did not perform and business activity.

The Company possesses 84% of Easy Payment Services EOOD (“Subsidiary”), established in 2016. The Subsidiary is registered in accordance with the law of the Republic of Bulgaria. The value of the registered capital of the Subsidiary amounts to BGN 1,000 thous. The activity of the Company is related with implementation of payment operations, issuing of payment instruments and/or acceptance of payments with payment instruments.

The Company possesses 98% of Easy Asset Management Asia Limited (“Subsidiary”), established in 2016. The Subsidiary is registered in accordance with the law and the regulatory requirements of the Republic Union of Myanmar. The value of the registered capital of the Subsidiary amounts to USD 200 thous., equal to BGN 345 thous. as of the date of establishment.

In 2017, "Easy Asset Management" AD initiated acquisition of the shares of the local division of the British group for non-banking user crediting International Personal Finance (IPF) – "Provident Financial Bulgaria" OOD. The Company possesses 100% of Financial Bulgaria EOOD (“Subsidiary”). The Subsidiary is registered in accordance with the law of the Republic of Bulgaria. The value of the registered capital of the Subsidiary amounts to BGN 51 million.

The change of the losses from depreciation of investments in subsidiaries is, as follows:

	<b>2017</b>	<b>2016</b>
<b>In the beginning of the period</b>	12,237	5,198
Charged during the year, net of reintegrated depreciations	12	7,959
Stricken-off against provisions	-	(920)
<b>In the end of the period</b>	<b>12,249</b>	<b>12,237</b>

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As of December 31, 2016 the Company has analysed the restorable value of the investments in subsidiaries and the receivables under the loans extended to them. The Management of the Company believes that the respective net balance sheet values as of December 31, 2017 are restorable.

**16. Investment property**

As of December 31, 2016 the investment property of the Company, the value of which amounted to BGN 1 000 thous. represented a terrain located in the city of Sofia, Vrabnitsa Municipal District. The Management of the Company believes that the market value of the asset corresponds to its balance sheet value.

As of December 31, 2016, in determining the fair value, the purchase value was used since the terrain was acquired on December 29, 2016 and the Management of the Company believes that, on account of the short period elapsed since the date of purchase, the market expectations for maximizing the value of the asset depending on its use are applied. The applied evaluation technique corresponds to Level 3 of the hierarchy of fair values.

In 2017, the investment property located in the city of Sofia, Vrabnitsa Municipal District, was sold.

**17. Property, plant and equipment**

	Plant and equipment	Vehicles	Other	Total
<b>As of January 1, 2016</b>				
Reported value	76	257	734	1,067
Accumulated amortization	(76)	(257)	(390)	(723)
<b>Balance sheet value</b>	<b>-</b>	<b>-</b>	<b>344</b>	<b>344</b>
<b>December 31, 2016</b>				
Balance sheet value in the beginning of the period	-	-	344	344
Acquired	-	-	102	102
Expenditure for amortization	-	-	-	(205)
Stricken-off at balance sheet value	-	-	-	-
<b>Balance sheet value in the end of the period</b>	<b>-</b>	<b>-</b>	<b>241</b>	<b>241</b>
<b>As of January 01, 2017</b>				
Reported value	76	152	718	946
Accumulated amortization	(76)	(152)	(477)	(705)

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Balance sheet value	-	-	241	241
<b>December 31, 2017</b>				
Balance sheet value in the beginning of the period	-	-	241	241
Acquired	-	-	223	223
Stricken-off (at balance sheet value)	-	-	-	-
Expenditure for amortization			(187)	(187)
Balance sheet value in the end of the period	-	-	277	277
<b>As of December 31, 2017</b>				
Reported value	76	47	935	1,058
Accumulated amortization	(76)	(47)	(658)	(781)
Balance sheet value	-	-	277	277

**18. Intangible assets**

	Software	Total
<b>As of January 1, 2016</b>		
Reported value	381	381
Accumulated amortization	(264)	(264)
<b>Balance sheet value</b>	<b>117</b>	<b>117</b>
<b>December 31, 2016</b>		
Balance sheet value in the beginning of the period	117	117
Acquired	48	48
Expenditure for amortization	(82)	(82)
Stricken-off at balance sheet value	-	-
<b>Balance sheet value in the end of the period</b>	<b>83</b>	<b>83</b>
<b>As of January 01, 2017</b>		
Reported value	428	428
Accumulated amortization	(345)	(345)
Balance sheet value	83	83
<b>December 31, 2017</b>		
Balance sheet value in the beginning of the period	83	83

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Acquired	328	328
Stricken-off (at balance sheet	-	-
Expenditure for amortization	(218)	(218)
Balance sheet value in the end of the period	193	193

**As of December 31, 2017**

Reported value	756	756
Accumulated amortization	(563)	(563)
Balance sheet value	193	193

**19. Liabilities to banks**

The liabilities to banks include interest bank loans under revolving credit facilities. The Company has no delays on principals, interests and other liabilities as of December 31, 2017 and December 31, 2016. The interest on credits is calculated based on the effective profitability, applying the effective interest rate. The attracted funds are with variable interest rates in the form of a basic interest rate and a surplus. Under a major credit facility/overdraft for working funds, the sum of the liability amounts to BGN 4,900 thous. with effective interest rate of 5% (BGN 4,932 thous. as of December 31, 2016). The credit is secured by registered pledges on portfolios of credit receivables, as well as mortgaged property of co-debtors. Other liabilities to banks include revolving credit cards with total sum of the liability as of December 31, 2017 amounting to BGN 4 thous. (BGN 26 thous. as of December 31, 2016)

**20. Liabilities to staff and social security institutions**

The liabilities related with staff income consist of the following:

	<b>2017</b>	<b>2016</b>
Staff-related liabilities	2,973	2,451
Social security liabilities	747	608
Unused leave and other short-term staff income	1,550	1,025
Taxes on natural person incomes	470	391
	<b>5,740</b>	<b>4,475</b>

**Long-term staff income**

According to the Labour Code of the Republic of Bulgaria, the Company, in its capacity of Employer, is obliged to pay between two and six gross monthly working remunerations to its employees at retirement, depending on their length of service, as follows:

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Length of service	number of monthly working remunerations
Working for the Company during the last 10 years	2
Working for the Company for more than 10 years	6

The basic assumptions as of the date of the report are the following:

	2017	2016
Discount interest rate	1,02%	1,80%
Future salary growth	2,00%	2,00%

As of December 31, 2017, BGN 454 thous. (as of December 31, 2016: BGN 284 thous.) have been charged for provisions for liabilities at retirement, which are included above in the total liability to the staff.

Until 2011, the employees of the Company and its subsidiaries had the right to participate in a payment plan in the form of shares. All employees had the right to participate in a plan for purchase of shares, provided they had length of service with the Company of at least one year. The employees acquired rights to the shares, if they worked for the Company for one year after the date of providing the shares. The shares under the plan are paid in cash and the redemption price is equal to the net consolidated profit per share for the previous financial year multiplied by a factor of 10. The term of the contract is unlimited and there are no alternatives for non-cash settlement. There have been no cancellations or amendments of the plan in 2017.

## 21. Commercial and other liabilities

	2017	2016
Liabilities to providers	546	1,481
Settlements with owners and managers	-	-
Liabilities under guarantees	3,100	784
Liabilities under cessions – purchased receivables	28,331	2,572
Liabilities under other financings	8,266	11,239
Liabilities for other taxes and fees	69	45
Other liabilities	24	13
	<b>40,336</b>	<b>16,134</b>

Liabilities under guarantees represent redemption commitments undertaken by the Company under ceded receivables on credits from its own portfolio up to the amount of the transferred principal.

In 2016, the Company started partnership with a platform for P2P investments, regulated according to the legal framework of the Republic of Estonia. The platform provides the possibility to invest in credits already extended by the Company, which

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acts in its capacity of originator. This is done by transfer of rights, whereas the gross balance sheet value of the transferred unstricken-off assets as of December 31, 2017 amounts to BGN 3,100 thous. (BGN 784 thous. as of December 31, 2016). The investor may choose in what part of the credit to invest, the maximal threshold being up to 70% of the principal on the credit. The credits which are financed through the platform are of different type and default, whereas their realization is within one year. The originator is obliged to pay-up the remaining part of the principal to the investor in case of delay of more than 60 days. The maximal exposition of the Company with respect to the credit risk is up to the amount of the transferred principal and, as of December 31, 2017, it amounts to BGN 3,100 thous. (BGN 784 thous. as of December 31, 2016). The reported expenditure recognized during the period amounts to BGN 122 thous. (BGN 11 thous. for 2016). The fair value of the transferred unstricken-off assets of the Company and the related liabilities as of December 31, 2017 amount to BGN 3,100 thous. (BGN 784 thous. as of December 31, 2016). The Company does not strike-off the credits transferred through the platform in the individual Financial Status Report, since the conditions of IAS 39 for striking-off of financial assets are not satisfied, but reports a corresponding liability under guarantees.

The liabilities of the Company under other fundings include unsecured commercial loans from related companies with interest rates of up to 10%, see also Note 26.

## **22. Equity**

On March 07, 2017, in pursuit of the vision to create a leading group of companies for non-banking financing, the majority shareholders of "Easy Asset Management" AD contributed 48% of the shares or 4 081 440 ordinary shares in book-entry form with the right to vote to the Company capital in "Management Financial Group" AD. The value of the non-cash contribution was valued at BGN 34,080,024.

As of December 31, 2017 the shareholder capital remained unchanged with respect to the end of the previous reporting period. The number of issued ordinary shares was 8,503,000 with face value of BGN 1, whereas the total sum of the shareholder capital amounted to BGN 8,503 thous. as of December 31, 2017. Ultimate majority owners of the Company are "Management Financial Group" AD with 48%, Nedelcho Yordanov Spasov and Stanimir Svetoslavov Vasilev, each of them possessing 20.56% of its shareholder capital or a total of 41.12%. The Company forms legal reserves in accordance with the requirements of the Trade Act amounting to BGN 15,910 thous. of legal reserves.

In 2016, as a result of purchase of own shares of face value of BGN 1, the Company reported redemption expenditure amounting to BGN 521 thous., which were referred to reduction of equity at the expense of undistributed profit. In 2017, the reported expenditure for redemption of own shares amounted to BGN 134 thous.

**23. Redeemed own shares**

	2017	2016
<b>As of January 1:</b>	67	13
Redemption of own shares	6	54
Sale of own shares	-	-
<b>As of December 31:</b>	<b>73</b>	<b>67</b>

**24. Financial risk management**

The nature of the Company activity requires also undertaking professional management of certain financial risks. The major functions of the risk management unit are to identify and measure all major risks for the Company activity, as well as to manage the risk expositions and the distribution of resources. The Company reviews on a regular basis its policies and risk management systems to reflect the changes in the markets, products and/or market practices.

The objective of the Company is to achieve proper balance between the undertaken risks and the obtained profitability, as well as to minimize the potential unfavourable effects on the financial results. In this context, risk is defined as the probability to suffer losses or lost benefits due to factors internal or external for the organization. Risk management is exercised according to rules and procedures approved by the Board of Directors. The Company identifies, measures and manages financial risks in close interaction with all operating units. The Board of Directors sets the principles of overall risk control and management and the written policies regarding Company-specific risks, such as, for instance, risks of change in exchange rates, credit risk, financial instruments and more. In addition, the internal control unit carries out independent review of the risk management systems, as well as review of the control medium. The risks arising in relation with financial instruments to which the Company is exposed include credit risk, liquidity risk, market risk (disclosed here below), and operating risk.

**24.1 Credit risk**

Credit risk is related with the suffering of financial losses on account of failed implementation of the obligations of the Company customers, providers and creditors. Credit risk is related most of all with the credits extended to Company customers.

On account of the nature of the Company activity, the risks of major importance are the risks related with the credit expositions of third parties to the Company. The credit risk for the portfolio of microcredits is measured on a portfolio basis and it requires making additional calculations of the probability for failed payment on the date of payment, the percent of loss, correlation relationships in the portfolio of assets and other related therewith.

For its internal needs, the Company uses own models to measure and analyse credit risk. These rating and measurement models are used in the analysis of credit portfolios. When measuring credit risk, the Company analyses the following key components:

- “Insolvency probability” for customers in relation with contractual relations;
- The current expositions to these third parties, as well as their expected future development;
- The possible percent of restoration of the Company receivables (so-called „loss in case of failed implementation”).

These models are subject to periodic review and comparison of their behaviour with the real quantities, and corrections of the basic variables are made to optimise the model’s effectiveness. These credit risk measurement procedures are part of the routine operating activity of the Company.

The Company analyses the portfolio of microcredits, using internal ratings depending on the customer’s behaviour and other factors combining statistical analysis and analysis of the credit advisors.

The data are checked and validated by comparison with data from external sources. The credit risk measurement methods are subject to periodic revaluation, which provides for their compliance with the recent developments of the risks in the portfolio.

- *Exposition in case of failed implementation*

The exposition in case of failed implementation is the sum which the Company expects to be due at the time of the delay’s occurrence (for instance, with credits, this is the sum under the credit contract). With the undertaken credit commitments, the Company includes both the sums already extended, as well as the sums which may be extended as of the time of the delay’s occurrence.

- *Loss in case of failed implementation*

The loss in case of failed implementation is defined as the expected amount of the loss at the time of the delay’s occurrence, and it is indicated as a percent of the exposition. The loss in case of delay varies widely depending on the characteristics of the counterpart, the type and structural specifics of the credit, the available securities or credit support of the debtor. the exposition in case of delay and loss in case of delay are measured on a portfolio basis for the major pool of microcredits.

The Company manages credit risk level by limiting the total risk exposition to one borrower or group of borrowers. Regular monitoring of the credit expositions is made. Credit limits are subject to periodic review depending on the changes of the market conditions and the probabilities for failed implementation.

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- *Depreciations*

The risk measurement models described above are used to measure expected losses, i.e. they take into account the risks of occurrence of future events which result in occurrence of losses from certain positions in the portfolio. On the other hand, the expenditure for depreciation and non-collectability are recognized in the Financial Statements only to the extent to which they have occurred, whereas the measurements of the occurred losses from depreciation and non-collectability are based on objective criteria. The Management of the Company believes that, in the future, it will continue to be able to control and minimize the expositions related with credit risk in the portfolio.

For the individually significant credit receivables, credit risk is managed and the losses from depreciation are measured on an individual basis, depending on the characteristics of the receivable.

- *Concentration of risks related with financial instruments*

The Management of the Company believes that the portfolio of microcredits and receivables is well diversified, as well as that there are no significant concentrations of credit risk.

The portfolio of extended individually significant loans to legal entities and natural persons is concentrated in a limited number of borrowers:

	<i>As of December 31, 2017</i>	
	BGN thous.	Number of borrowers
Extended commercial loans to related persons, including charged interests	50,580	13
Extended commercial loans to legal entities, including charged interests	17,873	2
Extended commercial loans to natural persons, including charged interests	738	3
<b>Total</b>	<u>69,191</u>	<u>18</u>
<i>Minus: losses from depreciation</i>	<i>(16,926)</i>	
	<u><b>52,265</b></u>	

- *Renegotiated credits and receivables*

The activities related with the loans' restructuring include extension of the payment terms and other modifications of the contract conditions. They are implemented in case of available indications that the payments will be continued.



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The exposition of the Company is limited up to the amount of the balance sheet value of the following financial assets:

<b>Financial assets</b>	<i>December 31, 2017</i>		<i>December 31, 2016</i>	
	<i>Balance sheet value</i>	<i>Maximal risk</i>	<i>Balance sheet value</i>	<i>Maximal risk</i>
Credits and receivables from customers	44,621	44,621	35,594	35,594
Individually significant loans to legal entities and natural persons	52,265	52,265	39,479	39,479
Commercial and other receivables	2,481	2,481	2,839	2,839
<b>Total</b>	<b>99,367</b>	<b>99,367</b>	<b>77,912</b>	<b>77,912</b>

The Company has not used any derivatives to manage credit risk.

<b>Total value of credits and receivables from customers:</b>	<i>As of December 31, 2017</i>	<i>As of December 31, 2016</i>
Measured on a portfolio basis	73,381	50,476
Individually significant	69,191	56,277
Charged depreciation:	(45,686)	(31,680)
<b>Total</b>	<b>96,886</b>	<b>75,073</b>

On the table below, the value of non-depreciated credits by days of default is shown:

<b>Delay</b>	<i>December 31, 2017</i>					
	<i>Measured on a portfolio basis</i>		<i>Individually significant</i>		<i>Total</i>	
	<i>Gross value</i>	<i>Net value</i>	<i>Gross value</i>	<i>Net value</i>	<i>Gross value</i>	<i>Net value</i>
regular	21,164	19,877	34,705	34,705	55,869	54,582
	<b>21,164</b>	<b>19,877</b>	<b>34,705</b>	<b>34,705</b>	<b>55,869</b>	<b>54,582</b>

  

<b>Delay</b>	<i>December 31, 2016</i>					
	<i>Measured on a portfolio basis</i>		<i>Individually significant</i>		<i>Total</i>	
	<i>Gross value</i>	<i>Net value</i>	<i>Gross value</i>	<i>Net value</i>	<i>Gross value</i>	<i>Net value</i>
regular	20,430	19,264	13,067	13,067	33,497	32,331
	<b>20,430</b>	<b>19,264</b>	<b>13,067</b>	<b>13,067</b>	<b>33,497</b>	<b>32,331</b>

The Appendixes on pages from 8 to 56 constitute an inseparable part of these Financial Statements.

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**24. Financial risk management (continued)**

**24.1 Credit risk (continues)**

- *Renegotiated credits and receivables (continues)*

The Company believes that indications of loss from depreciation under microcredits with delay of over 4 days have arisen, and considers them accordingly as depreciated. On the next table, the gross value of the depreciated credits by days of delay is presented:

<b>Default</b>	December 31, 2017					
	<i>Measured on a portfolio basis</i>		<i>Individually significant</i>		<i>Total</i>	
	<i>Gross value</i>	<i>Net value</i>	<i>Gross value</i>	<i>Net value</i>	<i>Gross value</i>	<i>Net value</i>
regular	-	-	31,821	17,560	31,821	17,560
between 4 and 90 days	21,47				21,47	
between 91 and 360 days	3	16,753	-	-	3	16,753
Receivables with undetermined payment date (incl. judicial)	29,76	7,974	-	-	29,76	7,974
	7				7	
	977	17	2,665	-	3,642	17
	<b>52,217</b>	<b>24,744</b>	<b>34,486</b>	<b>17,560</b>	<b>86,703</b>	<b>42,304</b>

<b>Default</b>	December 31, 2016					
	<i>Measured on a portfolio basis</i>		<i>Individually significant</i>		<i>Total</i>	
	<i>Gross value</i>	<i>Net value</i>	<i>Gross value</i>	<i>Gross value</i>	<i>Gross value</i>	<i>Gross value</i>
regular	-	-	39,643	26,412	39,643	26,412
between 4 and 90 days	16,05				16,05	12,60
between 91 and 360 days	5	12,606	-	-	5	6
Receivables with undetermined payment date (incl. judicial)	13,02	3,704	-	-	13,02	3,704
	6				6	
	965	20	3,567	-	4,532	20
	<b>30,046</b>	<b>16,330</b>	<b>43,210</b>	<b>26,412</b>	<b>73,256</b>	<b>42,742</b>

The policy of the Company is to strike-off credits with delay of more than 360 days. The major part of them is sold to companies whereas the risk over the sold receivables is transferred entirely to the third party.

**24.2 Market risk**

The Company is exposed to market risk which represents the probability for the fair value or the cash flows related with the financial instruments to vary on account of changes in the market prices. Market risks result mainly from positions in interest, currency and capital products which are exposed to general and specific market movements and changes of the dynamics level of market rates or prices. On account of the specifics of the financial instruments of the Company, the same is mostly exposed to interest risk.

• **Interest risk**

Interest risk related with cash flows is related with the fact that the future cash flows from financial instruments are affected by changes of the market interest rates. Interest risk related with the fair value is related with the fact that the value of a given financial instrument varies as a result of changes in market interest rates.

The Company is exposed to both risks: the risk related with fair value and the risk related with cash flow. Interest margins may increase as a result of these changes which, on its part, would restrict the possible losses for the Company resulting from the changes of market interest rates. The table below presents the structure of the interest-bearing financial assets and liabilities of the Company:

<b>As of December 31, 2017</b>	<i>Variable interest</i>	<i>Fixed interest</i>	<i>No interest</i>	<i>Total</i>
Credits and receivables from customers	-	44,621	-	44,621
Extended individually significant loans to legal entities and natural persons	-	52,265	-	52,265
Commercial and other receivables	-	-	2,481	2,481
<b>Total Assets</b>	<b>-</b>	<b>96,886</b>	<b>2,481</b>	<b>99,367</b>

  

<b>As of December 31, 2017</b>	<i>Variable interest</i>	<i>Fixed interest</i>	<i>No interest</i>	<i>Total</i>
Liabilities to banks	4,904	-	-	4,904
Commercial and other liabilities	-	7,802	32,534	40,336
<b>Total Liabilities</b>	<b>4,904</b>	<b>7,802</b>	<b>32,534</b>	<b>45,240</b>

  

<b>As of December 31, 2016</b>	<i>Variable interest</i>	<i>Fixed interest</i>	<i>No interest</i>	<i>Total</i>
Credits and receivables from customers	-	35,594	-	35,594
Extended individually significant loans to legal entities and natural persons	-	39,479	-	39,479
Commercial and other receivables	-	-	2,839	2,839
<b>Total Assets</b>	<b>-</b>	<b>75,073</b>	<b>2,839</b>	<b>77,912</b>

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<b>As of December 31, 2016</b>	<i>Variable interest</i>	<i>Fixed interest</i>	<i>No interest</i>	<i>Total</i>
Liabilities to banks	4,958	-	-	4,958
Commercial and other liabilities	-	10,745	5,389	16,134
<b>Total Liabilities</b>	<b>4,958</b>	<b>10,745</b>	<b>5,389</b>	<b>21,092</b>

- *Currency risk*

Fluctuations in exchange currency rates affect the Company's financial status and cash flows. As a result of the currency board, Bulgarian Lev is fixed to the Euro in Lev-to-Euro ratio of BGN 1.95583 = EUR 1, which means that positions in this currency do not result in significant currency risk, except in case this ratio is changed in the future.

Structure of financial assets and liabilities by currencies as of December 31, 2017:

<b>Assets</b>	<i>BGN</i>	<i>EUR</i>	<i>USD</i>	<i>Other</i>	<i>Total</i>
Cash and cash equivalents	10,007	1,442	6	-	11,455
Credits and receivables from customers	44,621	-	-	-	44,621
Extended individually significant loans	40,445	10,261	1,559	-	52,265
Commercial and other receivables	2,463	-	18	-	2,481
Investments in subsidiaries	3,166	196	102	2,554	6,018
<b>Total (BGN thous.)</b>	<b>100,702</b>	<b>11,899</b>	<b>1,685</b>	<b>2,554</b>	<b>116,840</b>
<b>Total (in %)</b>	<b>86.20%</b>	<b>10.18%</b>	<b>1.44%</b>	<b>2.18%</b>	<b>100%</b>
<b>Liabilities</b>	<i>BGN</i>	<i>EUR</i>	<i>USD</i>	<i>Other</i>	<i>Total</i>
Liabilities to banks	4,904	-	-	-	4,904
Commercial and other liabilities	39,472	864	-	-	40,336
<b>Total (BGN thous.)</b>	<b>44,376</b>	<b>864</b>	<b>-</b>	<b>-</b>	<b>45,240</b>
<b>Total (in %)</b>	<b>98.09%</b>	<b>1.91%</b>	<b>-</b>	<b>-</b>	<b>100%</b>

Structure of financial assets and liabilities by currencies as of December 31, 2016:

<b>Assets</b>	<i>BGN</i>	<i>EUR</i>	<i>USD</i>	<i>Other</i>	<i>Total</i>
Cash and cash equivalents	7,171	34	55	-	7,260
Credits and receivables from customers	35,594	-	-	-	35,594
Extended individually significant loans	27,037	10,867	1,575	-	39,479
Commercial and other receivables	2,819	-	20	-	2,839
Investments in subsidiaries	2,992	196	102	2,554	5,844

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<b>Total (BGN thous.)</b>	<b>75,613</b>	<b>11,097</b>	<b>1,752</b>	<b>2,554</b>	<b>91,016</b>
<b>Total (in %)</b>	<b>83.08%</b>	<b>12.19%</b>	<b>1.92%</b>	<b>2.81%</b>	<b>100%</b>
<b>Liabilities</b>	<i>BGN</i>	<i>EUR</i>	<i>USD</i>	<i>Other</i>	<i>Total</i>
Liabilities to banks	4,958	-	-	-	4,958
Commercial and other liabilities	13,125	3,009	-	-	16,134
<b>Total (BGN thous.)</b>	<b>18,083</b>	<b>3,009</b>	<b>-</b>	<b>-</b>	<b>21,092</b>
<b>Total (in %)</b>	<b>85.73%</b>	<b>14.27%</b>	<b>-</b>	<b>-</b>	<b>100%</b>

### **24.3 Liquidity risk**

Liquidity risk is related with the Company's inability to pay-up its liabilities when they become due. The net outgoing cash flows would result to reduction of the available cash resources, which play an important role in the crediting process of the Company and the meeting of its liabilities. Under certain circumstances, the lack of liquidity may result in sale of assets or potential inability to implement the credit commitments to previously approved customers. The risk for the Company to not be able to pay-up its cash liabilities is characteristic for the activity and it may be caused by a wide spectrum of institution-specific and market events, such as activities related with merging and acquisition, system shocks, natural disasters and more.

The management of the Company's liquidity is performed by a separate team within the Accounting and Control Department and it includes monitoring of the future cash flows. This includes maintenance of a portfolio of highly liquid assets; monitoring of the liquidity ratios from the Financial Status Report; management of the concentration and payment date structure of the liabilities and more. Cash flows are measured and forecast for the next day, week and month, accordingly, since these are key periods for liquidity management. The contracted payment dates of the financial liabilities and financial assets are analysed.

The Company possesses a diversified portfolio of cash funds and high-quality, high-liquidity assets to meet its current liabilities.

The table below contains analysis of the assets and liabilities according to the period in which they are expected to be restored or settled.

	<i>As of December</i>		<i>As of December</i>	
	<i>31, 2017</i>		<i>31, 2016</i>	
	<i>Up to</i>	<i>Above</i>	<i>Up to</i>	<i>Above</i>
	<i>12 months</i>	<i>12 months</i>	<i>12 months</i>	<i>12 months</i>
<b>Assets</b>				
Cash and cash equivalents	11,455	-	7,260	-
Credits and receivables from customers	44,621	-	35,594	-
Extended individually significant loans	1,559	50,706	3,864	35,615

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Commercial and other receivables	2,338	143	2,048	791
Investments in subsidiaries	2,295	3,723	-	5,844
<b>Total assets</b>	<b>62,268</b>	<b>54,572</b>	<b>48,766</b>	<b>42,250</b>
<b>Liabilities</b>				
Liabilities to banks	4,904	-	4,958	-
Liabilities to staff and social security institutions	5,740	-	4,475	-
Liabilities for corporate tax	-	-	389	-
Commercial and other liabilities	3,739	36,597	2,550	13,584
<b>Total liabilities</b>	<b>14,383</b>	<b>36,597</b>	<b>12,372</b>	<b>13,584</b>

#### *24.4 Operating risk*

Operating risk is the risk of losses because of system failure, human mistakes, fraud or external events. When the constructed control systems and activities do not prevent such events, operating risks may damage the reputation, may have legal or regulatory consequences or may result in financial losses for the Company. The Company does not expect to eliminate all operating risks, but it tries to manage these risks by developing good control medium, as well as by monitoring and management of potential risks. The control measures include effective allocation of the duties, defining of access rights, authorization of transactions, and coordination of the information from various sources, training and assessment of staff and other types of control, such as, for instance, the activity of the internal audit department.

#### **25. Capital management**

The major objectives of the Company in relation with capital management are to preserve the Company's ability to continue functioning as a going concern, so that it may continue to provide rate of return to the shareholders and benefits to other stakeholders, and to maintain strong capital basis in support of the activity's development.

The capital adequacy is monitored by the Company Management. Since the Company is in the process of growth, the Management believes that optimal capital structure has not been achieved yet.

#### **26. Disclosure of related persons**

Persons are considered related, if one of the parties has the possibility to exercise control or significant influence over the other party in taking financial or operating decisions, or if both parties are placed under the common control of a third party.

The main related persons with whom the Company carries out its activity are:

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<u>Name of company</u>	<u>Type of relation</u>
STs Easy Asset Management IFN AD - Romania	Subsidiary
Easy Credit LLC - Ukraine	Subsidiary
I Credit SP.Z.O.O. - Poland	Subsidiary
I Credit S.R.O. - Czechia	Subsidiary
Financial Company M Cash Macedonia DOOEL Skopje	Subsidiary
M Cash OOD - in liquidation	Subsidiary
Easy Asset Management Asia LTD - Mianmar	Subsidiary
Management Group EAD - in liquidation	Subsidiary
Easy Payment Services OOD	Subsidiary
Access Capital EAD - in liquidation	Subsidiary
Dabrava Investments EAD - in liquidation	Subsidiary
Financial Bulgaria EOOD	Subsidiary
Management Financial Group AD	Company under common control through majority shareholder
Fintrade Finance AD	Company under common control through majority shareholder
Iuvo Group OÜ	Company under common control through majority shareholder
Viva Credit OOD	Company under common control through majority shareholder
Seawines AD	Company under common control through majority shareholder
Access Finance OOD	Company under common control through majority shareholder
Express Pay OOD	Company under common control through majority shareholder
Spesh Cash Pledge Houses EOOD - deleted	Company under common control through majority shareholder
Agency for Control of Delayed Liabilities OOD	Company under common control through majority shareholder

The receivables and liabilities under transactions with related persons and the respective expenditure and revenue as of December 31, 2017 and 2016 are, as follows:

<b>Transactions and balances</b>	<b>2017</b>	<b>2016</b>
<i>Revenue</i>		
<b><u>Revenue from interests</u></b>		
STs Easy Asset Management IFN AD - Romania	560	666
Easy Credit LLC	131	473
I Credit SP.Z.O.O.	520	293
I Credit S.R.O.	359	258
Financial Company M Cash Macedonia DOOEL Skopje	112	110
Management Group EAD - in liquidation	29	34
Management Financial Group AD	-	17
Fintrade Finance AD	91	73
Viva Credit OOD	191	145

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Access Finance OOD	823	487
Spesh Cash Pledge Houses EOOD - deleted	1	38
Express Pay OOD	23	-
Agency for Control of Delayed Liabilities OOD	36	-
Financial Bulgaria EOOD	909	-
Iuvo Group OÜ	19	-
<b>Total revenue from interests</b>	<b>3,781</b>	<b>2,594</b>
<b><u>Revenue from ceded receivables</u></b>	<b>2017</b>	<b>2016</b>
Agency for Control of Delayed Liabilities OOD	927	23
<b>Total revenue from ceded receivables</b>	<b>927</b>	<b>23</b>
<b><u>Revenue from license fee</u></b>	<b>2017</b>	<b>2016</b>
Easy Credit LLC	8	12
<b>Total revenue from license fee</b>	<b>8</b>	<b>12</b>
<b><u>Revenue from provided services</u></b>	<b>2017</b>	<b>2016</b>
Viva Credit OOD	47	-
<b>Total revenue from provided services</b>	<b>47</b>	<b>-</b>
<i>Expenditure</i>	<b>2017</b>	<b>2016</b>
<b><u>(Expenditure) for depreciation of credits</u></b>		
STs Easy Asset Management IFN AD - reintegrated provisions	560	246
Easy Credit LLC - reintegrated provisions	936	1,375
I Credit SP.Z.O.O.	(1,101)	(1,828)
I Credit S.R.O.	(707)	(2,126)
Financial Company M Cash Macedonia DOOEL Skopje - reintegrated provisions	336	(561)
Management Group EAD	(31)	(383)
Express Pay OOD	(114)	(84)
Spesh Cash Pledge Houses EOOD - deleted	-	(8)
	<b>(121)</b>	<b>(3,369)</b>
<b><u>Expenditure for interests</u></b>		
M Cash OOD	(7)	(18)
Financial Bulgaria EOOD	(49)	-
Management Financial Group AD	(1,032)	(91)
Agency for Control of Delayed Liabilities OOD	(16)	(12)
<b>Total expenditure for interests</b>	<b>(1,104)</b>	<b>(121)</b>
<b><u>Other operating expenditure</u></b>		
Iuvo Group OÜ	(28)	(6)
Spesh Cash Pledge Houses EOOD - deleted	(4)	-
Viva Credit OOD	(1)	-
Easy Payment Services OOD	(40)	-
Seawines AD	(13)	(40)
<b>Total other operating expenditure</b>	<b>(86)</b>	<b>(46)</b>

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<i>Receivables</i>	<u>2017</u>	<u>2016</u>
<b><u>Extended credits</u></b>		
STs Easy Asset Management IFN AD - Romania	6,791	9,145
Easy Credit LLC	3,781	4,734
I Credit SP.Z.O.O.	6,525	4,743
I Credit S.R.O.	4,256	3,776
Financial Company M Cash Macedonia DOOEL Skopje	1,287	1,390
Iuvo Group OÜ	507	-
Express Pay OOD	362	237
Management Group EAD	401	511
Fintrade Finance AD	1,195	1,106
Financial Bulgaria EOOD	7,093	-
Agency for Control of Delayed Liabilities OOD	2,151	-
Viva Credit OOD	2,282	2,411
Access Finance OOD	13,948	7,925
Spesh Cash Pledge Houses EOOD - deleted	-	59
<b>Total extended credits</b>	<b><u>50,579</u></b>	<b><u>36,037</u></b>
 <b><u>Commercial and other receivables</u></b>		
	<b>2017</b>	<b>2016</b>
Access Finance OOD	934	1,538
Agency for Control of Delayed Liabilities OOD	91	10
Viva Credit OOD	21	
Express Pay OOD	5	5
Iuvo Group OÜ	-	624
Management Financial Group AD	-	24
<b>Total commercial and other receivables</b>	<b><u>1,051</u></b>	<b><u>2,201</u></b>
 <b><u>Receivables related with license fee</u></b>		
Easy Credit LLC	18	20
<b>Total receivables related with license fee</b>	<b><u>18</u></b>	<b><u>20</u></b>
 <i>Liabilities</i>	<b>2017</b>	<b>2016</b>
<b><u>Obtained financing</u></b>		
M Cash OOD	-	228
Easy Payment Services OOD	464	494
Management Financial Group AD	7,802	9,750
Agency for Control of Delayed Liabilities OOD	-	767
<b>Total obtained financing</b>	<b><u>8,266</u></b>	<b><u>11,239</u></b>
 <b><u>Commercial and other liabilities</u></b>		
Iuvo Group OÜ	5	6
Easy Payment Services OOD	5	-
Financial Bulgaria EOOD	28,336	-
Express Pay OOD	22	5
<b>Total commercial and other liabilities</b>	<b><u>28,368</u></b>	<b><u>11</u></b>

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The remunerations of the key officers for 2017 amount to BGN 777 thous. (2016 - BGN 661 thous.).

The sum of the unpaid-up loans extended to the managerial staff as of December 31, 2017 amounts to BGN 671 thous. (as of December 31, 2016 - BGN 521 thous.).

The unsettled balances in the end of the year have not been secured. No guarantees for receivables or payments of related persons have been provided or obtained.

### **27. Legal claims**

The Company has formal procedures for control, as well as policies for management of legal risks. In case a current liability as a result of events has arisen for the settlement of which it is possible an outgoing cash flow to be required and the value of the possible losses may be measured reliably, the Company levies charges for provisions to account for the unfavourable effects the claims might have on its financial status. In the end of the reporting period, the Company has a number of unresolved legal claims the effects from which are not expected to be material (jointly or separately). Accordingly, no provisions for these claims have been made in the current Financial Statements.

### **28. Operating lease - the Company as a Lessee**

The Company has concluded a number of contracts for operating lease of premises and equipment. The average term of these contracts is between one and three years with option for renewal in the contracts. No restrictions have been placed with respect to the Lessee during the conclusion of these lease contracts.

The future minimal payments for operative lease of premises and equipment as of December 31, 2017 and December 31, 2016 are, as follows:

	<u>2017</u>	<u>2016</u>
Up to one year	2,941	2,064
Between one and five years	<u>8,840</u>	<u>7,275</u>
	<u><b>11,781</b></u>	<u><b>9,339</b></u>

### **29. Events after the end of the reporting period**

The Company has not identified any significant or correcting events that have occurred between the reporting date and the preparation date of the Annual Individual Financial Statements, which are related with its activity during 2017 and which should be disclosed separately or call for changes in the Individual Financial Statements as of December 31, 2017.

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*I, the undersigned Lubomira Hristova Krалеva certify hereby that this is a true and correct translation performed by me from Bulgarian into English language of the document attached hereto (Annual Financial Statements of Easy Asset Management AD (PLC) for the year ending on December 31, 2017). The translation consists of 75 (seventy-five) pages.*

*Sworn translator:* \_\_\_\_\_  
*Lubomira Hristova Krалеva*