Translation from Bulgarian

VIVA CREDIT OOD

Annual Financial Statements

December 31, 2017

Contents of the Financial Statements

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 REPORT ON THE ACTIVITY
OF „VIVA CREDIT" OOD FOR 2017

The Management of „Viva Credit" OOD presents its Annual Report and Annual Financial Statements for 2017, prepared in accordance with the Accountancy Act and the International Financial Reporting Standards (IFRS).

„Viva Credit" OOD was established as a business company on March 30, 2012, with headquarters and management address in: city of Sofia, Sofia city region, Municipality of Sofia (Metropolitan), Vazrazhdane Municipal District, 6 Stefan Stambolov Blvd., office 4-5. The Company is represented and managed by Desislava Strahilova Dimitrova.

The Company was registered as a financial institution subject to Article 3, para. 2 of the Credit Institutions Act in April 2012, of which the Bulgarian National Bank has issued Certificate No.BGR00277. Starting from June 01, 2012 „Viva Credit" OOD has been offering on the market of fast credits its financial services – cash loans. Every month witnesses growth of the number of extended loans of various types and amount. The financial services of the Company are offered both on-site, in various commercial objects, as well as through the Internet. In 2017, BGN 93 thous. were invested in the erection of new and maintenance of already erected commercial sites in different points of the Republic of Bulgaria against BGN 97 thous. for 2016.

In 2017, the basic capital of the Company was not changed compared to 2016 and it amounts to BGN 2,800 thous. It is distributed, as follows:

Desislava Strahilova Dimitrova	28 000 shares
Management Financial Group AD, UIC (Unified Identification Code) 203753423	2 772 000 shares

The equity of the Company as of December 31, 2017 amounts to BGN 5,074 thous. (as per balance sheet value). Its components are: equity amounting to BGN 2,800 thous., undistributed profit from previous years amounting to BGN 1,262 thous., and current profit amounting to BGN 1,012 thous.

The revenue from basic activity (revenue from interests, fees and commissions) for 2017 amounts to BGN 10,128 thous., i.e. by BGN 1,108 thous. more compared to 2016. In 2017, the assets of the Company increased by BGN 1,783 thous. compared to 2016 (BGN 8,770 thous. in the end of 2017 compared to BGN 6,987 thous. in the end of

2016). This is due to the increase of receivables under extended credits, the reduction of the depreciation of receivables and the amount of unserviced credits.

As of December 31, 2017 the liabilities of the Company amount to BGN 3,696 thous. compared to BGN 2,926 thous. for 2016.

In 2017, "Viva Credit" OOD consolidated its position on the market compared to the previous years 2016 and 2015. In parallel with the development of the own network of objects, an administrative and organizational structure was constructed. As of the end of 2017, the employees are 146 and the Company has a well-developed and flexible commercial structure. The internal company procedures and processes required for the effective management of the activity of „Viva Credit" OOD are systematically updated, so as to comply with the legal requirements. As a result of all these changes, the quality and speed of customer servicing increased.

According to the effective and actual liquidity measurement and management policy of the Company, the key used indicator is the total liquidity ratio (TLR). As of the end of 2017, TLR is 3.28%, compared to 2016 – 5.52. The total liquidity ratio characterizes the entity's ability to cover (pay) its liabilities under current operations. This ratio shows how many Levs from the short-term assets correspond to one Lev of current liability. The higher total liquidity ratio provides to the entity better options to pay its current liabilities. The fast liquidity ratio expresses the ratio of the most liquid part of short-term assets to the short-term assets. For 2017, it is 0,28%, compared to 2016 - 0,58%. In 2018, the major ambition of the Company will be to preserve the stability of the financial parameters, to increase the collectability of the extended credits, to improve the quality of the credit portfolio, to achieve adequate profit from the activity thereby supporting its capitalization, as well as optimal capital adequacy.

Information pursuant to Article 33, para. 1, point 7 of the Accountancy Act:
„Viva Credit" OOD maintains positive balance with respect to its assets and liabilities payable within 1 month. It should be noted that, in order to attract new customers and stimulate the sales to old customers, the Company undertakes a number of measures, such as promotional conditions, possibility for renegotiation of the conditions (amount and term) and other.

With respect to price (interest) risk, the Company maintains a policy of liabilities with fixed interest rate. Credit risk is managed by the application of strict and conservative principles of credit securing and measurement of the securities, as well as by setting aside of provisions for depreciation.

After the annual closing of the accounting, no events have occurred which might affect materially the Company's activity.

Planned development of the Company.

The strategy of the Company is to provide sustainable solutions for the respective needs of selected groups of customers. On the Bulgarian market this means provision of only a definite number of products and services, since the needs of the local customers may be also covered by traditional credit products. The intentions for development in 2018 are aimed mainly at improvement of profitability, the market position of the Company and the quality of the credit portfolio, and staff professional growth. During the next year „Viva Credit" OOD will try to consolidate and expand its positions on the credit market – mainly, retail crediting. The credit portfolio of the Company consists of duly secured credits extended to reliable borrowers after detailed and comprehensive analysis and investigation. In this aspect, the Company will preserve its orientation to search for such borrowers or putting it briefly:

In 2018, the priority for „Viva Credit" OOD is:

1. Consolidation of the Company as leader on the fast credit market and its positioning as a non-banking financial organization with best developed commercial network of its own;
2. Increase of the portfolio with respect to number, amount and variety of the provided financial services (cash loans);
3. Improvement of the collectability from the portfolio;
4. Designing of new programmes for attraction of more customers;
5. Searching for offering of new products bearing higher financial results.
6. Qualification growth of the staff for more effective offering of the product.

The revenue of „Viva Credit" OOD is generated mainly by revenue from interests, fees and commissions. In 2018, moderate growth of the financial sector and, in particular, of crediting, may be expected, taking into account the real reflection of the economic conditions.

Date: April 02, 2018

Managing Director: *(Sgd. illegible)*
/Desislava Dimitrova/

Round seal of
„Viva Credit" OOD,
City of Sofia

MOORE STEPHENS BULGARIA
AUDIT

Moore Stephens Bulgaria – audit OOD
10 Lege Str., fl.6
1000 Sofia
Bulgaria
Telephone: +359 2 987 53 80
Facsimile: +359 2 987 53 81

REPORT OF THE INDEPENDENT AUDITOR

TO THE SHAREHOLDERS OF

"VIVA CREDIT" OOD

Report regarding the audit of the Financial Statements

Opinion

We performed audit of the Financial Statements of **"VIVA CREDIT" OOD** 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 4 to page 35.

In our opinion, the enclosed Financial Statements provide a trustworthy and fair presentation of the financial status of the Company as of December 31, 2017 and of its financial results and cash flows for the year ending then, 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.

Moore Stephens Bulgaria – audit OOD
10 Lege Str., fl.6
1000 Sofia
Bulgaria
Telephone: +359 2 987 53 80
Facsimile: +359 2 987 53 81

Other issues

The Annual Financial Statements of the Company as of December 31, 2016 have been audited by another auditor which on May 22, 2017 has expressed unmodified opinion.

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, 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.

Report in relation with other legal and regulatory requirements

Additional issues placed for reporting by the Accountancy Act

In addition to our responsibilities and reporting according to the IAS with respect to the Report on the Activity, 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) issued on November 29, 2016 and approved by its Board of Directors on November 29, 2016. These procedures refer to verification of the form and contents of this other information for the purpose of

Moore Stephens Bulgaria – audit OOD
10 Lege Str., fl.6
1000 Sofia
Bulgaria
Telephone: +359 2 987 53 80
Facsimile: +359 2 987 53 81

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 for the financial year for which the Financial Statements have been prepared, presented from page 1 to page 3, 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.

Responsibilities of the Management for 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, 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.

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 as a whole 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 reveal 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,

Moore Stephens Bulgaria – audit OOD
10 Lege Str., fl.6
1000 Sofia
Bulgaria
Telephone: +359 2 987 53 80
Facsimile: +359 2 987 53 81

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 intended 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 the 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 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.

Moore Stephens Bulgaria – audit OOD
10 Lege Str., fl.6
1000 Sofia
Bulgaria
Telephone: +359 2 987 53 80
Facsimile: +359 2 987 53 81

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.

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

Registered Auditor:	MOORE STEPHENS BULGARIA – AUDIT OOD:
(Sgd. illegible)	*(Sgd. illegible)*
Ivan Simov	Stefan Nenov
	Managing Partner, Registered Auditor
	Oval seal of Moore Stephens Bulgaria – Audit OOD,
June 11, 2018	*Sofia, Registration No. 131*
Sofia, Bulgaria	

(all amounts are in BGN thous.)

	Appendix	December 31 2017	December 31 2016
ASSETS			
Non-current assets			
Credits and receivables from customers	7	3,976	3,957
Property, plant and equipment	4	108	114
Intangible assets	4	43	68
Deferred tax assets	13	11	7
Non-current assets		**4,138**	**4,146**
Current assets			
Cash	6	400	300
Credits and receivables from customers	7	4,045	2,414
Commercial and other receivables	8	187	127
Current assets total		**4,632**	**2,841**
Total assets		**8,770**	**6,987**
CAPITAL			
Capital and reserves of owners			
Basic capital	9	2,800	2,800
Undistributed profit	9	2,274	1,262
Total equity		**5,074**	**4,062**
LIABILITIES			
Non-current liabilities			
Liabilities under obtained loans	10	2,282	2,411
Non-current liabilities		**2,282**	**2,411**
Current liabilities			
Liabilities to staff and insurance institutions	11	301	298
Commercial and other liabilities	12	1,113	216
Current liabilities total		**1,414**	**514**
Total liabilities		**3,696**	**2,925**
Total equity and liabilities		**8,770**	**6,987**

The Financial Statements from page 4 to page 35 have been approved on April 02, 2018.

Managing Director
(Sgd. illegible)
Desislava Dimitrova

Chief Accountant
(Sgd. illegible)
Vera Slavova

Round seal of VIVA CREDIT OOD, city of Sofia

Certified according to Auditor's Report by
Ivan Simov
Registered Auditor
Date: *June 11, 2018*

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

(all amounts are in BGN thous.)

	Appendix	December 31 2017	December 31 2016
Revenue from interests and penalties in case of failed implementation of the contractual obligations	14	10,128	9,020
Expenditure for interests	15	(234)	(282)
Net interest revenue		**9,894**	**8,738**
Other financial revenue/expenditure, net	16	(37)	21
Expenditure for depreciation of financial assets	7	(3,919)	(2,690)
Net interest revenue after depreciations		**5,938**	**6,069**
Other operating revenue/ expenditure, net		24	32
Administrative expenditure	17	(4,753)	(4,994)
Amortization	4	(83)	(97)
Loss/Profit before taxes		**1,126**	**1,010**
Expenditure for taxes	18	(114)	(107)
Profit for the year		**1,012**	**903**
Total comprehensive revenue		**1,012**	**903**

The Financial Statements from page 4 to page 35 have been approved on April 02, 2018.

Managing Director
(Sgd. illegible)
Desislava Dimitrova

Chief Accountant
(Sgd. illegible)
Vera Slavova

Round seal of VIVA CREDIT OOD, city of Sofia
Certified according to Auditor's Report by
Ivan Simov
Registered Auditor
Date: *June 11, 2018*

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

(all amounts are in BGN thous.)

	Basic capital	**Referring to equity holders** Undistributed profit	Total capital
Balance as of January 1, 2016	**2,800**	**358**	**3,158**
Profit for the year	-	904	904
Balance as of December 31, 2016	**2,800**	**1,262**	**4,062**
Balance as of January 1, 2017	**2,800**	**1,262**	**4,062**
Profit for the year	-	1,012	1,012
Balance as of December 31, 2017	**2,800**	**2,274**	**5,074**

The Financial Statements from page 4 to page 35 have been approved on April 02, 2018.

Managing Director
(Sgd. illegible)
Desislava Dimitrova

Chief Accountant
(Sgd. illegible)
Vera Slavova

Round seal of VIVA CREDIT OOD, city of Sofia
Certified according to Auditor's Report by
Ivan Simov
Registered Auditor
Date: *June 11, 2018*

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

(all amounts are in BGN thous.)

	Appendix	December 31 2017	2016
Cash flows from operating activity			
Extended credits to customers		(18.573)	(16.591)
Paid-up credits from customers, including payments under fees		22,616	21,510
Cash revenue from commercial relationships and other		1,356	41
Payments to providers and other counterparts, net			
Payments to staff and social security institutions			
Payments of taxes		(113)	(207)
Other flows from operating activity		(37)	109
Net cash flow from operating activity		**505**	**470**
Investment activity			
Acquisition of tangible assets		(35)	(59)
Acquisition of intangible assets		(17)	(38
Net cash flow from investment activity			
Cash flow from financial activity			
Obtained loans from non-banking financial institutions		1,270	678
Payments under obtained loans from non-banking financial institutions		(1,590)	(966)
Other		(33)	(161)
Net cash flow from financial activity		**(353)**	**(449)**
Net (reduction)/increase of cash		**100**	**(76)**
Cash in the beginning of the year		300	376
Cash in the end of the year		**400**	**300**

The Financial Statements from page 4 to page 35 have been approved on April 02, 2018.

Managing Director
(Sgd. illegible)
Desislava Dimitrova

Chief Accountant
(Sgd. illegible)
Vera Slavova

Round seal of VIVA CREDIT OOD, city of Sofia
Certified according to Auditor's Report by
Ivan Simov
Registered Auditor
Date: *June 11, 2018*

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

Appendixes to the Financial Statements

1. Summary of the activity
„VIVA CREDIT" OOD has as its subject of activity: Extension of cash loans using own funds according to the Credit Institutions Act.

The Company is registered as a Limited Liability Company in the city of Sofia. The headquarters and management address of the Company are: city of Sofia, Lyulin 7 housing estate, 28 Jawaharlal Nehru Blvd., block ATTs Silver Centre, floor 2, office 73G.

The Company is represented by Desislava Dimitrova – Managing Director.

2. Accounting policy

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

The policy has been applied consistently for all presented years, except where explicitly stated 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 salep 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 elements for which the assumptions and measurements have significant effect on the Financial Statements as a whole, have been disclosed separately in Appendix 3.

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

Some mew accounting standards and interpretations were published, which are not mandatory for the reporting period as of December 31, 2017 and which 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 acceptance approach. 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.

- 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 using 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 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.

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 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 of settlements under transactions in foreign currency, as well as of 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:

	December 31, 2017 BGN	**December 31, 2016 BGN**
1 US dollar equals	1.63081	1.85545
1 Euro equals	1.95583	1.95583

2.3. Property, plant and equipment

Property, plant and equipment are recognized and initially measured at acquisition price which includes the purchase price, customs duties and unreturnable taxes, as well as all expenditure for bringing the asset to operating condition and to the place of its use as intended by the Management. After their initial recognition, property, plant and equipment are reported at acquisition price reduced by the amount of the accumulated amortization and possible losses from depreciations.

The expenditure related with maintenance, repair and replacement of insignificant components of property, plant and equipment are charged on a current basis as maintenance expenditure. The expenditure for improvement and modernization are capitalized. At sale or discarding, the reported value and the respective accumulated amortization are stricken-off.

The amortization of assets is calculated applying the linear method on the measured useful life of the separate groups of assets, as follows:

- Buildings 25 years
- Plant 3.3 years
- Vehicles 4 years
- Fixtures and fittings 6.7 years
- Computers 2 years
- Other 6.7 years

Property, plant or equipment is stricken-off at its sale or when no future economic benefits from its use are expected or in case of its release. The profits or losses arising at striking-off of the asset (representing the difference between net revenue from sale, if any, and the balance sheet value of the asset), are included in the Statement of Comprehensive Income in the year when the asset is stricken-off.

In the end of each financial year, the residual values, useful life and applied asset amortization methods are inspected and, if necessary, the last ones are changed.

2.4.Intangible assets

Intangible assets are reported at acquisition price which includes the purchase price or the acquisition value, reduced by the accumulated amortization and the reported depreciation of the assets. The intangible assets of the Company are amortized applying the linear amortization method. The useful life of the main classes of assets as of December 31, 2017 and 2016 is, as follows:

Asset	Useful life (years)
Program products	2
Other intangible assets	3

2.4 Depreciation of non-financial assets

Assets which have undefined useful life are not amortized, but are inspected for depreciation on an annual basis. Assets which are amortized are inspected for available depreciation, when there are events or change of circumstances which make a hint that the balance sheet value of the assets is unreturnable. The sum by which the balance sheet value exceeds the returnable value is recognized as loss from depreciation. The returnable value is the higher of the net sales value and the value in use. To determine the value in use, assets are grouped into the smallest possible discernible cash flow generating units. Non-financial assets different from positive reputation, which are subject to depreciation, are reviewed for available signs of the need of depreciation as of each reporting date.
As of each balance sheet date, the non-financial assets depreciated in previous periods, different from positive commercial reputation, are reviewed for possible reintegration of the losses from depreciation.
For the needs of the depreciation test, assets are grouped at the lowest levels, for which a cash flow generating unit may be identified.

2.5. Inventories

Inventories are initially recognized at acquisition price, which is formed by the purchase value, import customs duties and fees, as well as other expenditure, directly related with the delivery. The subsequent measure is the higher of the acquisition price and the net realizable value. The net realizable value is formed by the sales price with normal course of activity, reduced by the sale-related expenditure. The consumption of inventories is made at specifically determined price for each delivery.

2.6. Financial assets and liabilities

2.6.1. Financial assets

The Company categorizes its financial assets in the category Credits and Receivables.
Categorization depends on the objective for which the financial asset has been acquired. The Management determines the categorization of financial assets at their initial acquisition and makes subsequent assessment of the classification as of the end of each reporting period.

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. They are included in short-term assets, except for those with payment date later than 12 months after the balance sheet date, which are classified as long-term.
a) credits which the Company intends to sell immediately, which are classified as held for trading, and those which, after the initial recognition, are qualified 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 it 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 *Credits and Receivables from Customers*. The accrued interest in included in the Statement of Profit or Loss and Other Comprehensive Income as *Revenues from Interests, Fees, Penalties in Case of Failed Implementation of Contractual Obligations*. 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 Profit or Loss and Other Comprehensive Income as *Expenditure for Depreciation of Financial Assets*. 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 Profit or Loss and Other Comprehensive Income. The losses from depreciation are included in the Statement of Profit or Loss and Other Comprehensive Income 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 which are 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.

2.6.2. 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.

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.

2.6.3. 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 redemption 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.

2.6.4. 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 from 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. The fair values of credits and receivables, as well as liabilities to third parties are determined using the current value model based on agreed cash flows, taking into account the quality of the credit, the liquidity and expenditure; their fair value does not differ materially from their balance sheet value. The fair values of contingent liabilities and irrevocable 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 about the measurement of 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 methods 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:

	As of December 31, 2017		*As of December 31, 2016*	
Financial assets	*Balance sheet value*	*Fair value*	*Balance sheet value*	*Fair value*
Cash and cash equivalents	400	400	300	300
Credits and receivables	8,021	8,021	6,371	6,371
Commercial and other receivables	187	187	127	127
Total assets	8,608	8,608	6,798	6,798
Financial liabilities				
Liabilities under obtained loans and other non-current liabilities	2,282	2,282	2,411	2,411
Liabilities to staff and social security institutions	301	301	298	298
Commercial and other liabilities	1,113	1,113	216	216
Total liabilities	3,696	3,696	2,925	2,925

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 measurement methods:

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	400	-	-	400
Credits and receivables	-	-	8,021	8,021
Commercial and other receivables	-	-	187	187
Financial liabilities				
Liabilities under obtained loans	-	-	2,282	2,282
Liabilities to staff and social security institutions	-	-	301	301
Commercial and other liabilities	-	-	1,113	1,113

The table provides information about the financial instruments for which disclosure of fair value is required in accordance with IFRS 7, distributed according to the used measurement methods as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	300	-	-	300

Credits and receivables	-	-	6,371	6,371
Commercial and other receivables	-	-	127	127
Financial liabilities				
Liabilities under obtained loans	-	-	2,411	2,411
Liabilities to staff and social security institutions	-	-	298	298
Commercial and other liabilities	-	-	216	216

2.6.5. Compensation of financial instruments

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

2.6.6. 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 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 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 Profit or Loss and Other Comprehensive Income.

b) 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 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 Profit or Loss and Other 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.

2.7. Commercial receivables

Commercial receivables are initially recognized at fair value and subsequently, at amortized value (using the effective interest rate method), reduced by possible provision for depreciation based on inspection, made by the Management, of the balances in the end of each month. Provision for depreciation is made in case objective evidence is available that the Company will not be able to collect all due sums according to the initial conditions with respect to the respective calculation. The following are considered to be indicators of available grounds for depreciation: material financial difficulties of a customer, declaring insolvent, delay in payment or failed payment. The sum of the depreciation is equal to the difference between the balance sheet value and the returnable value. The latter constitutes the current value of the cash flows, discounted by the effective interest rate. The amount of the provision for depreciation is recognized in the Income Statement.

2.8. Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts and bank deposits, other high-liquid short-term investments with initial date of payment of three months or less, as well as bank overdrafts. In the balance sheet, overdrafts are included as short-term liability in the category of short-term loans.

2.9. Equity

Company shares are categorized as basic capital. The Company capital is presented in an amount corresponding to the amount registered by the Court.

2.10. Current and deferred taxes

The expenditure for tax for the period consists of current and deferred tax. Tax is recognized in the Income Statement, except for the cases of transactions recognized directly in the equity. In these cases, tax is also recognized in the equity.

The expenditure for current tax recognized in the Income Statement is determined according to the applicable tax law in effect in the country as of the preparation date of the Annual Financial Statements.

Deferred tax is calculated after the balance sheet method for all provisional differences appearing between the tax basis of the assets and liabilities and their balance sheet value in the Financial Statements. If, however, tax provisional differences arise from the initial recognition of an asset or liability with a transaction different from business combination, which has not affected the accounting or tax profit (loss) during the transaction, then this difference is not accounted for.

In calculating deferred taxes, the tax tariffs and the regulation applicable as of the preparation date of the balance sheet are used, which refer to the periods of the expected reverse manifestation of the tax provisional differences.

Deferred tax is recognized only in case a sufficient amount of future taxable profits is available against which these assets may be used.

2.11. Revenue of hired persons

Liabilities at retirement

The Company has approved plan for additional pension insurance. According to the Labour Code, at termination of the employment relationship, after the worker or employee has acquired the right to pension for achieved insured length of serviced and due age, the Company is obliged to pay them a compensation amounting to two gross monthly salaries as of the date of termination of the employment relationship. If the worker or employee has worked for the Company during the last 10 years, the sum of the remuneration amounts to six gross monthly salaries.

The liability for payment of defined revenue is calculated on an annual basis by independent actuaries using the forecast unit credit method. The current value of the liability for payment of defined revenue is determined by discounting the expected future output cash flows by the interest rates of high-quality governmental securities, which have a payment date close to that of the respective security and in the currency in which the payments are denominated.

Actuary profits and losses arisen as a result of practical corrections and changes of actuary assumptions are recognized in the Income Statement based on the remaining average term of service of the respective employees. The expenditure for previous length of service is recognized in the Income Statement at the time of their arising, except for the cases where the pension plan has been created under the condition that the employees must stay at work for a definite period of time. In such case, the expenditure for previous length of service is amortized after the linear method for the „period of acquisition".

2.12. Provisions

Provisions are recognized when a current judicial, constructive or regulatory liability for the Company arises as a result of past events, when output cash flows for payment of the liability are expected to arise and when the sum of the liability itself may be determined with sufficient precision. No provisions for future loss from the activity are recognized.

When there are several liabilities of this sort, the possibility for arising of output cash flows and their payment is measured taking into account the whole class of liabilities. A provision is recognized even in the cases where the possibility for arising of an output cash flow for a given liability in the class is small.

Provisions are measured at the current value of the expenditures which are expected to be required to pay the liability using discount percent before taxes which reflects the current market measure of the risks associated with the liability.

2.13. Commercial liabilities

Commercial liabilities are initially recognized at fair price and subsequently, at amortized value, using the effective interest rate method.

2.14. Recognition of revenue

Revenue includes the fair price of sold goods and services, net of value added taxes and provided discounts.

The Company recognizes a revenue when it may be measured reliably, it is certain that future benefits for the Company will arise and the specific conditions mentioned here below are observed for each sale made by the Company. It is not believed that a reliable measurement of some revenue is made where conventions with respect to its arising are available. After these conditions are removed, it is possible to reliably measure the revenue.

Revenue from interests

Revenue is recognized when the interests are charged using the effective interest rate method (EIR – the norm which most precisely discounts the expected future payments or revenue during the expected useful life of a financial instrument or a shorter period, as appropriate, to the net balance sheet value of the financial asset or liability). The revenue from interests is included as financial revenue in the Statement of Comprehensive Income.

2.15. Recognition of expenditure

Financial expenditure

The revenue from interests on loans is charged in the Statement of Comprehensive Income for all instruments measured at amortized value using the effective interest rate method

2.16. 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.

2.17. Allocation of dividends

The allocation of dividends among the Company partners is recognized as liability in the Financial Statements of the Company in the period in which it has been approved at a General Meeting of the shareholders of the Company.

2.18. Financial and operating lease

Lease contracts

Lease contracts for property, plant and equipment where the Company as a Lessee holds all material risks and benefits associated the ownership are classified as financial leases. Financial leases are capitalized in the beginning of the lease contract at fair value of the lease property or, if lower, at the current value of the minimal lease payments. The corresponding lease liabilities, net of financial expenditure, are included in other short-term and long-term liabilities. Each lease payment is distributed between liability and financial expenditure. Financial expenditure is referred to the profit or loss during the period of the lease contract, so as to produce a constant periodic interest on the remaining balance under the liability for each period. Property, plant and equipment acquired with financial lease are amortized based on the useful life of the asset or based on the shorted of the useful life of the asset and the lease contract, if there is no reasonable certainty that the Company will obtain its property in the end of the lease contract.

Lease contracts where not all material risks and benefits resulting from the ownership of the asset are transferred to the Lessee are classified as operating lease. The payments under operating lease are referred to the profit or loss after the linear method during the lease period. Revenue from lease contracts from operating leases where the Company is a Lessor are recognized in the profit based on the linear method for the lease period. The respective lease assets are included in the Balance Sheet based on their nature.

3. 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, 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.

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

4. Property, plant, equipment and intangible assets

	Computer equipment	Fixtures and fittings and other assets	Intangible assets	Total
January 01, 2016				
Balance sheet value	10	74	98	182
Acquired	32	27	38	97
Amortization expenditure	(13)	(16)	(68)	(97)
Balance sheet value in the end of the period	**29**	**85**	**68**	**182**
December 31, 2016				
Reporting value	92	130	298	520
Accumulated amortization	(63)	(45)	(230)	(338)
Balance sheet value	**29**	**85**	**68**	**182**
January 01, 2017				
Balance sheet value	29	85	68	182
Acquired	32	2	18	52
Amortization expenditure	(22)	(18)	(43)	(83)
Balance sheet value in the end of the period	**39**	**69**	**43**	**151**
December 31, 2017				
Reporting value	124	132	316	572
Accumulated amortization	(85)	(63)	(273)	(421)
Balance sheet value	**39**	**69**	**43**	**151**

5. Lease

5.1. Operating lease as a Lessee

The future minimal payments under operating lease contracts of the Company are presented, as follows:

	Due minimal lease payments		
	Up to 1 year	**Between 1 and 5 years**	**Total**
As of December 31, 2017	63	49	112

6. Cash and cash equivalents

	2017	2016
Cash in banks and on hand	400	300
	400	**300**

For the purposes of the Statement of Cash Flows

	2017	2016
Cash on hand	96	146
Cash on bank accounts	304	154
	400	**300**

7. Credits and receivables

	2017	2016
Principals and charged interests	11,062	8,173
Minus: charged losses from depreciation	(3,041)	(1,802)
	8,021	**6,371**

All credits are with fixed interest rate.

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

	2017	2016
In the beginning of the period	**1,802**	**1,829**
Charged during the year, net of reintegrated depreciations	3,919	3,128
Stricken-off against provisions and other corrections	(2,680)	(3,155)
In the end of the period	**3,041**	**1,802**

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.

8. Commercial and other receivables

	2017	2016
Extended advance payments	8	9
Guarantees	51	63
Receivables from commercial counterparts	121	48
Other receivables	7	7
	187	**127**

9. Equity

- **Basic capital**

The registered capital of the Company consists of 2,800,000 pieces of shares of face value of BGN 1 per share. All shares have the right to obtain dividend and a liquidation share and represent one vote at the General Meeting of the shareholders of the Company.

	2017 Pcs.	2016 Pcs.
Shares issued and paid-up in full as of December 31	2,800,000	2,800,000
Total shares authorized as of December 31	2,800,000	2,800,000

- **Undistributed profit**

The undistributed profit of the Company amounts to BGN 1,262 thous. whereas the generated profit during the current year amounts to BGN 1,012 thous.

10. Liabilities under obtained loans

The liability under obtained commercial loan is not secured.

	Effective interest rate	Term	2017	2016
Easy Asset Management AD	9%	August 2022	2,282	2,411
Total			**2,282**	**2,411**

11. Liabilities to staff and social security institutions

	2017	2016
Staff-related liabilities	140	166
Social security liabilities	55	70
Unused leave and other staff income	106	62
Total	**301**	**298**

Long-term staff revenue

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, as follows:

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:

	As of December 31, 2017	As of December 31, 2016
Discount interest rate	1,02%	1,80%
Future salary growth	2,00%	2,00%

As of December 31, 2017, BGN 32 thous. have been charged (as of December 31, 2016: BGN – thous.) as provisions for liabilities at retirement, which are included above in the total liability to staff.

12. Commercial and other liabilities

	2017	**2016**
Liabilities to providers and counterparts	1,073	181
Ta liabilities	40	35
Total	**1,113**	**216**

13. Deferred tax assets:

The movements of the account for tax provisional differences are, as follows:

	2017	**2016**
In the beginning of the year:	**7**	**4**
(Expenditure)/Revenue in the Income Statement	4	3
In the end of the year	**11**	**7**

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

Deferred tax assets	Charged leaves subject to compensation	Total
As of January 01, 2016	4	4
(Expenditure)/Revenue in the Income	(1)	(1)
As of December 31, 2016	**3**	**3**

(Expenditure)/Revenue in the Income	8	8
As of December 31, 2017	**11**	**11**

14. Revenue from interest, fees and penalties in case of failed implementation of the contractual obligations

	2017	2016
Revenue from interest, fees and penalties in case of failed implementation of the contractual obligations	10,128	9,020
Total	**10,128**	**9,020**

15. Revenue for interests

	2017	2016
Revenue under financing and financial lease	(234)	(282)
Total	**(234)**	**(282)**

16. Other financial revenue/(expenditure), net

Revenue:	**2017**	**2016**
Revenue from ceded receivables	543	490
Total	**543**	**490**
Expenditure:		
Expenditure for ceded receivables	546	438
Expenditure for fees and commissions and other	34	
Total	**580**	**469**

17.Administrative expenditure

	2017	2016
Expenditure for materials	99	93
Expenditure for hired services	1,956	
Expenditure for staff	2,518	
Other expenditure	180	
Total	**4,753**	**4,994**

17.1. Expenditure for materials

The expenditure for materials include:

	2017	2016
Expenditure for energy products for transport vehicles	38	36
Other	61	57
Total	**99**	**93**

17.2. Expenditure for hired services and other expenditure

	2017	2016
Office rents	492	548

Operating lease	84	67
Advertising and marketing	782	1,057
Telecommunication and postal expenditure	150	22
Transport and business trips	24	16
Advisory, legal services	45	48
Consumables, including electricity	83	76
Office security	35	29
Insurances	8	9
Repair and technical maintenance	47	9
Representative and not activity-related	23	12
Other operating expenditure	363	546
Total	**2,136**	**2,439**

17.3. Expenditure for staff

	2017	**2016**
Salaries and remunerations	2,152	2,110
Social security	366	352
Total	**2,518**	**2,462**

18. Taxation

Expenditure for taxes are based on the effective tax rate, which as of the end of 2017 and 2016 amounts to 10%.

	2017	**2016**
(Expenditure) economy from deferred taxes	4	3
Total	**4**	3

The tax due by the Company on the taxable profit differs from the theoretical amount which is obtained using the basic tax tariff which is, as follows :

	2017	**2016**
Profit/Loss before taxes	**1,126**	**1,010**
Tax at tax tariff of 10% (2016: 10%)	**(113)**	**(101)**
Expenditure not recognized for tax purposes	**207**	**228**
Non-taxable revenue	**(154)**	**(143)**
Due tax (economy)	**118**	**110**

19. Transactions between related persons

The Company is related with the following persons:

Management Financial Group AD – parent company;
Easy Asset Management AD – under common control;
Access Finance OOD – under common control;
Fintrade Finance AD – under common control;
Agency for Control of Delayed Receivables OOD – under common control;
Dynamic Investment AD – under common control;
Pioneer Capital AD – under common control;
Express Pay EOOD – under common control;
Financial Bulgaria EOOD – under common control;
Easy Payment Services OOD – under common control;
Nedelcho Spasov – controlling owner;
Stanimir Vasilev – controlling owner

Insomuch as not stated otherwise, the transactions with related persons have not been concluded under special conditions

Transactions between related persons:

• **Obtained loan**	**2017**	**2016**
Easy Asset Management AD		
- principal	1,481	1,801
- interests	801	610
	2,282	**2,411**

20. Objectives and policy of the Management with respect to risk management

Risk management in the Company is subject to the principle of central organization and it is structured according to the competence levels, as follows:

- Managing Director – determines the admissible risk levels within the adopted development strategy;
- Internal control unit – controls the process of approval and application of adequate policies and procedures within the adopted risk management strategy;

The activity related with risk management is carried out on a daily basis, observing all regulatory requirements and internal risk management rules. During risk management appropriate measures are applied, whereas their values are analysed on a daily basis and the restrictions and applicable limits are monitored.

The most essential financial risks the Company is exposed to are described here below.

20.1. Management of financial risk

20.1.1. 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 its 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.

- 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 receiv is well diversified, as well as that there are no significant concentrations of credit risk.

- Renegotiated credits and receivables

The activities related with the loans' restructuring include extension of the payment t and other modifications of the contract conditions. They are implemented in ca available indications that the payments will be continued.

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

Financial assets	December 31, 2017		December 31, 2016	
	Balance sheet value	Maximal risk	Balance sheet value	Maximal risk
Credits and receivables from customers	8,021	8,021	6,371	6,371
Commercial and other receivables	187	187	127	127
Total	**8,208**	**8,208**	**6,498**	**6,498**

The Company policy is to sell credits with delay of over 360 days with entire transfer of the risk over the sold receivables.
The Company has used no derivatives to manage credit risk.

	December 31, 2017	December 31, 2016
Sum of delayed and depreciated credits and receivables		
Measured on a portfolio basis	7,318	2,526
Charged depreciation	(3,041)	(1,802)
Total	**4,227**	**724**

20.1.2. 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:

As of December 31, 2017	*Variable interest*	*Fixed fee*	*No interest*	*Total*
Credits and receivables from customers	-	8,021	-	8,021
Commercial and other receivables	-	-	187	187
Total Assets	**-**	**8,021**	**187**	**8,208**

As of December 31, 2017	*Variable interest*	*Fixed interest*	*No interest*	*Total*
Liabilities for financings	-	2,282	-	2,282
Liabilities to staff and social security institutions	-		301	301
Commercial and other liabilities			1,113	1,113
Total Liabilities	**-**	**2,282**	**1,414**	**3,696**

As of December 31, 2016	*Variable interest*	*Fixed fee*	*No interest*	*Total*
Credits and receivables from customers	-	6,371	-	6,371
Commercial and other receivables	-	-	127	127
Total Assets	**-**	**6,371**	**127**	**6,498**

As of December 31, 2016	*Variable interest*	*Fixed interest*	*No interest*	*Total*
Liabilities for financings	-	2,411	-	2,411
Liabilities to staff and social security institutions	-		298	298
Commercial and other liabilities			216	216
Total Liabilities	**-**	**2,411**	**514**	

- Currency risk

Currency risk arises as a result of financial assets and liabilities the currency of which is different from the functional currency of the Company (Bulgarian Lev). 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.

Financial assets and liabilities as of December 31, 2017 are in the functional currency of the Company (Bulgarian Lev).

20.1.3. Liquidity risk

Liquidity risk is related with the Company's inability to pay-up its liabilities when they fall 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.

	As of December 31, 2017		As of December 31, 2016	
Assets	Up to 12 months	Above 12 months	Up to 12 months	Above 12 months
Cash and cash equivalents	400	-	300	-
Credits and receivables from customers	4,045	3,976	2,414	3,957
Commercial and other receivables	187	-	127	-
Property, plant and equipment	-	151	-	182
Deferred tax assets	-	11	-	7
Total assets	**4,632**	**4,138**	**2,841**	**4,146**
Liabilities				
Long-term loans	-	2,282	-	2,411
Other non-current liabilities	-	-	-	-
Liabilities to staff and social security institutions	301	-	298	-
Commercial and other liabilities	1,113	-	216	-
Total liabilities	**1,414**	**2,282**	**514**	**2,411**

20.1.4. 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.

21. 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.

The remunerations of the key officers for 2017 amount to BGN 63 thous.

22. 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

23. Contingent liabilities

The tax authorities may at any time inspect the accounting documents and records for five tax periods, starting from the period following the year of issuing of the respective accounting documents.

The Management of the Company has no information about any circumstances which might result in potential tax liabilities of significant amount.

24. Events which have occurred after the balance sheet date

There are no events after the balance sheet date which should be disclosed or reflected in the Financial Statements.

25. Approval of the Financial Statements

The Financial Statements as of December 31, 2017 have been approved and adopted by the General Meeting of the shareholders on April 02, 2018.

I, the undersigned Lubomira Hristova Kraleva 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 Viva Credit OOD for the year ending on December 31, 2017). The translation consists of 43 (forty-three) pages.

Sworn translator: ____________________________

Lubomira Hristova Kraleva