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Translation from Bulgarian

MANAGEMENT FINANCIAL GROUP JSCO
Consolidated Annual Financial Statements

for the year ended 2019

Evian Agency Ltd. * Sofia София Агенция Евиан ЕООД

Contents of the Financial Statements

Evian Agency Ltd. * Sofia * София * Евиан Ейджънси ЕООД

Management presents its annual financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements have been certified by Moore Bulgaria Audit Ltd.

ANNUAL CONSOLIDATED REPORT ON THE ACTIVITIES OF MANAGEMENT FINANCIAL GROUP JSCO FOR 2019

The annual consolidated financial statements of Management Financial Group JSCo (the "Parent Company", the "Group") for the year ended 31 December 2019 consist of the separate financial statements of the holding company and the group companies.

As at 31 December 2019, it had shareholding in several companies having various objects of financial activities, and its principal activities are non-bank lending.

In 2019, Management Financial Group JSCo realized a consolidated profit in the amount of BGN 57,350 thousand (2018 - profit in the amount of BGN 13,493 thousand), as follows:

- Profit for shareholders of the group in the amount of BGN 34,935 thousand (2018 - profit in the amount of BGN 8,344 thousand)
- Profit for minority interest in the amount of BGN 22,415 thousand (2018 - profit in the amount of BGN 5,149 thousand)

As at 31 December 2019, the consolidated assets of the Group amounted to BGN 262,599 thousand.

As at 31 December 2019, Group exercised control or significant influence on the following subsidiaries:

		Share of ownership	
		2019	2018
Fintreid Fainans AD	Direct control	70%	70%
EASY ASSET MANAGEMENT AD	Direct control	48%	48%
VIVA CREDIT LTD	Direct control	99%	99%
FINANCIAL BULGARIA EOOD	Indirect control	48%	48%
AGENCY FOR CONTROL OF OUTSTANDING DEBTS LTD	Direct control	100%	100%
ACCESS FINANCE LTD	Direct control	77%	78%
XPRESS PAY EOOD	Direct control	100%	100%
PROSPECT CAPITAL AD	Direct control	54%	60%
EASY PAYMENT SERVICES LTD	Indirect control	48%	48%
MFG INVESTMENTS EOOD	Direct control	100%	-
MFG PARTNERS EOOD	Indirect control	100%	-
AXI FINANCE IFN S.A. - Romania	Indirect control	77%	78%
EASY CREDIT LLK - Ukraine	Indirect control	48%	48%
EASY ASSET MANAGEMENT IFN S.A. - Romania	Indirect control	48%	48%
ICREDIT sp.z.o.o. - Poland	Indirect control	48%	48%
M CASH DOOEL - Macedonia	Indirect control	48%	48%
EASY ASSET MANAGEMENT ASIA - Myanmar	Indirect control	48%	48%
EASY ASSET MANAGEMENT MICROCREDIT GHANA LIMITED - Ghana	Direct control	90%	90%
ACCESS FINANCE SL - Spain	Indirect control	77%	78%
MFG AB - Lithuania	Direct control	100%	100%
Flexible Financial Solution LLC - Ukraine	Direct control	100%	100%
AGENCY FOR CONTROL OF OUTSTANDING DEBTS SRL - Romania	Indirect control	100%	100%

IUVO GROUP OÜ - Estonia	Direct control	93.53%	-
IUVO CREDIT OÜ - Estonia	Indirect control	93.53%	-

The new companies of Management Financial Group JSCo established in 2019 are:

- **Flexible Financial Solutions LLC**

The registered capital of Flexible Financial Solutions LLC consists of UAH 5,000,000 (five million) (BGN 335 thousand), divided into 5,000,000 (five million) shares;

- **MFG Investments EOOD**

The registered capital of MFG Investments EOOD consists of BGN 1,500,000 (one million and five hundred), divided into 1,500,000 (one million and five hundred) shares;

In 2019, MFG JSCo acquired 93.53% of the shares in **IUVO GROUP OÜ - Estonia**.
The registered capital of IUVO GROUP OÜ consists of EUR 1,700,000 (one million seven hundred) (BGN 3,325 thousand), divided into 1,700,000 (one million and seven hundred) shares;
IUVO GROUP OÜ owns 100% of IUVO CREDIT OÜ - Estonia. The registered capital of IUVO CREDIT OÜ consists of EUR 2,500 (two thousand five hundred) (BGN 5,000), divided into 2,500 (two thousand five hundred) shares;

Easy Asset Management AD owns 100% of Easy Credit LLK ("Subsidiary"). The subsidiary is registered in accordance with Ukrainian laws and regulatory requirements for non-bank financial institutions. The amount of the initially registered capital of the Subsidiary is UAH 6,922, which as at the date of registration of the capital were equivalent to EUR 800 thousand or BGN 1,565 thousand. In 2015, a resolution was adopted to increase the capital to UAH 102,460 thousand, equivalent to EUR 4,581 thousand or BGN 8,960 thousand as at the date of the capital increase. In 2016, the capital reached the equivalent of BGN 13,797 thousand.

Easy Asset Management AD owns 100% (99.9995416%) of SC Easy Asset Management IFN S.A. (Subsidiary). The subsidiary is registered in accordance with Romanian laws and regulatory requirements for non-bank financial institutions, with a total number of shares - 459,800 and capital in the amount of BGN 861 thousand (equivalent to EUR 440 thousand). The currency in which the capital of the Subsidiary is registered is Romanian lei (RON). In 2018, a resolution was adopted to increase the capital and as at 31 December 2018, the share capital of the Company amounted to BGN 4,303 thousand, equivalent to EUR 2,200 thousand (RON 10,261). In the reporting year 2019, the capital of the Romanian company reached BGN 5,770 thousand, equivalent to EUR 2,950 thousand (RON 13,722 thousand).

Easy Asset Management AD owns 100% of iCredit Sp. z o.o. ("Subsidiary"), established in 2014. The subsidiary is registered in accordance with Polish laws and regulatory requirements for non-bank financial institutions. The amount of the registered capital of the Subsidiary was BGN 2,000 (equivalent to PLN 5,000) as at the date of incorporation. In 2016, a resolution was adopted to increase the capital to PLN 200 thousand.

Easy Asset Management AD owns 81.30% of Easy Payments Services LTD ("Subsidiary"), established in 2016. The subsidiary is registered in accordance with the legislation of the Republic of Bulgaria. The amount of the capital upon registration of the Subsidiary was BGN 1,000 thousand. The activities of the Subsidiary are related to the execution of payment transactions, issuance of payment instruments and/or acceptance of payments with payment instruments. In 2018, a resolution was adopted to increase the registered capital to BGN 3,000 thousand, and in 2019, the capital reached BGN 5,000 thousand.

Easy Asset Management AD owns 98% of Easy Asset Management Asia Limited ("Subsidiary"), established in 2016. The Subsidiary is incorporated in accordance with the laws and regulatory requirements of the Union Republic of Myanmar. The amount of the registered capital of the Subsidiary is USD 200 thousand, equivalent to BGN 345 thousand as at the date of incorporation. In 2019, the company did not carry out business activities and its liquidation was initiated.

In 2017, Easy Asset Management AD initiated the acquisition of the shares of the local operation of the British group for non-bank consumer lending - International Personal Finance (IPF) - Provident Financial Bulgaria OOD. The parent company owns 100% of Financial Bulgaria EOOD ("Subsidiary"), and the amount of the registered capital at the time of acquisition was BGN 51 million. It is registered in accordance with the legislation and regulatory requirements of the Republic of Bulgaria. In 2019, actions were taken to restructure the capital of the Subsidiary and it was reduced to BGN 1,500 thousand.

In 2019, Easy Asset Management AD acquired from Access Finance OOD 100% of the shares of Financial Company M Cash Macedonia DOOEL Skopje ("Subsidiary"), established in 2014. The subsidiary is registered in accordance with the legislation of the Republic of Northern Macedonia and the regulatory requirements for non-bank financial institutions. The amount of the registered capital of the Subsidiary is BGN 196 thousand (equivalent to EUR 100 thousand).

Easy Asset Management AD owns 98% of Easy Individual Solutions SA DE CV SOFOM ENR ("Subsidiary"), established on 29 July 2019. The Subsidiary is registered in accordance with Mexican law. The amount of the registered capital is MXN 402 thousand (equivalent to BGN 37 thousand) as at the date of incorporation.

Access Finance Ltd. owns 99.999% of Axi Finance IFN S.A. ("Subsidiary"). The subsidiary was registered in accordance with Romanian laws in October 2015. The subsidiary holds a license for a non-banking financial institution issued by the Romanian National Bank, which was obtained in April 2016. The total amount of the registered capital of the company is RON 880 thousand (BGN 390 thousand).

In 2019, the investment in the subsidiary Axi Finance IFN SA was impaired from BGN 3,990 thousand to BGN 1,096 thousand.

In 2019, Access Finance Ltd. established a 100% subsidiary in Spain - Access Finance S.L. with a capital of BGN 6,000 (EUR 3,000).

Agency for Control of Outstanding Debts Ltd. owns 100% of the Agency for Control of Outstanding Debts SRL Romania /"Subsidiary"/. The subsidiary was registered in accordance with Romanian laws in August 2018. On 21 August 2018, the amount of RON 1 000 000,00 was transferred to ACOD Romania - for the establishment of a subsidiary of Agency for Control of Outstanding Debts Ltd. Bulgaria. The applicable exchange rate of RON to BGN was 0.441030 (BGN 441 thousand). Until the end of 2018, the Company did not start its actual operations.

MFG Investments EOOD owns 100% of MFG Partners EOOD /Subsidiary/. The subsidiary was registered in accordance with Bulgarian laws in May 2019. The registered capital of MFG Partners EOOD consists of BGN 200,000 (two hundred thousand), divided into 200,000 (two hundred thousand) shares;

In the field of research and development, the companies within the Group have been constantly improving their products and refining new and favorable conditions for their customers.

The main risks for the Group are financial risk and capital management:

The Group manages financial risk by assuming and professionally managing certain financial risks, including their identification, measurement and management. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and/or market practices.

The purpose of the Group is to achieve an appropriate balance between incurred risks and achieved return, as well as minimize the potential adverse effects on the financial results. In this context, risk is defined as the probability of incurring losses or lost profits due to internal or external factors to the organization. Risk management is performed within rules and procedures approved by the Management. The Group identifies, assesses and manages financial risks in close cooperation with all operational units. Management sets out the principles for overall risk control and management, as well as written policies regarding Group-specific areas. Risks that arise in connection with financial instruments to which the Group is exposed include credit risk, liquidity risk, market risk and operational risk (disclosed below).

Credit risk is related to the incurrence of financial losses due to failure to fulfill the obligations of the customers, suppliers, creditors of the Group Companies. Credit risk is primarily related to credits granted to customers of the Group Companies.

For its internal needs, the Group uses its own models for measuring and analyzing credit risk associated with loan granting. These models are subject to periodical review and their behavior is compared to actual values to optimize model performance.

The Group is exposed to market risk, which is the likelihood that the fair value or cash flows associated with financial instruments will fluctuate due to changes in market prices. Market risks arise mainly from positions in interest, foreign exchange and capital products, which are exposed to general and specific market movements and changes in the level of dynamics of market rates or prices. Due to the specificity of the Group's financial instruments, the latter is primarily exposed to interest rate risk.

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

The Group is exposed to both risks - associated with fair value and cash flows. Interest margins could increase as a result of these changes, which in turn would limit potential losses.

Exchange rate fluctuations have an effect on the financial position and cash flows of the Company. As a result of the currency board, the Bulgarian lev is pegged to the euro at a rate of EUR/BGN 1.95583, which means that positions in that currency do not lead to significant foreign exchange risk, unless the rate is changed in the future.

Liquidity risk is related to the Group's inability to meet its liabilities when they become due. Net cash outflows would lead to a reduction in the available cash resources, which play an important role in the Group's lending process and meeting its liabilities. In certain circumstances, a lack of liquidity may result in the sale of assets or the potential inability to meet the credit commitments of pre-approved customers. The risk that the Group will not be able to meet its monetary obligations is inherent in the activities and can be caused by a wide range of institutional-specific and market events such as mergers and acquisitions, systemic shocks and acts of God, etc.

Management of the Group's liquidity includes monitoring of future cash flows. This includes maintaining a portfolio of highly liquid assets; monitoring the liquidity ratios in the statement of financial position; management of concentration and maturity structure of liabilities, etc. An analysis of the agreed maturities of financial liabilities and financial assets is performed.

The Group has a diversified portfolio of cash and high-quality highly liquid assets to meet its current obligations.

Operational risk is the risk of loss due to system failure, human errors, fraud or external events. When the control systems and activities in place do not prevent such events, operational risks may damage reputation, have legal or regulatory consequences, or cause financial loss to the Group. The Group does not expect to eliminate all operational risks, but it seeks to manage those risks by establishing a good control environment, as well as by monitoring and managing potential risks. Control measures include effective segregation of duties, definition of access rights, authorization of transactions, and reconciliation of information from various sources, staff training and evaluation and other controls.

The main objectives of the Group relating to capital management are to maintain the ability of the group companies to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders, and to maintain a strong capital base to support the development of operations. Capital adequacy is monitored by the Group's Management. Since the Group is in the process of growth, Management believes that an optimal capital structure has not been achieved.

Evian Agency Ltd. Sofia
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As at 31 December 2019 and 31 December 2018, the share capital structure of Management Financial Group JSCo was as follows:

Shareholders	**2019**	**2018**
	% of ownership	% of ownership
Nedelcho Yordanov Spasov	50%	50%
Stanimir Svetoslavov Vassilev	50%	50%
	100%	100%

Significant events after the end of the reporting period

There is a significant non-adjusting event related to the spread of the coronavirus pandemic (COVID-19) worldwide. The disruption of normal economic activities as a result of COVID-19 may adversely affect the Group's operations. Due to the unpredictable dynamics of COVID-19, at this stage it is practically impossible to make a reliable assessment and measure the potential effect of the pandemic on the Group.

For the period after the balance sheet date until the date of preparation of the separate annual financial statements, the Group has not identified other significant or adjusting events that are related to its activities in 2019 and which should be separately disclosed or require changes in the consolidated financial statements as at 31 December 2019.

Nedelcho Spasov
Executive Director

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Evian Agency Ltd. * Sofia * Евиан Агенция ЕООД София

Company letterhead of MOORE Bulgaria Audit:

(*Logo*) MOORE Bulgaria Audit

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Bulgaria
Telephone +359 2 987 53 80

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

OF MANAGEMENT FINANCIAL GROUP JSCO

Report on the audit of the financial statements

Opinion

We have audited the accompanying consolidated financial statements of **MANAGEMENT FINANCIAL GROUP JSCo** and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, as well as accompanying notes to the financial statements, which also contain the summarized disclosure of significant accounting policies presented pages 7 to 45.

In our opinion, the enclosed consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial position and cash flows for the period ending on that date, in accordance with International Financial Reporting Standards as adopted by the European Union (EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described below in '*Auditor's responsibilities for the audit of the financial statements*" section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements under the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in the Republic of Bulgaria, and we have fulfilled our other ethical responsibilities under the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 27 'Events after the balance sheet date' to the consolidated financial statements, which discloses a material non-adjusting event related to the spread of the coronavirus pandemic (COVID-19). The disruption of normal economic activities in Bulgaria as a result of COVID-19 may adversely affect the Group's operations. Due to the unpredictable dynamics of COVID-19, it is practically impossible at this stage to make a reliable assessment and measurement of the potential effect of the pandemic. Our opinion is not modified in respect of this matter.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises a consolidated report on the activities prepared by Management in accordance with Chapter 7 of the Accountancy

Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless expressly stated in our report and to the extent that it is stated.

In connection with our audit of the consolidated annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Report on other legal and regulatory requirements
Additional issues subject to reporting based on the Accountancy Act

In addition to our responsibilities and reporting under the ISA, in respect of the report on the activities, we have also fulfilled procedures added to those required by the ISA, in accordance with the Guidelines of the professional organization of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA) issued on 29 November 2016 and approved by its Management Board on 29 November 2016. Those procedures relate to verification of the form and content of such other information in order to assist us in forming an opinion as to whether the other information includes the disclosures provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with Article 37, §6 of the Accountancy Act

Based on the procedures performed, our opinion is that:
a) The information included in the consolidated report on the activities for the financial year, presented from page 1 to page 6, for which the consolidated financial statements have been prepared, is consistent with the consolidated financial statements.
b) The consolidated report on the activities has been prepared in compliance with the requirements of Chapter Seven of the Accountancy Act.

Management's responsibilities for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Group's Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting based on assumption for going concern basis, unless Management either intends to liquidate the Group or to cease its operation, or has no realistic alternatives but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with ISA will always detect a significant misstatement, where such exists. Misstatements may arise from a fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to have an impact on the economic decisions of users made on the basis of these consolidated financial statements.

As part of the audit in accordance with ISA, we use professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from a fraud is higher than the risk of material misstatement resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, as well as neglecting or overriding internal controls;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls;
- evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by Management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, on the basis of the audit evidence obtained, whether there is material uncertainty related to events or conditions that may cast significant doubts on the Group's ability to continue as a going concern. If we come to the conclusion that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements relating to that uncertainty or, in the event that those disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. Future events or conditions may, however, cause the Group to cease to continue as a going concern;
- evaluate the overall performance, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient and relevant audit evidence regarding the financial information of the entities or business operations within the Group in order to express an opinion on the consolidated annual financial statements. We are responsible for managing, supervising and carrying out the audit of the Group. We remain solely responsible for our opinion on the audit.

The partner responsible for the audit engagement that led to this Independent Auditor's Report is Ivan Simov.

Registered Auditor	MOORE BULGARIA AUDIT OOD
Signature (illegible)	*Signature (illegible)*
Ivan Simov	Stefan Nenov Managing Partner, Registered Auditor
29 September 2020 Sofia, Bulgaria	*Oval seal of Moore Bulgaria Audit OOD*

Evlan Agency Ltd. Sofia София Агенция Евлан ЕООД

MANAGEMENT FINANCIAL GROUP JSCO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are presented in thousands of BGN)

	Notes	31 December 2019	2018
ASSETS			
Cash and cash equivalents	10	17,426	13,031
Loans and receivables from customers	11	163,352	118,122
Individually significant loans granted to legal entities and individuals	12	39,354	10,960
Trade and other receivables	13	18,880	14,633
Other investments	14	1,941	4,015
Property, plant and equipment	15	1,784	2,281
Intangible assets	16	2,654	528
Right-of-use assets		9,574	-
Investment property		1,911	-
Assets and disposal groups classified as held for sale	15	215	215
Deferred tax assets	9	5,508	960
Total assets		**262,599**	**164,745**
EQUITY			
Owners' equity and reserves			
Registered capital	22	35,080	35,080
Redeemed own shares		(36)	(36)
Reserves		10,038	9,742
Retained earnings		67,945	38,569
Foreign currency translation reserve		15	(8,692)
Total equity of the Group		**113,042**	**74,663**
Equity of the non-controlling interest		80,946	52,094
Total equity		**193,988**	**126,757**
LIABILITIES			
Loan payables	17	21,140	2,401
Lease liabilities	18	8,880	35
Payables to staff and social security institutions	19	11,811	10,198
Trade and other payables	20	25,104	24,864
Tax payables	21	1,676	490
Total liabilities		**68,611**	**37,988**
Total equity and liabilities		**262,599**	**164,745**

Evlan Agency Ltd. Sofia
Евлан Агенция ЕООД София

The notes on pages 13 to 43 form an integral part of these financial statements.

The financial statements on pages 7 to 43 were approved on 30 September 2020.

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Nedelcho Spasov
Executive Director

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Vera Slavova
Chief Accountant

Certified in accordance with Auditor's Report by:
Ivan Simov
Registered Auditor
Date: 29 September 2020

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The notes on pages 13 to 43 form an integral part of these financial statements.

Evlan Agency Ltd. Sofia София Евлан Агенция ЕООД

MANAGEMENT FINANCIAL GROUP JSCO
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are presented in thousands of BGN)

	Notes	31 December 2019	2018
Revenue from interest and penalties for non-performance of contractual obligations	3	226,767	207,768
Interest expense	4	(3,360)	(748)
Net interest income		**223,407**	**207,020**
Revenue from loan proceeds	5	24,245	4,910
Cost of revenue	5	(22,101)	(2,815)
Net revenue from loan proceeds		**2,144**	**2,095**
Dividend income		44	-
Other financial income / (expenses), net	6	(1,072)	(12,521)
Expenses on impairment on loans and receivables		(34,534)	(57,522)
Net interest income after impairment		**189,989**	**139,072**
Staff costs	7	(92,593)	(78,369)
Depreciation and amortization	15,16	(6,401)	(1,117)
Other operating costs, net	8	(32,251)	(42,274)
Profit (loss) before tax		58,744	17,312
Tax expense	9	(1,394)	(3,819)
Net profit (loss) for the period		**57,350**	**13,493**
Other comprehensive income			
- currency translation differences		-	(10,124)
Total comprehensive income		**57,350**	**3,369**
- ***including of the Group***		***34,935***	***3,694***
- ***including of the non-controlling interest***		***22,415***	***(325)***

The financial statements on pages 7 to 43 were approved on 30 September 2020.

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Nedelcho Spasov
Executive Director

[illegible signature]

Vera Slavova
Chief Accountant

Certified in accordance with Auditor's Report by:

Ivan Simov

Registered Auditor
Date: 29 September 2020

Oval seal of Moore Bulgaria Audit OOD

Evan Agency Ltd. Sofia София

The notes on pages 13 to 43 form an integral part of these financial statements.

MANAGEMENT FINANCIAL GROUP JSCO
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are presented in thousands of BGN)

Relating to equity holders	Core capital	Reserves	Share premium	Redeemed own shares	Foreign currency translation reserve	Retained earnings	Total equity of the Group	Total equity of the non-controlling interest	Total equity
Balance as at 1 January 2018	**35,080**	**7,898**	-	**(35)**	**(4,042)**	**31,110**	**70,011**	**50,661**	**120,672**
Profit for the year	-	-	-	-	-	8,344	8,344	5,149	13,493
Translation of a foreign operation	-	-	-	-	(4,650)	-	(4,650)	(5,474)	(10,124)
Paid dividend	-	-	-	-	-	(2,141)	(2,141)	(888)	(3,029)
Other changes in equity	-	1,844	-	(1)	-	1,256	3,099	2,646	5,745
Balance as at 31 December 2018	**35,080**	**9,742**	-	**(36)**	**(8,692)**	**38,569**	**74,663**	**52,094**	**126,757**
Balance as at 1 January 2019	**35,080**	**9,742**	-	**(36)**	**(8,692)**	**38,569**	**74,663**	**52,094**	**126,757**
Profit for the year	-	-	-	-	-	34,935	34,935	22,415	57,350
Paid dividend	-	-	-	-	-	(1,443)	(1,443)	-	(1,443)
Other changes in equity	-	296	-	-	8,707	(4,116)	4,887	6,437	11,324
Balance as at 31 December 2019	**35,080**	**10,038**		**(36)**	**15**	**67,945**	**113,042**	**80,946**	**193,988**

The financial statements on pages 7 to 43 were approved on 30 September 2020.

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Nedelcho Spasov
Executive Director

Vera Slavova
Chief Accountant

Certified in accordance with Auditor's Report by:

Ivan Simov
Registered Auditor

Oval seal of Moore Bulgaria Audit OOD

Date: 29 September 2020

Evian Agency Ltd. * Sofia * Евиан Агенция ЕООД София

The notes on pages 13 to 43 form an integral part of these financial statements.

MANAGEMENT FINANCIAL GROUP JSCO
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are presented in thousands of BGN)

	Notes	31 December 2019	31 December 2018
Cash flows from operating activities			
Loans granted to customers		(467,872)	(378,417)
Loans repaid by customers, including interest repayments		603,015	498,416
Individually significant loans granted		(18,367)	(18,432)
Repayments on individually significant loans granted, including interest repayments		1,519	7,851
Cash flows related to financial assets, net		17,946	(504)
Cash receipts from business relations, etc.		25,990	3,916
Payments to suppliers and other counterparties		(60,001)	(28,395)
Payments to staff and social security institutions		(89,169)	(75,439)
Tax payments		(8,209)	(3,697)
Other operating cash flows		(5,475)	(4,616)
Net cash flow from operating activities		**(623)**	**683**
Investment activities			
Acquisition of fixed assets		(4,283)	(1,648)
Cash acquired as a result of a business combination		2,087	196
Investments in subsidiaries, net		(3,210)	-
Equity investments		(17)	-
Other cash flows from investment activities		511	(2,865)
Net cash flow from investment activities		**(4,912)**	**(4,317)**
Cash flows from financial activities			
Cash flows from the issue and redemption of securities		656	1,050
Loans received from banks		44,467	23,476
Repayments of bank loans, including interest repayments		(37,751)	(28,408)
Paid dividend		(1,443)	(2,802)
Trade loans received, net, including interest repayments		1,375	6,599
Trade loans granted, including interest repayments		-	761
Other cash flows from financial activities		2,701	(449)
Net cash flow from financial activities		**10,005**	**227**

Evlan Agency Ltd. Sofia София ЕООД Агенция Евлан

MANAGEMENT FINANCIAL GROUP JSCO
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

Net (increase)/ decrease in cash	**4,470**	**(3,407)**
Effect of changes in foreign exchange rates	(75)	(12)
Cash at the beginning of the year	13,031	16,450
Cash at the end of the year	**17,426**	**13,031**

The financial statements on pages 7 to 43 were approved on 30 September 2020.

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Nedelcho Spasov
Executive Director

Vera Slavova
Chief Accountant

Certified in accordance with Auditor's Report by:
Ivan Simov

Oval seal of Moore Bulgaria Audit OOD

Registered Auditor
Date: 29 September 2020

Evlan Agency Ltd. * Sofia

The notes on pages 13 to 43 form an integral part of these financial statements.

Notes to the Financial Statements

1. 1. General information

The Group of MANAGEMENT FINANCIAL GROUP (the "Group") includes Management Financial Group JSCo (the "Parent Company") and the following subsidiaries: Easy Asset Management AD (Consolidated Financial Statements), Viva Credit LTD, Access Finance LTD, Fintreid Fainans AD, Agency for Control of Outstanding Debts, Prospect Capital AD, Xpress Pay EOOD, MFG Investments EOOD, MFG Partners EOOD, MFG AB (Lithuania), Flexible Financial Solution LLC (Ukraine), IUVO GROUP OÜ (Estonia), IUVO CREDIT OÜ (Estonia), Axi Finance IFN S.A. (Romania), ACCESS FINANCE SL (Spain), AGENCY FOR CONTROL OF OUTSTANDING DEBTS SRL (Romania) ("Subsidiaries").

Management Financial Group JSCo is a joint stock company established on 15 October 2015 under the name Spesh Cash Prim AD and operates in Bulgaria. The Company was registered with the Registry Agency on 27 October 2015. The seat and registered office of the Company is located at Lyulin 7 Residential Area, 28 Jawaharlal Nehru 28, Silver Center ABC, Floor 2, Office 40-46, Sofia, Bulgaria.

The Company's objects of activity are granting loans with funds not raised through public attraction of deposits or other repayable funds; finance leasing; acquisition of loan receivables; acquisition of holdings in a credit institution or other financial institution in accordance with the Credit Institutions Act; providing investment management services, management, consultation services, including enterprise management consultations, consultations on investment issues and carrying out transactions, risk analysis and management, market research, project management, as well as any other activity not prohibited by law.

Management Financial Group JSCo is managed by a Board of Directors, which consists of:

- Nedelcho Yordanov Spasov
- Stanimir Svetoslavov Vassilev
- Ivelina Tsankova Kavurska

The Parent Company is represented by Nedelcho Yordanov Spasov and Stanimir Svetoslavov Vassilev - Executive Directors.

As at 31 December 2019, Group exercised control or significant influence on the following subsidiaries:

		Share of ownership	
		2019	2018
Fintreid Fainans AD	Direct control	70%	70%
EASY ASSET MANAGEMENT AD	Direct control	48%	48%
VIVA CREDIT LTD	Direct control	99%	99%
FINANCIAL BULGARIA EOOD	Indirect control	48%	48%
AGENCY FOR CONTROL OF OUTSTANDING DEBTS LTD.	Direct control	100%	100%
ACCESS FINANCE LTD	Direct control	77%	78%
XPRESS PAY EOOD	Direct control	100%	100%
PROSPECT CAPITAL AD	Direct control	54%	60%
EASY PAYMENT SERVICES LTD	Indirect control	48%	48%
MFG INVESTMENTS EOOD	Direct control	100%	-
MFG PARTNERS EOOD	Indirect control	100%	-
AXI FINANCE IFN S.A. - Romania	Indirect control	77%	78%

The notes on pages 13 to 43 form an integral part of these financial statements.

EASY CREDIT LLK - Ukraine	Indirect control	48%	48%
EASY ASSET MANAGEMENT IFN S.A. - Romania	Indirect control	48%	48%
iCREDIT sp.z.o.o.- Poland	Indirect control	48%	48%
M CASH DOOEL - Macedonia	Indirect control	48%	48%
EASY ASSET MANAGEMENT ASIA - Myanmar	Indirect control	48%	48%
EASY ASSET MANAGEMENT MICROCREDIT GHANA LIMITED - Ghana	Direct control	90%	90%
ACCESS FINANCE SL - Spain	Indirect control	77%	78%
MFG AB - Lithuania	Direct control	100%	100%
Flexible Financial Solution LLC - Ukraine	Direct control	100%	100%
		100%	100%
AGENCY FOR CONTROL OF OUTSTANDING DEBTS SRL - Romania	Indirect control		
IUVO GROUP OÜ - Estonia	Direct control	93.53%	-
IUVO CREDIT OÜ - Estonia	Indirect control	93.53%	-

The new companies of Management Financial Group JSCo established in 2019 are:

- **Flexible Financial Solutions LLC**

The registered capital of Flexible Financial Solutions LLC consists of UAH 5,000,000 (five million) (BGN 335 thousand), divided into 5,000,000 (five million) shares;

- **MFG Investments EOOD**

The registered capital of MFG Investments EOOD consists of BGN 1,500,000 (one million and five hundred), divided into 1,500,000 (one million and five hundred) shares;

In 2019, MFG JSCo acquired 93.53% of the shares in **IUVO GROUP OÜ - Estonia**.
The registered capital of IUVO GROUP OÜ consists of EUR 1,700,000 (one million seven hundred) (BGN 3,325 thousand), divided into 1,700,000 (one million and seven hundred) shares;
IUVO GROUP OÜ owns 100% of IUVO CREDIT OÜ - Estonia. The registered capital of IUVO CREDIT OÜ consists of EUR 2,500 (two thousand five hundred) (BGN 5,000), divided into 2,500 (two thousand five hundred) shares;

Easy Asset Management AD owns 100% of Easy Credit LLK ("Subsidiary"). The subsidiary is registered in accordance with Ukrainian laws and regulatory requirements for non-bank financial institutions. The amount of the initially registered capital of the Subsidiary is UAH 6,922, which as at the date of registration of the capital were equivalent to EUR 800 thousand or BGN 1,565 thousand. In 2015, a resolution was adopted to increase the capital to UAH 102,460 thousand, equivalent to EUR 4,581 thousand or BGN 8,960 thousand as at the date of the capital increase. In 2016, the capital reached the equivalent of BGN 13,797 thousand.

Easy Asset Management AD owns 100% (99.9995416%) of SC Easy Asset Management IFN S.A. (Subsidiary). The subsidiary is registered in accordance with Romanian laws and regulatory requirements for non-bank financial institutions, with a total number of shares - 459,800 and capital in the amount of BGN 861 thousand (equivalent to EUR 440 thousand). The currency in which the capital of the Subsidiary is registered is Romanian lei. In 2018, a resolution was adopted to increase the capital and as at 31 December 2018, the share capital of the Company amounted to BGN 4,303 thousand, equivalent to EUR 2,200 thousand (RON 10,261). In the reporting year 2019, the capital of the Romanian company reached BGN 5,770 thousand, equivalent to EUR 2,950 thousand (RON 13,722 thousand).

Evlan Agency Ltd. * Sofia София Агенция Евлан ЕООД

Easy Asset Management AD owns 100% of iCredit Sp. z o.o. ("Subsidiary"), established in 2014. The subsidiary is registered in accordance with Polish laws and regulatory requirements for non-bank financial institutions. The amount of the registered capital of the Subsidiary was BGN 2,000 (equivalent to PLN 5,000) as at the date of incorporation. In 2016, a resolution was adopted to increase the capital to PLN 200 thousand.

Easy Asset Management AD owns 81.30% of Easy Payments Services LTD ("Subsidiary"), established in 2016. The subsidiary is registered in accordance with the legislation of the Republic of Bulgaria. The amount of the capital upon registration of the Subsidiary was BGN 1,000 thousand. The activities of the Subsidiary are related to the execution of payment transactions, issuance of payment instruments and/or acceptance of payments with payment instruments. In 2018, a resolution was adopted to increase the registered capital to BGN 3,000 thousand, and in 2019, the capital reached BGN 5,000 thousand.

Easy Asset Management AD owns 98% of Easy Asset Management Asia Limited ("Subsidiary"), established in 2016. The Subsidiary is incorporated in accordance with the laws and regulatory requirements of the Union Republic of Myanmar. The amount of the registered capital of the Subsidiary is USD 200 thousand, equivalent to BGN 345 thousand as at the date of incorporation. In 2019, the company did not carry out business activities and its liquidation was initiated.

In 2017, Easy Asset Management AD initiated the acquisition of the shares of the local operation of the British group for non-bank consumer lending - International Personal Finance (IPF) - Provident Financial Bulgaria OOD. The parent company owns 100% of Financial Bulgaria EOOD ("Subsidiary"), and the amount of the registered capital at the time of acquisition was BGN 51 million. It is registered in accordance with the legislation and regulatory requirements of the Republic of Bulgaria. In 2019, actions were taken to restructure the capital of the Subsidiary and it was reduced to BGN 1,500 thousand.

In 2019, Easy Asset Management AD acquired from Access Finance OOD 100% of the shares of Financial Company M Cash Macedonia DOOEL Skopje ("Subsidiary"), established in 2014. The subsidiary is registered in accordance with the legislation of the Republic of Northern Macedonia and the regulatory requirements for non-bank financial institutions. The amount of the registered capital of the Subsidiary is BGN 196 thousand (equivalent to EUR 100 thousand).

Easy Asset Management AD owns 98% of Easy Individual Solutions SA DE CV SOFOM ENR ("Subsidiary"), established on 29 July 2019. The Subsidiary is registered in accordance with Mexican law. The amount of the registered capital is MXN 402 thousand (equivalent to BGN 37 thousand) as at the date of incorporation.

Access Finance Ltd. owns 99.999% of Axi Finance IFN S.A. ("Subsidiary"). The subsidiary was registered in accordance with Romanian laws in October 2015. The subsidiary holds a license for a non-banking financial institution issued by the Romanian National Bank, which was obtained in April 2016. The total amount of the registered capital of the company is RON 880 thousand (BGN 390 thousand).
In 2019, the investment in the subsidiary Axi Finance IFN SA was impaired from BGN 3,990 thousand to BGN 1,096 thousand.

In 2019, Access Finance Ltd. established a 100% subsidiary in Spain - Access Finance S.L. with a capital of BGN 6,000 (EUR 3,000).

Agency for Control of Outstanding Debts Ltd. owns 100% of the Agency for Control of Outstanding Debts SRL Romania /"Subsidiary"/. The subsidiary was registered in accordance with Romanian laws in August 2018. On

21 August 2018, the amount of RON 1 000 000,00 was transferred to ACOD Romania - for the establishment of a subsidiary of Agency for Control of Outstanding Debts Ltd. Bulgaria. The applicable exchange rate of RON to BGN was 0.441030 (BGN 441 thousand). Until the end of 2018, the Company did not start its actual operations.

MFG Investments EOOD owns 100% of MFG Partners EOOD /Subsidiary/. The subsidiary was registered in accordance with Bulgarian laws in May 2019. The registered capital of MFG Partners EOOD consists of BGN 200,000 (two hundred thousand), divided into 200,000 (two hundred thousand) shares;

2. Accounting policy

The accounting policy applied in the preparation of the financial statements is described below.

The policy has been applied consistently for all years presented, unless explicitly stated otherwise.

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (IFRS adopted by the EU) and IFRIC Interpretations. These financial statements have been prepared on a historical cost basis, except for the cases of revaluation of land and buildings, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) carried at fair value through profit or loss.

The preparation of financial statements in accordance with IFRS requires the use of accounting estimates. When applying the entity's accounting policies, Management has relied on its own judgment.

2.1.1. Going concern basis

Management has reasonable expectations that the Group has adequate resources to continue to operate in the foreseeable future. For this reason, the Group continues to accept the going concern basis of accounting in preparing its consolidated financial statements.

2.1.2. Changes in accounting policies and disclosures

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

The Group applies, for the first time, the following standards and amendments to its annual reporting period beginning on 1 January 2019:

- ***IFRS 16 Leases***
- ***Interpretation 23 Uncertainty over Income Tax Treatments***
- ***Prepayment Features with Negative Compensation - Amendments to IFRS 9***
- ***Long-term interests in Associates and Joint Ventures - Amendments to IAS 28***
- ***Annual improvements to IFRS for the period 2015-2017***
- ***Plan Amendment, Curtailment or Settlement - Amendments to IAS 19***

(a) New standards and amendments applicable from 1 January 2019

The following standards and interpretations apply for the first time to financial reporting periods beginning on or after 1 January 2019:

- ***IFRS 16 Leases***

IFRS 16 primarily affects the accounting by lessees and results in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of comprehensive income will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Effective date 1 January 2019. Early adoption is permitted only if IFRS 15 is adopted at the same time.

- **Interpretation 23 Uncertainty over Income Tax Treatments**

The interpretation discloses how to recognise and measure deferred and current tax assets and liabilities when there is uncertainty over a tax treatment. In particular:

- How to determine the appropriate current account and each uncertain tax treatment should be considered separately or jointly as a group, depending on which approach better predicts the resolution of the uncertainty.
- An entity has to assume that the taxation authority will examine the uncertain tax interpretations and will have the necessary information.
- An entity is required to reflect the effect of uncertainty in its accounting on income tax where it is unlikely that taxation authorities will accept the treatment.
- The impact of uncertainty should be assessed using either the most probable amount or the expected value method, depending on which method better predicts the resolution of the uncertainty,
- and that judgments and estimates made should be re-evaluated whenever circumstances have changed or there is new information that affects the judgments.

Although there are no new disclosure requirements, entities are reminded of the general requirement to provide information on judgments and estimates made in preparing the financial statements.

Effective date 1 January 2019

- ***Prepayment Features with Negative Compensation - Amendments to IFRS 9***

The narrow-scope amendments made to IFRS 9 Financial Instruments in October 2017 enable entities to measure certain pre-payable financial assets with negative compensation at amortized cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortized cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract" and the asset must be held within a "held to collect" business model.

Effective date 1 January 2019

- ***Long-term interests in associates and joint ventures - Amendments to IAS 28***

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form a part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements to IAS 28 Investments in Associates and Joint Ventures.

Effective date 1 January 2019

- ***Annual Improvements to IFRS Standards 2015-2017 Cycle***

The following improvements were finalised in December 2017:

- IFRS 3 Business Combinations – it is clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 Joint Arrangements – it is clarified that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation.
- IAS 12 Disclosure of Interest in Other Entities - it is clarified that clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 Borrowing Costs – it is clarified if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

Effective date 1 January 2019

- ***Plan Amendment, Curtailment or Settlement - Amendments to IAS 19***

The amendments to IAS 19 Employee Benefits clarify the accounting for plan amendment, curtailment or settlement. They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
- recognize any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling
- separately recognize any changes in the asset ceiling through other comprehensive income.

Effective date 1 January 2019

(b) Forthcoming requirements

As at 31 May 31 2019, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending 31 December 2019:

- **IFRS 17 Insurance Contracts**

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the

Sylvan Agency Ltd. Sofia София ЕООД

building blocks of:
- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.
An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Effective date 1 January 2021 (likely to be extended until 1 January 2022)

- **Definition of material - Amendments to IAS 1 and IAS 8**

The IASB has made amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:
- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Effective date 1 January 2020

- **Definition of Business - Amendments to IFRS 3**

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.
The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Effective date 1 January 2020

- **Revised Conceptual Framework for Financial Reporting**

Evlan Agency Ltd. * Sofia София * Агенция Евлан ЕООД *

The IASB has issued a revised Conceptual Framework that will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of a legal entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework

Effective date 1 January 2020

- **Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28**

The IASB has amended the scope of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 'Business Combinations'). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

** In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

2.2 Foreign currency transactions

(a) Functional and presentation currency
The individual items of the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The annual financial statements are presented in thousands of BGN, which is the functional and presentation currency.

The Bulgarian lev is pegged to the euro (EUR) through the currency board mechanism introduced in the Republic of Bulgaria as from 1 January 1999.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from revaluation of assets and liabilities denominated in foreign currencies using the closing exchange rate are generally recognised in the income statement.

Foreign exchange gains and losses that relate to receivable and cash are presented in the income statement as "financial income or expense". All other foreign exchange gains and losses are presented in the income statement on a net basis within other gains/(losses).

Monetary assets and liabilities denominated in foreign currencies are reported at the closing exchange rate of the BNB as at the balance sheet date.
Significant exchange rates::

	31.12.2019	31.12.2018
US dollar	1.74099	1.70815
Euro	1.95583	1.95583
Romanian leu	0.40891	0.41939
Ukrainian hryvnia	0.06766	0.06167
Polish złoty	0.45946	0.45470
Macedonian denar	0.03181	0.0318021

Evlan Agency Ltd. Sofia
Агенция Евлан ЕООД София

2.3. Revenue and expense recognition

Revenue is recognised to the extent that there are economic benefits that are likely to flow to the Company and those economic benefits can be measured reliably. The Group meets the following specific criteria for revenue recognition:

For all financial instruments carried at amortised cost, interest income and expense are reported as "interest income" and "interest expense" in the financial statements using the effective interest method. This is a method of calculating the amortised cost of a financial asset or financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows for the life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.
In calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment options), but it does not consider future credit losses. The calculation includes all fees and commissions paid or received between the parties to the contract that form an integral part of the effective interest rate, transaction costs and all other premiums and discounts granted or received.

Fees and commissions are accrued at the time of providing the service. Fees received for the provision of services for a certain period of time are charged within that period of time. Lending fees applicable to loans that are most likely to be disbursed and other loan-related fees are deferred (along with any additional costs) and recognised by changing the effective interest rate on the loan.

2.4. Intangible assets

Intangible assets consist of software, licenses, etc. They are carried at cost, including all paid duties, non-recoverable taxes and direct costs incurred in preparing the asset for use, whereby the capitalized costs are amortized on a straight-line basis over the estimated useful lives of the assets, since it is considered to be restricted.

Subsequent measurement is carried out at cost less accumulated depreciation and impairment losses. Impairment losses are reported as expense and recognized in profit or loss and other comprehensive income for the relevant period.

Subsequent costs arising from intangible assets after their initial recognition are recognized in profit or loss and other comprehensive income for the period in which they are incurred, unless the asset can generate future economic benefits more than the projected ones and when those costs can be reliably estimated and attributed to the asset. If these conditions are met, the costs are added to the cost of the asset.

The residual value and useful lives of intangible assets are assessed by Management at each reporting date.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets, as follows:

- software 2 years
- other 6,7 years

Amortization costs are presented in the statement of profit or loss and other comprehensive income.

The gain or loss on disposal of intangible assets is defines as the difference between the proceeds from the sale and the carrying amount of the assets and is recognized in the statement of profit or loss and other comprehensive income under 'Gain / (Loss) on disposal of non-current assets'.

The selected materiality threshold for the Group's intangible assets amounts to BGN 700.00 (seven hundred leva).

2.5. Plant and equipment

Evian Agency Ltd. Sofia София Евиан Агенция ЕООД

Plant and equipment are initially measured at cost, including the cost of acquisition, and any direct costs of bringing the asset to working condition.

Subsequent measurement of plant and equipment is carried out at cost less accumulated depreciation and impairment losses. Impairment losses are reported as expense and recognized in profit or loss and other comprehensive income for the relevant period.

Subsequent costs attributed to an item of plant and equipment is added to the carrying amount of the asset when it is probable that the Group will have economic benefits exceeding the initially measured efficiency of the existing asset. All other subsequent costs are recognized as an expense in the period in which they are incurred.

The residual value and useful life of plant and equipment are assessed by management at each reporting date.

Plant and equipment acquired under finance leases are depreciated on the basis of the expected useful life determined by comparison with similar own assets of the Group, or on the basis of the lease, if its term is shorter.

Depreciation of plant and equipment is calculated using the straight-line method over the estimated useful life of individual assets, as follows:

• Plant	3.3 years
• Vehicles	4 years
• Fixture and fittings	6.7 years
• Computers and peripherals	2 years
• Other	6.7 years

The gain or loss on disposal of plant and equipment is the difference between the sale proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss and other comprehensive income in "Gain/ (loss) on disposal of non-current assets".

The selected materiality threshold for the Group's intangible assets amounts to BGN 700.00 (seven hundred leva).

2.6 Tests for impairment of intangible assets and plant and equipment

When calculating the amount of impairment, the Group defines the smallest identifiable group of assets for which separate cash flows (a cash-generating unit) can be determined. As a result, some of the assets are tested for impairment on an individual basis and other on a cash-generating unit basis.

All assets and cash-generating units are tested for impairment at least once a year. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. To determine the value in use, the Company's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor in order to calculate the present value of these cash flows. The data used in the impairment testing are based on the last approved budget of the Company adjusted if necessary in order to eliminate the effect of future reorganizations and significant improvements in assets. The discount factors are determined for each individual cash-generating unit and reflect their respective risk profile assessed by the Company's management.

Impairment losses on a cash-generating unit are presented in decrease in the carrying amount of the assets of that unit. For all of the Group's assets, Management subsequently assesses whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss recognized in a prior period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

2.7. Financial assets and liabilities

- **IFRS 9 Financial Instruments**

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and Measurement with a single model that initially had only two classification categories: amortised cost and fair value.
The classification of debt assets will be conducted by the business model in the state to manage the financial assets and the characteristics of contractual cash flows of financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for obtaining contractual cash flows, and b) the contractual cash flows of the instrument merely represent payments of principal and interest.
The rest of the debt and equity instruments, including investments in debt instruments and complex capital should be recognized at fair value.
All movements in financial assets go through the income statement, except for equity instruments that are not held for sale, which can be recorded in the income statement or reservations (without being able subsequently recycled to the income statement).
For financial liabilities that are measured at fair value, entities need to recognize part of the changes in fair value that are due to changes in their own credit risk in other comprehensive income, rather than in profit or loss.

2.8. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that are not:
(a) loans that the Company intends to immediately sell that are classified as held-for-trading and those that, after initial recognition, are designated at fair value through profit or loss;
(b) loans that, after initial recognition, are classified as available-for-sale; or
(c) loans for which the Company may not significantly recover the entire initial investment for a reason other than the deterioration of the borrower's condition.

These financial assets are initially carried at fair value and subsequently at amortised cost using the effective interest method, less impairment losses and uncollectibility.

Amortised cost is calculated by taking into account any discounts or premiums given on acquisition and includes fees that are an integral part of the applicable interest rate as well as transaction costs. Loans and receivables are stated in the statement of financial position as loans and prepayments to customers. Accrued interest is included in the statement of comprehensive income as "Interest income". In the event of impairment, the impairment loss is recognised as a deduction from the book amount of the investment and is recognised in the statement of comprehensive income as an impairment loss. The amortised portion included in the effective interest calculations for the period is shown as an adjustment to interest income in the statement of comprehensive income. Impairment losses are included in the statement of comprehensive income for the period of impairment.

The Group may enter into loan commitments in which the loans are classified as held for trading, because it intends to sell the loans in the short term. These loan commitments are recorded as derivatives, and are measured at fair value through profit or loss for the period.

Loan commitments that are expected to be retained by the Company after their disbursement are recorded as a liability only in cases where there is an onerous contract that is likely to result in a loss.

Offsetting of financial instruments

Financial assets and liabilities are netted and the net amount is presented in the statement of financial position in cases where there is an enforceable right to offset the recognised amounts and it is intended to reach an agreement on a net basis or to realise the asset and settle the liability at the same time.

Impairment of financial assets

(A) Impairment of assets carried at amortised cost

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired only where there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that event (or events) of loss has had a negative impact on the expected future cash flows from the financial asset or group of financial assets of the Group that can be measured reliably. The criteria that the Group uses to determine whether objective evidence of impairment loss is available include:

(a) significant financial difficulties of the debtor;
(b) breach of a contract, such as default or delay in payment of interest or installments of principal;
(c) existence of objective evidence that there is a measurable decrease in the expected future cash flows of a portfolio of financial assets after the initial recognition of those assets, although the decrease cannot yet be identified relative to the individual financial assets in that portfolio;
(d) adverse changes in borrowers' payment status in the portfolio.

There may also be other circumstances (e.g. fraud, adverse changes in the unemployment rate, etc.) that are accepted as an indication of loan impairment. The Company assesses the existence of objective evidence of impairment of individual loans or groups of loans. The Company forms a portfolio of loans with similar credit risk characteristics that are not individually significant and evaluates them collectively for impairment.

The amount of the loss is measured as the difference between the carrying amount of an asset or group of assets and its recoverable amount, which is the present value of expected future cash flows (excluding future credit losses that have not occurred).

The carrying amount of loans is reduced by the amount of impairment and the amount of the loss is recognised in the profit and loss statement and other comprehensive income for the period in which the loss has occurred.

Future cash flows of a group of financial assets that are tested for impairment on a portfolio basis are calculated on the basis of contractual cash flows, taking into account historical losses on assets with similar credit risk characteristics. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. In cases where a loan cannot be repaid, it is written off against the accumulated impairment. These loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is objectively related to an event occurring after the impairment was recognised, the impairment loss that was previously recognised is reversed in the statement of comprehensive income.

Impairment of assets classified as available-for-sale

At each statement of financial position date, the GroupГрупата assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A significant or prolonged decline in the fair value of an available-for-sale financial asset is objective evidence of impairment that results in an impairment loss. If

Sofia
София

any such evidence exists for available-for-sale assets, the cumulative loss, measured as the difference between the acquisition value and the current fair value, is transferred from equity and recognised in profit or loss for the period.

If, in a subsequent period, the fair value of an available-for-sale debt instrument increases and the increase is due to an event that occurred after the period in which the impairment was recognised in profit or loss, the impairment is reversed through the statement of comprehensive income.

Impairment losses recognised in profit or loss on investments in equity instruments classified as available-for-sale are not reversed in profit or loss.

Impairment of non-financial assets

At each reporting date, the Group assesses the existence of indications that the value of an asset is impaired. If there is any indication of impairment, the recoverable amount of the asset is calculated. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is reduced to its recoverable amount. Irrespective of whether or not there are indications of impairment, the Group reviews all intangible assets with indefinite useful lives or intangible assets not yet available for use for impairment annually.

The recoverable amount of an asset or cash-generating unit is the higher of the fair value less disposal costs of an asset and its value in use. Recoverable amount is determined for an individual asset, except in case that when using the asset cash flows are generated that are largely dependent of cash flows generated from other assets or groups of assets. If so, the recoverable amount is determined for the cash-generating unit to which the asset belongs. At each reporting date, the Company assesses the existence of indications that an impairment loss on a non-financial asset other than goodwill recognised in prior years may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the respective asset is estimated.

An impairment loss on an asset is reversed only when there has been a change in the estimates used in the initial determination of the asset's recoverable amount after the recognition of the last impairment loss. In this case, the carrying amount of the asset is increased to its recoverable amount, which does not exceed the carrying amount that would have been determined after deducting depreciation if no impairment loss had been recognised for the asset in previous years.

2.9. Cash and cash equivalents

Cash and cash equivalents presented in the statement of cash flows include cash, current accounts and bank deposits with an original maturity of less than three months.

2.10 Provisions

A provision for a legal or constructive obligation is recognised when the Group has a present obligation as a result of past events; there is a significant likelihood that an outflow of resources will be required to settle the obligation; a reliable estimate of the value of the liability can be made. Expenses related to all provisions are presented in the statement of comprehensive income without being offset. The Group does not recognise provisions for future operating losses. In cases where there are multiple obligations of a similar nature, the probability of settlement is determined by considering these similar obligations as a whole. A provision is recognised even if the probability of payment of a separate liability by the group of similar liabilities is low. Provisions are discounted when the effect is material, in which case the amount of the provision represents the present value of the payments expected to be made to cover the liability. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) should not reflect risks for which future cash flow estimates have been adjusted. The increase in the provision due to the passage of time is recognised as an interest expense.

2.11. Share-based payments

The Company's staff receives remuneration based on shares, and the employees provide services against remuneration received in the form of equity instruments. The cost of share transactions is recognised together with a corresponding increase in equity for the period in which the performance and/or the conditions for the provision of services are met, at the date on which the relevant employees receive a full right to receive them ("date of acquisition of rights"). The cumulative expense recognised for share transactions for each reporting date up to the date of acquisition of rights reflects the extent to which the acquisition period has expired and the Company's best estimate of the number of equity instruments for which it will ultimately rights are acquired. The cost is presented as "Staff costs". In cases where the conditions for share-based payments are changed, the minimum costs recognised in "Staff costs" are the costs that would have been the case if the conditions had not been changed. An additional cost is recognised for all modifications that increases the total value of the share payment agreement or otherwise benefits the employee. In cases where share-based payments are canceled, the cancellation is treated as a transferred right from the date of cancellation and all costs not yet recognised by the date of cancellation are recognised immediately.

If a new program is introduced in place of an old share-based payment program, the canceled and new programs are treated as if they were a modification of the original program, as described above.
Share-based payment costs are initially measured at fair value using a pricing model, taking into account the conditions under which the instruments are provided. This fair value is stated as an expense in the period in which the rights are acquired. The liabilities under the plan are remeasured at fair value in each statement of financial position up to and including the settlement date, and changes in fair value are recognised in the statement of comprehensive income

2.12. Current income tax

The Group charges current taxes under the respective legislation. Income tax is calculated on the basis of taxable profit for the period determined in accordance with the rules established by the tax regulations. The tax effect related to transactions or other events is reported in the statement of comprehensive income. The tax effect associated with transactions and other events reported directly in equity is carried forward directly to equity. Current tax assets and liabilities for the current and previous years represent the amount that is expected to be recovered from or paid to the taxation authorities. Tax rates used in the calculations are those that are legally established at the date of the statement of financial position.

2.13. Deferred tax

Deferred tax assets and liabilities are reported for all temporary differences subject to taxation using the balance sheet liability method applied to the difference in the tax base of the assets and liabilities and their carrying amount presented in the financial statements. Deferred tax assets are reported for all deductible temporary differences up to the extent to which it is probable that future taxable profits will be available against which the respective deductions can be made.

Deferred taxes are recognised as income or expense and are included in net profit for the period, except when those taxes arise from a transaction or an event reported for the same or a different period directly in equity. Deferred taxes are charged or deducted directly from equity when those taxes relate to items that are charged or deducted during the same or a different period directly in equity.

Deferred taxes are recognised as income or expense using the tax rates that have been enacted or substantively enacted by the date of preparation of the financial statements. Deferred taxes are not recognised when they arise from the initial reporting of an asset or liability in a transaction for which, at the time of the transaction, neither the accounting nor the tax gain (loss) is reflected. Deferred taxes arising from investments in subsidiaries and operations abroad are recognised in the statement of comprehensive income and statement of financial position, except when the period for accrual (or deduction) of these temporary differences is controlled by the Company, and there is a high probability that the temporary difference will not reverse in the future

2.14. Redeemed own shares and contracts on own shares

The Company's own equity instruments acquired by it or its subsidiaries (the Company's own shares) are deducted from equity and are carried at the weighted average cost of acquisition. Consideration paid or received for the purchase, sale, issue or cancellation of the Company's own equity instruments is recognised directly in equity. Gains or losses are not recognised in the statement of comprehensive income. Contracts on own shares that involve the issuance of own shares for consideration are classified as equity and are added to or deducted from equity. Contracts on own shares that require a net cash settlement or provide a settlement option while maintaining the value of the contractual obligation, resulting in a change in the number of shares when their fair value changes, are classified as financial liabilities.

2.15. Dividends

Dividends related to ordinary shares are recognised as a liability and deducted from equity in cases where they are approved by the shareholders of the Company. Interim dividends are deducted from equity in cases where they are declared. Dividends for the year that are approved after the end of the reporting period, but before the date of issue of the statement of financial position, are disclosed as an event after the date of issue of the statement of financial position.

2.16. Employee benefits

The Company makes contributions to various public or privately administered pension schemes and funds. Payments made in connection with these short-term staff benefits are recognised as an expense in the period.

The Company is obliged to pay retirement benefits to its employees, provided that a number of legal grounds are met, in accordance with the relevant labor legislation. The Company recognises termination benefits if the following conditions are met: there is a firm commitment and a detailed termination plan, and there is a legal obligation to pay such short-term employee benefits. Employee benefits that are due for more than one year after the reporting date are discounted to their present value.

In accordance with the Bulgarian labor legislation, the Company is obliged to pay 2 or 6 monthly gross salaries to its employees upon retirement, and the amount depends on the employees' length of service in the Company. If the length of service of the employee in the Company is more than 10 years, the retirement income amounts to 6 gross monthly salaries; in other cases the amount of the retirement benefit is 2 gross monthly salaries. These retirement benefit obligations are not secured by funds raised in a special fund (i.e. the liabilities are not funded). The Company's management has made an assessment of the present value of these liabilities as at the date of preparation of the financial statements based on actuarial calculations using the projected unit credit method.

2.17. Related parties

For the purposes of these financial statements, the Company presents as related parties the partners, their subsidiaries and associates, managerial staff, as well as close members of their families, including companies controlled by all the above persons, are considered and treated as related parties.

2.18. Significant accounting estimates and judgments

The presentation of the financial statements in accordance with IFRS requires management to make the best estimates and reasonable assumptions that affect the reported values of assets and liabilities, and the disclosure of contingent receivables and liabilities at the date of the report, and accordingly the values of income and expenses

Sofia
София

for the reporting period.
The estimates and associated assumptions are based on historical experience and other factors that are appropriate in the circumstances, the results of which form the basis for judgments about the carrying amount of assets and liabilities that are not apparent from other sources. Actual results may differ from estimates.

Accounting estimates and underlying assumptions are reviewed on a regular basis. An adjustment to the accounting estimates is made in the year of the revision of the estimates if the adjustment relates to the current and future years. Management's estimates of the application of IFRS that have a material effect on the financial statements and accounting estimates with a material risk of material adjustment in the following year are set out below.

3. Revenue from interest and penalties for non-performance of contractual obligations

	2019	2018
Revenue from interest and penalties for non-performance of contractual obligations by the borrowers on granted loans	226,757	207,715
Interest income on deposits and current accounts	10	53
	226,767	**207,768**

4. Interest expense

	2019	2018
Interest on bank loans	(125)	(31)
Interest on financing and lease	(1,045)	(716)
Other interest expense	(2,190)	(1)
	(3,360)	**(748)**

5. Revenue from loan proceeds and cost of revenue

Revenue from loan proceeds represents the gross amount of payments received from debtors and accrued income, and includes:

	2019	2018
5. Revenue from proceeds in BGN	24,245	4,910
	24,245	**4,910**

Cost of revenue

Cost of revenue represents the decrease in the carrying amount of the loan or receivable due to payments received from debtors.

	2019	2018
Cost of revenue in BGN	(22,101)	(2,815)
	(22,101)	(2,815)

6. Other financial income/(expenses), net

	2019	2018
Amounts collected exceeding acquisition cost of purchased receivables	61	-

Income from assigned receivables	2,727	11,939
Carrying amount of assets sold	(2,264)	(11,053)
Income from/Expenses on transactions in financial assets	(425)	(12,765)
Income from/Expenses on subsequent measurement of financial assets and instruments	(1,228)	(218)
Income from/ Expenses on foreign exchange transactions (net)	562	(149)
Fees and commission expense and other expenses	(507)	(573)
Interest income on individually significant loans (net)	2	298
Total	(1,072)	**(12,521)**

7. Staff costs

	2019	2018
Salaries and wages	(81,392)	(69,893)
Social security contributions	(11,201)	(8,476)
	(92,593)	**(78,369)**

8. Other operating costs, net

	2019	2018
Other operating revenue:		
Revenues from the provision of services	16,219	132
Other operating revenue	367	191
	16,586	**323**
Other operating costs:		
Expenses on materials	(4,327)	(4,191)
Expenses on hired services	(32,906)	(30,636)
Other operating expenses	(11,604)	(7,770)
	(48,837)	**(42,597)**
	(32,251)	**(42,274)**

9. Tax temporary differences

The Group has no contingent receivables or liabilities related to taxation, and it does not expect significant changes in its tax status related to changes in tax rates or tax laws in subsequent reporting periods.

	2019	2018
Current tax expense	(5,524)	(4,089)
Effect of deferred taxes	4,130	270
Total	**(1,394)**	**(3,819)**

The following table shows the reflection of deferred tax assets and liabilities in the statement of financial position and statement of comprehensive income:

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	2019	2018
Deferred tax assets	5,508	960

	2019	2018
At the beginning of the year:	960	643
Expense) / Income in the income statement	4,548	317
At the end of the year	**5,508**	**960**

The movement of the tax temporary differences (before offsetting the amounts in the respective tax jurisdiction) during the period is as follows::

Deferred tax assets/liabilities	Pension and other payables to staff	Other	Total
As at 1 January 2018	**433**	**210**	**643**
(Expense) / income in the income statement	(7)	324	317
As at 31 December 2018	**426**	**534**	**960**
As at 1 January 2019	**426**	**534**	**960**
(Expense)/income in the income statement	54	4,494	4,548
As at 31 December 2019	**480**	**5,028**	**5,508**

10. Cash and cash equivalents

	2019	2018
Cash in current accounts	15,708	11,822
Cash in hand	1,627	1,034
Cash in transit	91	175
	17,426	**13,031**

Cash and cash equivalents are cash in hand or in bank accounts.

11. Loans and receivables

	2019	2018
Principals and accrued interest	207,421	173,317
Other receivables, including court receivables	6,445	1,365
Minus: accumulated impairment losses	(50,514)	(56,560)
	163,352	**118,122**

All loans have a fixed interest rate.

For its internal needs, the Group uses its own models for measuring and analyzing credit risk. These rating and evaluation models are used in the analysis of the loan portfolio, and serve as a basis for calculating the loss on non-performing loans.

12. Individually significant loans granted to legal entities and individuals

	2019	**2018**
Commercial loans granted to legal entities	54,537	38,236
Commercial loans granted to individuals	3,275	419
Minus: impairment losses	(18,458)	(27,695)
Total	**39,354**	**10,960**

All granted commercial loans are unsecured and with a fixed interest rate.

Individually significant commercial loans are reviewed for impairment based on the individual characteristics of the loan receivable.

13. Trade and other receivables

	2019	**2018**
Guarantees and prepayments	12,349	6,640
Receivable under assignment of loans and receivables	1,366	1,056
Other	5,165	6,937
Total	**18,880**	**14,633**

14. Other investments

	2019	**2018**
Quoted shares	-	3,073
Derivatives	-	178
Unquoted shares	1,473	764
Shares	468	-
Total available-for-sale investments under the statement of financial position	**1,941**	**4,015**

15. Property, plant and equipment

	Plant and equipment	Fixture and fittings and vehicles	Right-of-use assets	Други	Total
Carrying amount as at 1 January 2018	**3,460**	**94**		**278**	**3,832**
Acquired from business combinations	20	8			28
Acquired	1,688	70		108	1,866
Written-off	(1,064)	(15)			(1,080)
Carrying amount as at 31 December 2018	**4,104**	**157**		**385**	**4,646**

The notes on pages 13 to 43 form an integral part of these financial statements.

Depreciation as at 1 January 2018	**(2,223)**	**(12)**		**(168)**	**(2,403)**
Acquired from business combinations	(16)	(3)		-	(19)
Accrued in the period	(577)	(22)		(95)	(694)
Written-off in the period	746	4		1	751
Depreciation as at 31 December 2018	**(2,070)**	**(33)**		**(262)**	**(2,365)**
Carrying amount as at 31 December 2018	**2,034**	**124**		**123**	**2,281**
Carrying amount as at 1 January 2019	**4,104**	**157**		**385**	**4,646**
Adjustment (Transfers to/from other categories)	**(2,772)**	**942**		**879**	**(951)**
Carrying amount as at 1 January 2019 after adjustment	**1,332**	**1,099**		**1,264**	**3,695**
Carrying amount – effect of initial application of IFRS 16 (change in the accounting policy)			**5,154**		**5,154**
Total effect IFRS 16			**5,154**		**5,154**
Acquired from business combinations	103	98	-	-	201
Acquired	350	86	9,503	463	10,402
Written-off	(19)		(77)	(31)	(127)
Carrying amount as at 31 December 2019	**1,766**	**1,283**	**14,580**	**1,696**	**19,325**
Depreciation as at 1 January 2019	**(2,070)**	**(33)**		**(262)**	**(2,365)**
Adjustment (Transfers to/from other categories)	1,355	(642)		(597)	116
Depreciation as at 1 January 2019 after adjustment	(715)	(675)		(859)	(2,249)

Accrued during the period	(235)	(176)	(5,110)	(342)	(5,863)
Written off during the period	10		104	31	145
Depreciation as at 1 January 31 December	**(940)**	**(851)**	**(5,006)**	**(1,170)**	**(7,967)**
Carrying amount as at 31 December 2019	**826**	**432**	**9,574**	**526**	**11,358**

- Assets and disposal groups classified as held for sale

Assets classified as held for sale are owned by Viva Credit LTD:

- Land property located in the town of Sozopol, Municipality of Sozopol, Burgas Region, postcode 8130, Misarya, with an area of 1207 sq. m., with a book value of BGN 142 thousand.
- Land property located in the town of Sozopol, Municipality of Sozopol, Burgas Region, postcode 8130, Misarya, with an area of 580 sq.m., with a book value of BGN 73 thousand.

16. Intangible assets

	Concessions, patents, licenses, trademarks, software products and other similar rights and assets	**Total**
Carrying amount as at 1 January 2018	**1,822**	**1,822**
Acquired from business combinations	30	30
Acquired	552	552
Written-off	(422)	(422)
Carrying amount as at 31 December 2018	**1,982**	**1,982**
Amortization as at 1 January 2018	**(1,372)**	**(1,372)**
Acquired from business combinations	(14)	(14)
Accrued during the period	(423)	(423)
Written off during the period	355	355
Amortization as at 31 December 2018	**(1,454)**	**(1,454)**

Carrying amount as at 31 December 2018	**528**	**528**
Carrying amount as at 1 January 2019	**1,982**	**1,982**
Adjustment	**1,404**	**1,404**
Carrying amount as at 1 January 2019 after adjustment	**3,386**	**3,386**
Acquired	1,288	1,288
Carrying amount as at 31 December 2019	**4,674**	**4,674**
Amortization as at 1 January 2019	**(1,454)**	**(1,454)**
Adjustment	(28)	(28)
Carrying amount as at 1 January 2019 after adjustment	**(1,482)**	**(1,482)**
Accrued during the period	(538)	(538)
Amortization as at 31 December 2019	**(2,020)**	**(2,020)**
Carrying amount as at 31 December 2019	**(2,654)**	**(2,654)**

17. (18.) Loan payables and financial lease liabilities

Liabilities to banks include interest-bearing bank loans on revolving loan facilities. The Company has no overdue principal, interest and other similar liabilities as at 31 December 2019 and 31 December 2018. The interest on loans is calculated on the basis of the effective yield by applying an effective interest rate. The borrowings have variable interest rates in the form of a base interest rate and margin. The liability under the main loan facility/overdraft for working capital as at 31 December 2019 was BGN 4,689 thousand (as at 31 December 2018 there is no liability). The loan is secured by special pledges on portfolios of loan receivables, as well as mortgaged properties of co-debtors. Other liabilities to banks include revolving credit cards with a total amount of the liability as at 31 December 2019 in the amount of BGN 3 thousand. (BGN 5 thousand as at 31 December 2018).
As at 31 December 2019, the Group had liabilities under concluded lease contracts in the amount of BGN 8,880 thousand (BGN 1,099 thousand as at 31 December 2018, including Easy Asset Management AD – BGN 2,927 thousand, Poland – BGN 202 thousand (BGN 244 thousand as at 31 December 2018), Romania - BGN 2,934 thousand (BGN 820 thousand as at 31 December 2018), Ukraine – BGN 1,491 thousand and Macedonia – BGN 22 thousand.

	2019	2018
Liabilities to banks	6,843	5
Liabilities to non-bank financial institutions	-	3

The notes on pages 13 to 43 form an integral part of these financial statements.

Sofia
София

Liabilities to commercial enterprises	14,297	1,329
Liabilities to lessors	8,880	1,099
	30,020	**2,436**

19. Payables to staff and social security institutions

Payables related to employee benefits consist of the following:

	2019	2018
Payables related to staff	6,024	5,298
Payables for social security contributions	2,378	1,890
Unused leave and other short-term employee benefits	3,105	2,972
Personal income taxes	192	38
Payables for long-term employee benefits	112	-
	11,811	**10,198**

20. Trade and other payables

	2019	2018
Payables to suppliers	6,499	3,488
Liabilities under guarantees	16,261	16,071
Obligations under assignments	71	10
Tax and fee payables	43	2,238
Other payables	2,230	3,057
	25,104	**24,864**

Liabilities under guarantees represent commitments undertaken by the Group for repurchase of assigned receivables on loans from its own portfolio up to the amount of the transferred principal.

In 2016, the Group Companies started a partnership with a P2P investment platform regulated under the legal framework of the Republic of Estonia. The platform provides an opportunity to invest in loans already granted by the companies acting as originators. The platform provides an opportunity to invest in loans already granted by the companies acting as originators. This is done by transferring rights, and the gross book value of the assets transferred but not written off as at 31 December 2019 amounted to BGN 16,261 thousand (BGN 16,071 thousand as at 31 December 2018). The investor can choose in which part of the loan to invest, with a maximum threshold of up to 70% of the loan principal. The loans that are financed through the platform are different in type and default in payment, and their realization is within one year. The originator is obliged to pay the remaining part of the principal to the investor in case of default over 60 days. The maximum exposure of the companies in terms of credit risk is up to the amount of the transferred principal and as at 31 December 2019, it amounted to BGN 16,261 thousand (BGN 16,071 thousand as at 31 December 2018). The fair value of the assets not written off transferred by the Group Companies and the related liabilities as at 31 December 2019 amounted to BGN 16,261 thousand (BGN 16,071 thousand as at 31 December 2018). The Group Companies did not write off the loans transferred through the platform from the separate statement of financial position, but reported a corresponding liability under guarantees.

21. Tax liabilities

	2019	2018
Corporate income tax	601	237
Personal income tax	752	139
VAT	164	104
Other taxes	159	10
	1,676	**490**

22. Registered capital

The registered capital of the Group consists of the registered capital of the Parent Company. It includes BGN 35,080,024 (thirty-five million eighty thousand and twenty-four leva), divided into 35,080,024 (thirty-five million eighty thousand and twenty-four) materialised registered shares each with a par value of BGN 1 (one).

	2019 Number	2018 Number
Issued and fully paid up shares:	35,080,024	35,080,024
Issued and fully paid up shares as at 31 December	35,080,024	35,080,024
Total shares authorized as at 31 December	**35,080,024**	**35,080,024**

The list of the main shareholders of the Company is presented as follows:

	2019 Number of shares	2019 %
Nedelcho Yordanov Spasov	17,540,012	50
Stanimir Svetoslavov Vassilev	17,540,012	50
	35,080,024	**100**

23. Financial risk management

The nature of the Group's activity requires undertaking and professional management of certain financial risks. The main functions of the risk management unit are to identify and measure all

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principal risks inherent to the Group's activity, as well as manage the risk exposures and the allocation of resources. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and/or market practices.

The purpose of the Group is to achieve an appropriate balance between incurred risks and achieved return, as well as minimize the potential adverse effects on the financial results. In this context, risk is defined as the probability of incurring losses or lost profits due to factors internal or external to the organization. Risk management is performed within rules and procedures approved by the Board of Directors. The Company identifies, assesses and manages financial risks in close cooperation with all operational units. The Board of Directors sets out the principles for overall risk control and management, as well as written policies regarding Group-specific areas such as exchange rate risk, interest rate risk, credit risk, financial instruments, etc. In addition, the internal control unit performs an independent review of the risk management systems, as well as a review of the control environment. Risks that arise in connection with financial instruments to which the Group is exposed include credit risk, liquidity risk, market risk and operational risk (disclosed below).

23.1 Credit risk

Credit risk is associated with incurrence of financial losses due to failure of the Group's customers, suppliers, and creditors to meet their obligations. Credit risk is primarily related to loans granted to customers by the Company.

Due to the nature of the Group's activity, the risks associated with credit exposures of third parties to the Company are of major importance. The credit risk assessment of the micro-credit portfolio is made on a portfolio basis and requires additional calculations of the probability of default, as well as the related loss rates, correlations in the asset portfolio, etc.

For its internal needs, the Group uses its own models for measuring and analyzing credit risk. These rating and assessment models are used in the analysis of the loan portfolio. In measuring credit risk, the Company performs an analysis of the following key components:

- "Probability of insolvency" in respect of customers in terms of contractual relations;
- Current exposures to those third parties, as well as their expected future development;
- The probable percentage of recovery of the Group's receivables (the so-called "loss given default").

These models are subject to periodical review and their behavior is compared to actual values, and adjustments are made to baseline variables to optimize model performance. These procedures for measuring credit risk are part of the routine operating activities of the Group.

The Group analyzes the portfolio of microcredits using internal ratings based on customer behavior and other factors combining statistical analysis and analysis of credit advisers.

Data is verified and validated by comparison with data from external sources. Credit risk assessment methods are subject to periodic revaluation, which ensures their compliance with recent developments in portfolio risks.

- *Exposure at default*

An exposure at default is the amount that the Group expects to be due at the time when default occurs (for example, for loans, this is the amount under the loan agreement). In the case of credit commitments, the Group includes both the amounts already granted and the amounts that can be granted at the time when default occurs.

- *Loss given default*

A loss given default is defined as the expected amount of the loss at the time when default occurs, and is reported as a percentage of the exposure. The loss given default varies widely, depending on the characteristics of the counterparty, the type and structural features of the loan, the availability of collateral or credit support of the debtor. The measurement of exposure at default and loss given default is performed on a portfolio basis for the main pool of microcredits.

The Group manages the level of credit risk by limiting the total risk exposure to a single borrower or group of borrowers. Regular monitoring of credit exposures is performed. Credit limits are subject to periodic review, depending on changes in market conditions and the probabilities of default.

- *Impairments*

The risk assessment models described above are used to estimate the expected losses – i.e. risks of future events that lead to losses from certain positions in the portfolio are taken into account. On the other hand, impairment and uncollectibility expenses are recognised in the financial statements only to the extent that they have been incurred, and estimates of impairment losses and uncollectibility are based on objective criteria. The Group's Management is of the opinion that it will be able to control and minimize the exposures related to credit risk in the portfolio in the future.

In the case of individually significant credit receivables, credit risk is managed and impairment losses are determined on an individual basis, depending on the characteristics of the receivable.

- *Concentration of risks associated with financial instruments*

The Group's Management is of the opinion that the portfolio of microcredits and receivables is well diversified and that there are no significant concentrations of credit risk at individual or group level.

- *Renegotiated loans and receivables*

Loan restructuring activities include extension of loan periods and other modifications to contract terms. They are performed if there are indications that payments will be continued.

The Group's exposure to credit risk is limited to the book value of the financial assets. It has not used derivatives to manage credit risk.

The Company considers that there are indications of impairment loss on microcredits overdue for more than 4 days, and it considers them as impaired respectively.

23.2 Market risk

The Group is exposed to market risk, which is the likelihood that the fair value or cash flows associated with financial instruments will fluctuate due to changes in market prices. Market risks arise mainly from positions in interest, foreign exchange and capital products, which are exposed to general and specific market movements and changes in the level of dynamics of market rates or prices. Due to the specificity of the Group's financial instruments, the Group is primarily exposed to interest rate risk.

- ***Interest rate risk***

Interest rate risk associated with cash flows is related to the fact that future cash flows from financial instruments are affected by changes in market interest rates. Interest rate risk associated with fair value is related to the fact that the value of a financial instrument varies due to changes in market interest rates.
The Group is exposed to both risks - associated with fair value and associated with cash flows. Interest margins could increase as a result of these changes, which in turn would limit potential losses for the Group caused by changes in market interest rates.

- ***Foreign exchange risk***

Exchange rate fluctuations have an effect on the financial position and cash flows of the Group. As a result of the currency board, the Bulgarian lev is pegged to the euro at a rate of EUR/BGN 1.95583, which means that positions in that currency do not lead to significant foreign exchange risk, unless the rate is changed in the future.
The main Group's foreign exchange risk arises from the conversion of positions into Ukrainian hryvnia. The Group does not use derivative instruments to hedge this risk.

23.3 Liquidity risk

Liquidity risk is related to the Group's inability to meet its liabilities when they become due. Net cash outflows would lead to a reduction in the available cash resources, which play an important role in the Group's lending process and meeting its liabilities. In certain circumstances, a lack of liquidity may result in the sale of assets or the potential inability to meet the credit commitments of pre-approved customers. The risk that the Group will not be able to meet its monetary obligations is inherent in the activity and can be caused by a wide range of institutional-specific and market events such as mergers and acquisitions, systemic shocks and acts of God, etc.

Management of the Group's liquidity is performed by a separate team in the Accounting and Control Department, and includes monitoring of future cash flows. This includes maintaining a portfolio of highly liquid assets; monitoring the liquidity ratios in the statement of financial position; management of concentration and maturity structure of liabilities, etc. Cash flows are measured and forecast for the next day, week and month because they are of great significance for liquidity management. An analysis of the agreed maturities of financial liabilities and financial assets is performed.

The Group has a diversified portfolio of cash and high-quality highly liquid assets to meet its current liabilities.

23.4 Operational risk

Operational risk is the risk of loss due to system failure, human errors, fraud or external events. When the control systems and activities in place do not prevent such events, operational risks may damage reputation, have legal or regulatory consequences, or cause financial loss to the Group. The Group does not expect to eliminate all operational risks, but it seeks to manage those risks by establishing a good control environment, as well as by monitoring and managing potential risks. Control measures include effective segregation of duties, definition of access rights, authorization of transactions, and reconciliation of information from various sources, staff training and evaluation and other controls, such as the activities of the internal audit department

24. Capital management

The main objectives of capital management are to maintain the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to maintain a strong capital base to support the development of operations

Capital adequacy is monitored by the Group's Management. Since the Group is in the process of growth, Management believes that an optimal capital structure has not been achieved.

25. Related party disclosures

Related parties outside the Group with which the latter carries out its activities are:

Company name	**Type of relatedness**
LIQUID DREAMS OOD	Company under common control through a majority shareholder
SEEWINES AD	Company under common control through a majority shareholder
SEEWINES LOGISTICS EOOD	Company under common control through a majority shareholder
SEEWINES SPIRIT AD	Company under common control through a majority shareholder
LUCENT INVESTMENTS AD	Company under common control through a majority shareholder
SEEWINES TUSCANY S.R.L.	Company under common control through a majority shareholder
CHIRON MANAGEMENT AD	Company under common control through a majority shareholder
ARMADA CAPITAL AD	other type of relatedness
ELEVEN INVESTMENTS KDA	other type of relatedness
Convenience AD	other type of relatedness
Nedelcho Spasov	Majority owner
Stanimir Vassilev	Majority owner

As at 31 December 2019 and 2018, receivables and liabilities under related party transactions and the respective expenses and income were as follows:

Transactions and balances

	2019	**2018**
Income		
Interest income		
Liquid Dreams OOD	223	20
Seewines AD	551	535
Seewines Logistics EOOD	93	8

Lucent Investments AD	10	-
Chiron Management AD	113	61
Total interest income	**990**	**624**

Other operating expenses	**2019**	**2018**
Seewines AD	1	-
Total other operating costs	**1**	**-**

Interest expense	**2019**	**2018**
Lucent Investments AD	(45)	(35)
Armada Capital AD	(2)	(1)
Total interest expense	**(47)**	**(36)**

Receivables	**2019**	**2018**
Loans granted		
Liquid Dreams OOD	7,032	721
Seewines AD	15,195	8,645
Seewines Logistics EOOD	3,279	708
Chiron Management AD	2,211	3,011
Total loans granted	**27,717**	**13,085**

Trade and other payables	**2019**	**2018**
Lucent Investments AD	680	1,135
Armada Capital AD	-	194
Total trade and other payables	**680**	**1,329**

The amount of outstanding loans granted to management staff as at 31 December 2019 amounted to BGN 18 thousand (as at 31 December 2018 - BGN 368 thousand).

26. Legal actions

The Group has in place formal control procedures and legal risk management policies. In the event that a present obligation has arisen as a result of past events, the settlement of which is likely to require an outflow of cash flows and the amount of any losses can be measured reliably, the Group accrues provisions in order to account for adverse effects that legal actions could have on its financial position. At the end of the reporting period, the Group has a number of unresolved legal actions, the effects of which are not expected to be significant (jointly or severally). Accordingly, no provisions have been made for such legal actions in these consolidated financial statements.

27. Events after the end of the reporting period

There is a significant non-adjusting event related to the spread of the coronavirus pandemic (COVID-19) worldwide. The disruption of normal economic activities as a result of COVID-19 may

Evans Agency Ltd. Sofia София Евънс Ейдженси ЕООД adversely affect the Group's operations. Due to the unpredictable dynamics of COVID-19, at this stage it is practically impossible to make a reliable assessment and measure the potential effect of the pandemic on the Group.

For the period after the balance sheet date until the date of preparation of the separate annual financial statements, the Group has not identified other significant or adjusting events that are related to its activities in 2019 and which should be separately disclosed or require changes in the consolidated financial statements as at 31 December 2019.

I, the undersigned Eva Valerieva Angelova, hereby certify that I have accurately translated the attached document, Consolidated Annual Financial Statements of Management Financial Group for the year ended 31 December 2019 and Independent Auditor's Report, from Bulgarian into English. The translation consists of 47 (forty-seven) pages.

Translator:
Eva Valerieva Angelova