

Translation from Bulgarian

JOBS MICRO FINANCING INSTITUTION EAD

ANNUAL REPORT OF

THE MANAGEMENT

REPORT OF THE INDEPENDENT

AUDITOR AND

ANNUAL FINANCIAL STATEMENTS

31 December 2017

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GENERAL INFORMATION

The company is represented by any two members of the Board of directors, acting jointly.

The Board of Directors as at 31 December 2017 consists of:

- Rumens Dimitrov Mitrov;
- Nikolay Dimitrov Dimitrov;
- Kostadin Bozhikov Munev;

Headquarters and management address

1, Dyakon Ignatiy St., Sofia

Auditor

Ernst & Young Audit Ltd.

Polygraphy Office Center

47A Tsarigradsko shose Blvd, fl. 4

Sofia 1124

MANAGEMENT AND ACTIVITY REPORT

OF JOBS MICRO FINANCING INSTITUTION EAD FOR 2017

General information on the structure and management of the Company

JOBS Micro Financing Institution EAD (the Company, Jobs MFI EAD) is a sole-owner joint stock company, entered in the Commercial Register on January 14, 2011, with headquarters and management address at 1, Dyakon Ignatiy St., Sofia. The subject of its activity is microfinancing, including but not limited to - granting of microcredits, acquisition from third parties and leasing of industrial equipment, cars and other vehicles, as well as other items (financial leasing), purchase and sale of such items, consultancy services, commercial representation and mediation of local and foreign natural and legal persons, performing their activity in the country, as well as any other activity not prohibited by law.

Bodies of the Company:

1. Sole owner of capital
2. Board of Directors (BD)

The sole owner of the Company's capital is Bulgarian Development Bank AD. The sole owner of the Company's capital has a two-tier governance structure. The Supervisory Board (SB) is composed of Lachezar Dimitrov Borisov (Chairman of the SB), Mitko Emilov Simeonov (Deputy Chairman of the SB) and Velina Ilieva Burska (Member of the SB). The Management Board (MB) of Bulgarian Development Bank AD is composed of: Stoyan Todorov Mavrodiev - Chairman of the Management Board and Chief Executive officer, Rumén Dimitrov Mitrov - Deputy Chairman of the Management Board and Executive officer, Nikolay Dimitrov Dimitrov - Executive officer and Iliya Vasilev Kirchev - Member of the Management Board.

The Board of Directors of the Company consists of three members and at the date of preparation of this report it includes:

Rumen Dimitrov Mitrov- Chairman of the Board of Directors;

Nikolay Dimitrov Dimitrov - Deputy Chairman of the Board of Directors;

Kostadin Bozhikov Munev - Member of the Board of Directors and Executive officer;

In 2017 and prior to the date of this report the following changes were made to the composition of the Board of Directors of the Company:

On 19.10.2017 Bilian Lyubomirov Balev was released from the Board of Directors and was replaced by Rumen Dimitrov Mitrov.

On 19.10.2017 Iliya Vasilev Kirchev was released from the Board of Directors and a new member was registered, namely Nikolay Dimitrov Dimitrov.

There are no contracts concluded within the meaning of Art. 240, lit. b of the Commerce Act, between the members of the Board of Directors or their affiliates on one side, and the Company on the other side, that go beyond their normal activities or substantially deviate from the market conditions.

The participation, within the meaning of Art. 247, para. 2, item 4 of the Commerce Act, of members of the Company's Board of Directors in commercial companies as unlimited liability partners, holding more than 25 per cent of the capital of another company, as well as their participation in the management of other commercial companies or cooperatives as procurators, managers or board members is as follows:

1. Bilian Lyubomirov Balev (released from the BD in October 2017) was the Executive Director and Deputy Chairman of the Board of Directors of Bulgarian Development Bank AD. Mr. Balev is also a partner in Fininvest Ltd. and owns 99% of the company's capital. The Company is a foreign legal entity incorporated and existing under the laws of the United Kingdom of Great Britain and Northern Ireland.

2. Iliya Vasilev Kirchev (released from the BF in October 2017) was the Executive Director and member of the Board of Directors of Bulgarian Development Bank AD. Mr. Kirchev is a member of the management body of the following non-profit entities: Academy 2007 Foundation and "Dr. Hristo Adzharov 2010" Community Center - Plovdiv.

3. Rumen Mitrov is the Executive officer and deputy chairman of the Management board of the Bulgarian Development Bank AD.

4. Nikolay Dimitrov is the Executive officer and member of the Management board of the Bulgarian Development bank AD.

5. Kostadin Munev has no participation in other companies or cooperatives within the meaning of Art. 247 par. 2, pt. (4) of the Commerce Act.

As at 31.12.2017, the registered capital of the Company is 7,643,000 /seven million six hundred forty-three thousand/ leva and is distributed into 76,430 / seventy-six thousand four hundred and thirty/ shares with par value of 100 /one hundred / BGN each. The shares are ordinary, materialized, registered and indivisible, each share entitling to one vote. The capital of the Company is fully paid up.

Ecology and research have no impact on the business activity of the Company.

The Company has no non-financial indicators that would affect the results of its core business.

The Company has not acquired own shares within the meaning of Art. 187e and Art. 247 of the Commerce Act.

Branches

The Company has no registered branches. The company carries out its activities through four offices on the territory of the country – one for each of the following cities: Sofia, Pleven, Shumen and Nova Zagora.

Subsidiaries

JOBS Micro Financing Institution EAD has no subsidiaries.

Activity overview

In 2017 financing was granted to final customers under 139 loan and leasing agreements to the amount of BGN 9,463 thousand.

As of December 31, 2017, the active loan and leasing portfolio of the Company amounted to BGN 17,719 thousand, presented based on the amortized debt before impairment and consists of 386 credit and leasing transactions. The Company also has receivables from 12 Non-Profit entities, amounting to BGN 470 before impairment.

On 23.06.2017 an agreement was signed with the National Guarantee Fund EAD for guaranteeing a transaction portfolio under the COSME programme. The purpose of the agreement is to apply a guarantee scheme, which will facilitate the access of SMEs to funding, through a risk-sharing scheme, implemented based on the guarantee provided by the EIF under the COSME programme and the European Fund for Strategic Investments (EFSI) created pursuant to the European Investments Plan.

The agreed guarantee line will facilitate the access to financing for Bulgarian micro, small and medium-sized enterprises by reducing the cost of servicing loans to the beneficiaries included in the guaranteed portfolio / annual interest rate, etc./, reduction in the value of the offered collateral and funding to beneficiaries whose projects are not supported by commercial banks due to high credit risk or the lack of sufficient collateral.

The assets of the company as at 31.12.2017 amount to BGN 17,673 thousand. Their structure is: cash in the amount of 322 thousand BGN, receivables from banks - 17 thousand BGN, receivables from Non-Profit entities after impairment amounting to BGN 34 thousand, net investment in finance leases of BGN 1035 thousand and receivables on loans granted to customers after impairment amounting to BGN 15,986 thousand. As of 31.12.2017, the Company owns tangible and intangible assets with carrying amount of BGN 28 thousand, assets held for sale amounting to BGN 176 thousand, assets under deferred taxes representing BGN 6 thousand and other assets of BGN 69 thousand.

The Company uses external financing in the form of a revolving credit line from BDB AD as a target loan resource for further financing (on-lending) by crediting or leasing assets under the terms of financial leasing to Final Beneficiaries, micro, small and medium-sized enterprises within the meaning of the small and medium-sized enterprises act, based on parameters of the sub-deals predetermined by the Bank with an agreed amount of BGN 8,000 thousand and a residual amount available for utilization of BGN 2,800 thousand and a credit agreement under the Bulgarian Development Bank AD program for indirect micro financing with the support of the European Investment Fund and the European Progress Microfinance Facility, with a contractual amount of EUR 1,875 thousand.

The Company's liabilities at the end of 2017 amounted to BGN 8,326 thousand and consisted of BGN 5,200 thousand utilized amount under a revolving credit line agreement with BDB AD, 2,947 thousand BGN utilized amount under a credit agreement with BDB AD for indirect microfinance with the support of the European Investment Fund and the European Progress Microfinance Facility and 179 thousand BGN other liabilities.

The equity of JOBS Micro Financing Institution EAD amounts to BGN 9,347 thousand, formed from share capital of BGN 7,643 thousand, reserves of BGN 1,437 thousand and a current profit of BGN 267 thousand.

The reported financial result for 2017 is a pre-tax profit of BGN 296 thousand.

The total revenues of the company in 2017 amounted to 1,375 thousand BGN, and the interest income was 1329 thousand BGN, which is 97% of the total revenues.

As of 31.12.2017, the number of staff employed under a labor contract is 14 persons.

The Company is exposed to the following risks arising from the use of financial instruments:

1. credit risk

- 2. liquidity risk
- 3. market risk
 - currency risk
 - interest rate risk

Credit risk

The financial assets that potentially expose the Company to credit risk are mainly its receivables under the leasing and credit contracts concluded, as well as the transferred claims from the United Nations Development Program in Bulgaria. The Company is exposed to credit risk in the event that the counterparties fail to meet their obligations.

The policy that the Company has adopted to minimize the risk of default is to make a preliminary assessment of the creditworthiness of its clients and to require additional collaterals under the leasing and credit contracts and transferred claims - insurances on leased assets, registration of leasing contracts in the CSPR, surety, promissory notes and special receivable pledges, as well as mortgages on immovable property and / or pledge of movable property when granting loans.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in servicing its financial obligations. The Company's liquidity risk management approach is to provide sufficient liquidity to service its maturing liabilities under both normal and extraordinary conditions, without leading to additional losses or reputational risks. Liquidity is monitored weekly.

Currency risk

The Company carries out its activity of providing financing in BGN and EUR in the terms of a currency board. While the BGN exchange rate is permanently fixed to the euro by law, the euro is not regarded as a currency bearing currency risk for the cash flows and the financial position of the Company.

Interest rate risk

For the purpose of determining the interest rates on customer lending by the end of 2014, the Company has introduced and applied a methodology for determining a base interest rate that is tied to the cost of the financial resource used for financing, - return on equity, required profit rate and expected loss from the provided funding and maintenance costs that are reviewed quarterly. In 2015, the Company also introduced a new methodology for setting the annual interest rate on the products of JOBS Micro financing Institution EAD, which determines the reference interest rates used to form the annual interest

rate on the products provided by the Company in the form of finance leases and loans. The annual interest rate (AIR) of the loan is the interest rate applicable annually to the amount of the loan utilized and not repaid. AIR can be fixed or floating. A fixed interest rate on the loan is a fixed amount valid for the entire period of the loan. Floating interest rate on loans and finance lease contracts is a variable amount, formed as a sum of the reference index and a flat-rate surcharge. The surcharge and the period of determining the interest rate are individualized in the credit or leasing contracts. The reference index is the three-month (3M) EURIBOR or three-month (3M) SOFIBOR. The management believes that the interest rate policy leads to minimization of this risk.

Remuneration received during the year by the members of the Board of Directors

The gross remunerations received by the Board of Directors of the Company during the year amounted to BGN 181,240.

Significant events occurring after the annual accounting closing

On 07.02.2018 Kostadin Bozhikov Munev was released from the Board of Directors and was replaced by Angel Atanasov Dzhalezov.

On 22.03.2018 an amendment in the Articles of Association of the company was registered, whereby the number of members in the Board of Directors is changed from three to five members.

On 30.03.2018 the following new member of the Board of Directors was registered: Hristina Atanasova Todorova. On 02.04.2018 Mrs. Todorova was also entered as a procurator of the Company.

Future development and commitment

The management of JOBS Micro Financing Institution EAD commits to provide stable future development of the activity and growth of the company assets.

(Signature)	(Signature)	(Signature)	(Signature)
Rumen Mitrov	Nikolay Dimitrov	Angel Dzhalezov	Hristina Todorova
Chairman of BD	Deputy-Chairman of BD	BD member	BD Member

Date: 03.04.2018

Round seal of JOBS Micro Financing Institution EAD, Sofia

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Independent Auditor's Report
To the sole shareholder
of " JOBS Micro Financing Institution " EAD

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of JOBS Micro Financing Institution EAD ("the Company"), including a statement of financial position as at 31 December 2017, comprehensive income statement, statement of changes in equity and cash flow statement for the year ended on that date, as well as explanatory notes to the financial statements that also contain generalized disclosure of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

Basis for expression of our opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under these standards are further described in section "Auditor's Responsibilities for the Auditing of the Financial Statements". We are independent of the Company in accordance with the IESBA Code of Ethics for Professional Accountants (the IESBA Code), along with the IFAA Ethical Requirements applicable to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in line with the requirements of IFAA and the IESBA Code. We believe that the audit evidence we received is sufficient and relevant to provide a basis for our opinion.

Further information other than the financial report and the auditor's report thereon

The management is responsible for the other information. The other information consists of an activity report prepared by the management under Chapter Seven of the Accountancy Act, but does not include the financial statements and our audit report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and thus to assess whether such other information is in material inconsistency with the financial statements or with our knowledge acquired during the audit or it otherwise seems to contain substantial misreporting. If, on the basis of the work we have done, we conclude that there is material misstatement in this other information, we are required to report such fact.

We have nothing to report in this respect.

Responsibilities of the management for the financial statements

The management is responsible for preparing and presenting these financial statements that give a true and fair view in accordance with the IFRSs adopted by the EU, and for such an internal control system as the management deems necessary to ensure the preparation of financial statements that do not contain any significant misstatements, whether due to fraud or error.

Upon preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern by disclosing, where applicable, matters relating to the going concern assumption and using the entity's accounting bases on the grounds of the going concern assumption, unless the management intends to liquidate the Company or to cease its activities, or if the management has virtually no other alternative than to do so.

Responsibilities of the auditor to audit the financial statements

Our objectives are to obtain reasonable assurance that the financial statements in general do not contain any material misstatements, whether due to fraud or error, and issue an audit report that includes our audit opinion. A reasonable degree of security is a high level of security but it is not a guarantee that an audit performed in accordance with the IAS will always reveal a material misstatement where such exists. Incorrect reporting may arise as a result of fraud or error and is considered material if it could

reasonably be expected that it alone or as a whole could have an impact on the economic decisions of users made on the basis of the financial statements.

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

- Identify and measure the risks of material misstatement in the financial statements, whether due to fraud or error, develop and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and relevant to provide a basis for our opinion. The risk of material misstatement resulting from fraud is higher than the risk of material misstatement resulting from error, since fraud may involve covert agreement, counterfeiting, deliberate omissions, statements misleading the auditor, as well as neglecting or circumventing internal control.

- we obtain an understanding of the internal control relevant to the audit in order to develop audit procedures that are appropriate under these circumstances, but not to express an opinion on the effectiveness of the Company's internal control.

- we assess the relevance of the accounting policies used and the reasonableness of the accounting estimates and the related disclosures made by the management.

- we make a conclusion on the appropriateness of the management's use of the accounting base on the grounds of the going concern assumption and, on the basis of the audit evidence obtained, we decide whether there is significant uncertainty regarding events or conditions that could raise significant doubts about the Company's ability to continue to operate as a going concern. If we come to the conclusion that there is significant uncertainty, we are required to draw attention in our audit report to the disclosures in the financial statements relating to that uncertainty or, in the event that these disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence we have received by the date of our audit report. However, future events or conditions may cause the Company to cease operating as a going concern.

- we evaluate the overall performance, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves a true and fair presentation.

We communicate to the management, along with other issues, the scope and timing of the audit, and the material audit findings, including significant internal control deficiencies that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Additional questions set out by the Accountancy Act for reporting purposes

In addition to our responsibilities and reporting under the ISA, described in the "Further information other than the financial statements and the auditor's report" section, we have also, with respect to the activity report, implemented the procedures added to those required by the ISA, pursuant to the "Guidelines on the new and expanded auditor's reports and communication by the auditor" of the professional organization of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures concern the verification of the existence and verification of the form and content of such other information in order to assist us in formulating an opinion as to whether the other information includes the disclosures and reports provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in relation to Art. 37, an. 6 of the Accountancy Act

On the basis of the procedures performed, our opinion is that:

- a) The information included in the activity report for the financial year to which the financial statements relate, is consistent with the financial statements.
- b) The activity report is prepared in compliance with the requirements of Chapter Seven of the Accountancy Act.

Audit Company Ernst & Young Audit OOD:
(Signature)
Nikolay Garnev
Manager and
Registered auditor, responsible for the audit

10 April 2018
Sofia, Bulgaria

Oval seal: Audit Company Ernst & Young Audit OOD, reg. No. 108, Sofia

JOBS MICRO FINANCING INSTITUTION EAD

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

In thousand BGN

Assets	Note	As at 31.12. 2017	As at 31.12.2016
Cash	11	322	1,291
Deposits in banks	12	17	13
Assets held for sale	17	176	13
Receivables under a financial leasing	13	1,035	704
Loans provided	14	15,986	10,773
Other trade receivables	15	34	48
Properties, machines and facilities, intangible assets	16	28	38
Deferred tax assets	10	6	2
Other assets	18	69	38
Total assets		17,673	12,920
 Liabilities			
Bank loans	19	8,147	3,670
Liabilities to suppliers and other liabilities	20	167	96
Current tax liabilities	20	12	5
Total liabilities		8,326	3,771
 Equity			
Share capital	21	7,643	7,643
Retained profits		267	154
Reserves		1,437	1,352
Total equity		9,347	9,149
Total liabilities and equity		17,673	12,920

Rectangular seal: Financial statements, for which we have issued an audit report dated 10.04.2018, Ernst & Young Audit Ltd. Manager and registered auditor: (Signature)

Oval seal: Ernst & Young Audit Ltd. Audit company, Sofia, reg. No. 108

The attached notes from page 9 to 47 are an integral part of these financial statements, The financial statements were approved for publication by the BD of JOBS MFI EAD on 03.04.2018.

Rumen Mitrov
Chairman of the BD
(Signature)

Angel Dzhalezov
CEO
(Signature)

Petko Marinov
Accountant General and issuer
(Signature)

Round seal: JOBS Micro Financing Institution EAD, Sofia

JOBS MICRO FINANCING INSTITUTION EAD
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDING ON 31 DECEMBER 2017

In thousand BGN	Note	31.12.2017	31.12.2016
Interest income	5	1,329	948
Interest costs	5	(99)	(15)
Net interest income	5	1,230	933
Fees and commissions income	6	36	25
Fees and commissions costs	6	(49)	(49)
Net Fees and commissions costs	6	(13)	(24)
Other operating income	7	10	105
Operating income		1,227	1,014
Total administrative costs	9	(914)	(790)
Amortization costs	16	(11)	(15)
Income (costs) from/ for depreciation of loans, leasing and receivables	8	(6)	(38)
Profit before tax		296	171
Costs for income tax	10	(29)	(17)
Profit after taxation		267	154
Other comprehensive income		-	-
Total comprehensive income for the year		267	154

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JOBS MICRO FINANCING INSTITUTION EAD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 DECEMBER 2017

	<i>Note</i>	Share capital	Statutory Reserves	Additional reserves	Retained profit	Total
<i>In thousand BGN</i>						
Balance as at 1 January 2016		7,643	487	814	94	9,038
Comprehensive income for the period						
Profit for the year		-	-	-	154	154
Total comprehensive income for the period					154	154
Deals with the shareholder reported in Equity						
Transfer between reserves based on a decision of the shareholder			9	42	(51)	
Dividends to the shareholder		-	-	-	(43)	(43)
Total deals with the shareholder		-	9	42	(94)	(43)
Balance as at 31 December 2016	21	7,643	496	856	154	9,149
	<i>Note</i>	Share capital	Statutory Reserves	Additional reserves	Retained profit	Total
<i>In thousand BGN</i>						
Balance as at 1 January 2017		7,643	496	856	154	9,149
Comprehensive income for the period						
Profit for the year		-	-	-	267	267

Total comprehensive income for the period					267	267
Deals with the shareholder reported in equity						
Transfer between reserves based on a decision of the shareholder		16	69		(85)	
Dividends to the shareholder	-	-	-		(69)	(69)
Total deals with the shareholder		16	69		(154)	(69)
Balance as at 31 December 2017	21	7,643	512	925	267	9,347

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JOBS MICRO FINANCING INSTITUTION EAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING ON 31 DECEMBER 2017

CASH FLOW STATEMENT

AS AT 31 DECEMBER 2017

<i>In thousand BGN</i>	Note	31.12.2017	31.12.2016
Operations			
Profit for the year		267	154
Adjustments for:			
Costs for depreciation of loans, leases and receivables	8	6	38
Depreciation costs	16	11	15
Income tax expenses	10	29	17
Other non-financial changes		(7)	(2)
		<u>306</u>	<u>222</u>
Changes in:			
- receivables under bank deposits	12	(4)	(13)
- financial lease receivables	13	(317)	112
- loans granted	14	(5,233)	(3,748)
- other trade receivables	15	14	202
- assets held for sale	17	(163)	(5)
- other assets	18	(31)	(18)
- other liabilities	20	78	(14)
Net cash flow from operations		<u>(5,350)</u>	<u>(3,262)</u>
Profit tax paid		(26)	(4)
Net cash flow from operations		<u>(5,376)</u>	<u>(3,266)</u>
Investment activities			
(Purchase)/sale of properties, plant and facilities and intangible assets	16	(1)	(14)
Cash flow from investments		<u>(1)</u>	<u>(14)</u>
Financial activities			
Received/(paid) amounts for short-term borrowed funds			-
Received/(paid) amounts for long-term borrowed funds	19	4,477	3,670
Dividends paid to shareholders		(69)	(43)
Cash flow from financing		<u>4,408</u>	<u>3,627</u>
Net (decrease)/increase in cash and cash equivalents		<u>(969)</u>	<u>347</u>
Cash and cash equivalents in the beginning of the period	1 1	<u>1,291</u>	<u>944</u>
Cash and cash equivalents in the end of the period	11	<u>322</u>	<u>1,291</u>
Interest received		<u>1,202</u>	<u>889</u>
Interest paid		<u>(83)</u>	<u>(12)</u>

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JOBS MICRO FINANCING INSTITUTION EAD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. Corporate information

JOBS Micro Financing Institution EAD (the Company) was incorporated on 23.12.2010 as a sole-owned joint-stock company, 100% shareholding of Bulgarian Development Bank AD. The registered address of the Company is: 1, Dyakon Ignatiy St., Sofia. As of 31.12.2017 the registered and paid-in share capital is BGN 7,643,000, divided into 76,430 registered shares with a par value of BGN 100 each.

The subject of activity of JOBS Micro Financing Institution EAD includes:

financing of micro and small enterprises, including but not limited to - lending, acquisition from third parties and lease of industrial equipment, cars and other vehicles, as well as other property (finance lease), purchase and sale and import of such goods, consultancy services, commercial representation and mediation of local and foreign natural and juridical persons performing their activity in the country, as well as any other activity not prohibited by law.

The management bodies of the Company are:

- Sole proprietor of the capital;
- Board of Directors (BD).

The sole owner of the Company's capital is Bulgarian Development Bank AD. Representative of the sole owner of the Company's capital is the Management Board of Bulgarian Development Bank AD.

The Company is represented by any two members of the Board of Directors, acting jointly.

As at 31 December 2017 the Board of Directors is composed of:

- Rumen Dimitrov Mitrov;
- Nikolay Dimitrov Dimitrov;
- Kostadin Bozhikov Munev;

As at 31.12.2017, the Company has not opened any branches (2016: no branches).

As of December 31, 2017, the Company has 14 employees under a labor contract (2016: 14 employees).

2.1. Basis for preparation

Compliance Statement

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRSs adopted by the EU"). The IFRS

reporting framework, adopted by the EU, is essentially the defined national accounting basis IAS, adopted by the EU, regulated by the Accountancy Act and defined in paragraph 8 of its Additional Provisions.

The financial statement was approved for publication by the Board of Directors of JOBS Micro Financing Institution EAD on 03.04.2018.

These financial statements are prepared on a historical cost basis except for:

- Trading tools and other instruments that are measured at fair value through profit or loss, provided that the fair value can be measured properly.
- Available-for-sale instruments that are measured at fair value, provided that the fair value can be measured appropriately.
- Assets held for sale that are measured at fair value, provided that the fair value can be measured properly.

2.1 Basis for preparation (continued)

Going Concern

The activity of the Company in 2017 is characterized by microfinancing. Upon preparing the financial statements, the Management has analyzed the Company's ability to continue its business, as well as the market situation. The company expects to continue to consolidate its position on the Bulgarian market and to realize a positive financial result in the future. The financial statements are prepared in accordance with the going concern principle.

2.2 Changes in Accounting Policies and Disclosures

Comparability of data

The financial statements provide comparative information with regards to the previous period.

In order to achieve better presentation of disclosures, the company management considered necessary and introduced changes to the presentation of the previous period for certain positions of the financial statements, as follows:

- The presentation of liquidity risk – the company recalculated the rates for 2016, taking into consideration the available financial resources, the forthcoming receipts from customers and expected receipts from funding, comparing them to the commitments related to the agreed transactions and pending payments under loan agreements.
- The disclosure of interest rates under individually depreciated loans and leases in note 5 – Net income from interest for 2016 was recalculated and stated as BGN 63 thousand.

New and amended standards and clarifications

The accounting policies of the Company are consistent with those applied in the previous reporting period except for the following amended IFRSs adopted as of 1 January 2017:

IAS 12 Income Taxes (Amendments) - Recognition of deferred tax assets for unrealized losses

The amendments clarify the accounting for deferred tax assets for unrealized losses in order to overcome the differences that occur in practice as a result of the application of IAS 12 in respect of: deductible temporary differences arising from a decrease in fair value; recovery of assets by value greater than their book value; the existence of probable future taxable profits; combined with respect to individual assessment. The adoption of the amendments did not have an impact on the financial position or results of the Company's activities.

IAS 7 Cash Flow Statement (Amendments): Disclosure Initiative

The purpose of these amendments is to allow the users of financial statements to assess the changes in the liabilities arising from financial activities, including changes in cash flows and non-monetary changes. The amendments indicate that one way of meeting the disclosure requirement is to apply a tabular reconciliation between the opening and closing balances in the statement of financial position of the liabilities arising from a financial activity, including changes in cash flows from a financial activity, changes in the acquisition or the loss of control over subsidiaries or other activities, the effect of changes in foreign exchange rates, changes in fair values and other changes. The amendments affect only the presentation and have no effect on the financial position or performance of the Company. The Company has provided information about the current period in Note 19 (Bank Loans).

2.3 Published standards that are not yet in force and have not been adopted earlier

Below we have presented a summary of the published standards that are not yet in force or have not been applied earlier by the Company at the date of these financial statements. We have disclosed our reasonable expectations regarding the impact on the disclosures, financial position and operating results, when the Company adopts these standards for the first time. This is expected to happen when they take effect.

IFRS 9 Financial Instruments: Classification and Valuation

IFRS 9 enters into force for the annual periods beginning on or after 1 January 2018, while allowing its earlier application. SMSS published the final version of IFRS 9 Financial Instruments in July 2014, replacing IAS 39 Financial Instruments: Recognition and Measurement and all previous IFRS 9 amendments. IFRS 9 unites all three aspects of the draft for financial instruments reporting: classification and measurement, impairment and hedge accounting. Except for hedge reporting, retrospective application is required, but the provision of comparative information is not mandatory. With regards to hedge accounting, the requirements of the standard are applied for future periods with some limited exceptions.

Jobs MFI does not expect a significant effect on the financial position statement and equity statement as a result of the initial application of IFRS 9, except for the effect of implementation of the following requirements of IFRS 9:

- Depreciation of receivables under provided loans, leases, etc. – update of the depreciation rates used (pursuant to the provisionary matrix) with forecast data for future developments;

In 2017 the company developed policies, methodology and models that ensure optimum conditions for implementation of the standard's requirements. In its future activities Jobs MFI EAD will adopt entirely the policies and methodology introduced by BDB for implementation of the standard.

The forecast effect, calculated as at 31 December 2017 on the financial position and equity statement leads to a release of depreciation of 12% as compared to the one accrued at the end of the reporting period.

The company intends to introduce the new standard on its effective date – 1 January 2018.

IFRS 15 Revenue from contracts with customers

The standard enters into force for the annual periods beginning on or after 1 January 2018, while allowing earlier application. IFRS 15 was published in May 2014 and amended in April 2016, to reflect the clarifications to the standard. IFRS 15 introduces a five-step model that is applicable to the revenue from contracts with clients (with few exceptions), regardless of the type of transaction or activity. The standard will also apply to the recognition and measurement of profits and losses on the disposal of certain non-financial assets, arising from non-regular activities (such as the sale of property, plant and equipment or intangible assets). Pursuant to IFRS 15 the income is recognized in order to reflect the transfer of promised goods or services to customers, in an amount that reflects the remuneration to which the company is entitled as consideration for these goods or services. More detailed disclosures will be required, including breakdowns of the total revenue, information on individual performance obligations, changes in the reported assets and liabilities balances under contracts with clients, as well as key judgments and estimates. The new income standard will replace all current requirements for income recognition pursuant to IFRS – IAS 11 Construction Contracts and IAS 18 Income and related clarifications. The standard requires full retrospective application or modified retrospective application.

2.3. Published standards which have not yet entered into force and have not been implemented earlier (continued)

The company plans to introduce the new standard on its effective date – 1 January 2018. In 2017 the company started to assess the effect of the implementation of IFRS 15 and at the date of approval of the financial statements for 2017 for publication, it is finalizing such analysis. The preliminary assessments obtained as a result of the analysis indicate that the implementation of the standard will not have a significant impact on the company's equity as at 31 December 2017 and 1 January 2017.

IFRS 16 Leasing

The standard becomes applicable for the annual periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of a lease for both parties under the contract, i.e. the client (the "lessee") and the supplier (the "lessor"). IFRS 16 requires lessees to account for most leases in the balance sheet and to apply a single model when accounting for all lease agreements, with some exceptions. The reporting by lessors does not change in substance. The Company will analyze and evaluate the effects of the adoption of this standard on its financial position or performance.

IFRS 17: Insurance contracts

The Standard becomes effective for the annual periods beginning on or after 1 January 2021, allowing its earlier application, provided that the Company also applies IFRS 15 Revenue from contracts with customers and IFRS 9 Financial Instruments. IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires the application of similar principles to reinsurance contracts and investment contracts with additional, unguaranteed income. The purpose of the standard is to require companies to provide information related to insurance contracts in a manner that fairly reflects those contracts. This information provides basis for the users of financial statements to assess the effect that the contracts within the scope of IFRS 17 have on the financial position, financial results and cash flows of the company. The standard has not yet been adopted by the EU. It is not applicable to the Company.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets, where the parties to the transaction are an investor and its associate or joint venture

The amendments address the identified discrepancy between the requirements of IFRS 10 and IAS 28 upon selling or contributing assets, where the parties to the transaction are an investor and its associate or joint venture. The full profit or loss is recognized when the transaction is related to the business assets, and part of the profit or loss, when the transaction concerns non-business assets. The entry into force of this amendment has been postponed indefinitely by the IASB, depending on the results of its own research project on accounting based on the equity method. The amendments have not yet been adopted by the EU. The Company does not expect these changes to have an effect on its financial position or performance.

IFRS 2 Share-based Payment (Amendments): Classification and measurement of share-based payment transactions

The amendments shall enter into force for the annual periods beginning on or after 1 January 2018, while allowing for their earlier application. The amendments set out requirements for: accounting for the effects of the exercising and non-exercising conditions on the valuation of cash-settled share-based payment transactions; for share-based payment with the option of offsetting tax deductions and for changes to share-based payment arrangements that alters the classification from a transaction settled in cash to a transaction settled by an equity instrument. The amendments have not yet been adopted by the EU. They are not expected to have an impact on the Company's future financial statements.

IFRS 4 Insurance Contracts (Amendments): Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments enter into force for the annual periods beginning on or after 1 January 2018. The purpose of the amendments is to overcome the discrepancy between the dates of entry into force of IFRS 9 and of the expected new insurance standard IFRS 17 Insurance Contracts. Entities that issue insurance contracts will still be able to adopt IFRS 9 on 1 January 2018. The amendment introduces two alternative approaches - a temporary release approach and an overlapping approach. The temporary exemption allows companies to postpone the date of adoption of IFRS 9. The overlapping approach allows companies that apply IFRS 9 from 2018 to eliminate from the profit or loss the effect arising from

some accounting discrepancies that may result from the application of IFRS 9 before IFRS 17. The amendments are not applicable to the company.

IFRIC 22 Reporting of transactions and prepayments in foreign currency transactions

The Interpretation becomes effective for the annual periods beginning on or after 1 January 2018, allowing its earlier application. The Interpretation addresses the issue of determining the date of the transaction for the purpose of determining the spot exchange rate to be used to convert the asset, revenue or expense (or part thereof) upon initial recognition, that is related to the write-off of a non-cash prepaid asset or deferred income arising from an advance payment made or received in respect of a foreign currency transaction. The clarification has not yet been adopted by the EU. The Company will analyze and evaluate its effects on its statement of financial position or its performance.

IFRIC 23 Uncertainty in the treatment of Income Taxes

The Interpretation becomes effective for the annual periods beginning on or after 1 January 2019, allowing its earlier application. This Interpretation addresses income tax accounting where the tax treatment is related to uncertainty that affects the application of IAS 12. The Interpretation provides guidance on uncertain tax treatment individually or collectively, tax audits by the tax authorities, the applicable method of reflecting the uncertainty, and accounting for changes in the facts and circumstances. The clarification has not yet been adopted by the EU. The Company will analyze and evaluate the effects on the statement of financial position or the performance.

IAS 40 Investment Properties (Amendments): Transfer of investment property

The amendments shall enter into force for the annual periods beginning on or after 1 January 2018, allowing for their earlier application. The amendments provide clarifications regarding the transfers from or to investment property upon changes in the management's intentions, only when there is a proven change in use. The amendments have not yet been adopted by the EU. They are not expected to have an impact on the Company's future financial statements.

IFRS 9 Financial Instruments: Classification and Valuation (Amendments): Specifics of the Early Repayment with Negative Compensation

The amendments in force for the annual periods beginning on or after 1 January 2019, allowing for their earlier application, propose a change in IFRS 9 for specific financial assets that would otherwise have contractual cash flows that constitute only principal and interest payments but do not meet the eligibility condition solely as a result of the existence of early repayment with negative compensation. In particular, for financial assets with early repayment characteristics that could result in negative compensation, the amendments require the financial asset to be measured at amortized cost or at fair value through other comprehensive income, depending on the business model's valuation, by which it is held. These amendments have not yet been adopted by the EU. These changes are not expected to affect the Company's financial position or performance.

2.3. Published standards not yet in force and not adopted earlier (continued)

IAS 28 Investments in Associates (Amendments): Long-term Equity Interests in Associates and Joint Ventures

The amendments shall be effective for the annual periods beginning on or after 1 January 2019, allowing for their earlier application. The amendments clarify that IFRS 9 Financial Instruments is applicable to long-term interests in associates and joint ventures that are, by their nature, part of the net investment in associates or joint ventures but to which the equity method does not apply. An entity applies IFRS 9 to those long-term participations before applying IAS 28. In applying IFRS 9, an entity does not take into account any adjustments in the carrying amount of long-term participations that arise from the application of IAS 28. These amendments have not yet been adopted by The EU. These changes are not expected to affect the Company's financial position or performance.

IAS 19 Employee Benefits (Amendments): Amendments, lay-off and arrangements of the staff plan

The amendments shall be effective for the annual periods beginning on or after 1 January 2019, allowing for their earlier application. The amendments require entities to use updated actuarial assumptions to determine the current service cost and net interest for the remaining part of the annual reporting period after the change in the plan, lay-off or settlement. Also, the amendments clarify the way the accounting for the change in the plan, the lay-off settlement affects the asset-cap requirements. These amendments have not yet been adopted by the EU. The Company will analyze and measure the effects of changes on its financial position or performance.

Annual Improvements in IFRS - Cycle 2014-2016

In the 2014-2016 cycle of the IFRS Annual Improvements Draft, the IASB has published amendments related to three standards that will become effective for the annual periods beginning on or after January 1, 2018. Summary of the amendments to the relevant standards are presented herein below:

- IFRS 1 First-time Adoption of the International Financial Reporting Standards - deletion of short-term exemptions from the requirements for first-time adopters of the standards;
- IFRS 12 Disclosure of Interests in Other Entities - explaining the scope of the disclosure requirement in IFRS 12 (effective for the annual periods beginning on or after 1 January 2017 but the improvement was adopted by the EU after that date); and
- IAS 28 Investments in Associates and Joint Ventures - Valuation of an entity in which it is invested at fair value

The annual improvements are not expected to have an impact on the financial position or performance of the company.

Annual improvements to IFRS Cycle 2015-2017

In the 2015-2017 cycle from the draft IFRS annual improvements, the IASB has published amendments that will enter into force for annual periods beginning on or after 1 January 2019. A summary of the amendments to the relevant standards is presented below:

- IFRS 3 Business Combinations and IFRS 11 Joint Agreements - Interpretation of the accounting for previously held units in joint operations;
- IAS 12 Income Taxes - a clarification of the impact in terms of income tax of payments made in respect of financial instruments classified as equity;
- IAS 23 Borrowing costs - Interpretation of Borrowing Costs eligible for capitalization.

Annual improvements to IFRS - Cycle 2015-2017 have not yet been adopted by the EU. The Company will analyze and assess the effect of the amendments on its future financial statements.

2.4 Significant accounting estimates and assumptions

Functional currency and reporting currency

These financial statements are presented in thousands of Bulgarian Leva, which is the functional currency of the reporting unit.

Comparable data

The Company presents its statement of financial position generally by liquidity level. An analysis of the asset recovery or settlement of liabilities within twelve months after the date of the statement of financial position (current) and more than 12 months after the date of the statement of financial position (non-current) is presented in the notes to the financial statements.

Use of estimates and judgments

The preparation of the financial statements requires the management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expense. The actual results may differ from these estimates.

Use of estimates and judgments (continued)

Estimates and key assumptions are reviewed on an ongoing basis. Adjustments to accounting assumptions are recognized in the period, in which the assumption is adjusted and in all future periods that are affected. Financial information, the preparation of which intrinsically involves high complexity and judgment, as well as the significant accounting estimates made during the preparation of the financial statements are disclosed in (Note 4).

The presentation of a financial statement under the International Financial Reporting Standards requires management to make the best estimates, accruals and reasonable assumptions that have an effect on the reported amounts of assets and liabilities, income and expense and the disclosure of contingent receivables and contingent liabilities at the report date. These estimates, accruals and assumptions are based on the information available at the date of the financial statements, which is why the actual future results could be different. The articles that imply a higher degree of subjective judgment or complexity or where assumptions and estimates are material to the financial statements, are disclosed below.

The receivables under credit agreements and finance lease contracts (presented in the statement of financial position as finance lease receivables) are reviewed for impairment on the basis of the Company's policy. The amounts for impairment losses that the Company pays for specific exposures are

calculated based on the most reliable estimate of the management of the present value of future cash flows.

When estimating these cash flows, the management makes assumptions about the debtor's financial position and the net realizable value of the available collateral. Each impaired financial asset is reviewed in its entirety, after which the management of the Company approves the judgment made about the collectability of the cash flows from the financial asset.

Fair value of financial assets and liabilities

Fair value is defined as the price that would have been obtained on the sale of an asset or paid on the transfer of an obligation in a typical transaction between market participants at the valuation date. The Company discloses information about the fair value of those financial assets and liabilities for which market information is available and whose fair value is materially different from the reported carrying amount.

2.4 Significant accounting judgements, estimates and assumptions (continued)

Fair value of financial assets and liabilities (continued)

Hierarchy of fair value

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments using valuation techniques:

- Level 1 - Level 1 input data are quoted (not adjusted) instruments prices on active markets for identical financial instruments;
- Level 2 - level 2 input data are inputs for an asset or liability, other than the quoted prices included in level 1, that are directly or indirectly available for observation. This category includes instruments valued using: quoted prices of similar assets or liabilities on active markets; quoted prices of identical or similar assets or liabilities on markets that are not considered active; other appraisal techniques where all significant inputs are directly or indirectly available for observation using market data;
- Level 3 - Level 3 input data are unobservable input data for an asset or liability. This category includes all instruments, where the valuation technique does not include observable input data and unobservable input data have a significant impact on the instrument valuation. This category includes instruments that are valued on the basis of quoted prices of similar instruments, where significant unobservable adjustments or assumptions are required to reflect the differences between instruments;

Financial instruments

The Company initially recognizes loans and receivables and deposits on the date on which they arise. All other financial assets (including assets measured at fair value through profit or loss) are initially recognized on the trade date, at which the Company became a party to the instrument's contractual terms.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset have expired or the Company transfers the rights to receive the contracted cash flows from the financial asset as part of a transaction, whereby a significant portion of all the risks and rewards of ownership of

the financial asset are transferred. Any interest in a transferred financial asset, that is created or retained by the Company, is recognized as a separate asset or liability.

Financial assets and liabilities are netted and the net amount is presented in the statement of financial position when and only when the Company has a legal basis to net the amounts and intends either to settle on a net basis or to realize the asset and settle the liability at the same time.

The Company has the following non-derivative financial assets: loans and receivables from leasing and other receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus all directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less the impairment losses (Paragraph: Impairment of Financial Assets).

Financial lease receivables

The leasing activity of the Company is related to the leasing of industrial equipment, transport means, agricultural machinery and others under finance leases. The lease contract is reported as a financial one, when the lessor transfers to the lessee all significant risks and rewards associated with the ownership of the asset.

2.4 Significant accounting judgements, estimates and assumptions

(continued)

Financial lease receivables (continued)

All other leasing contracts that do not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases.

Minimum lease payments

Minimum lease payments are those payments that the lessee will make or may be required to make during the term of the lease contract. From the point of view of the Company, the minimum lease payments also include the residual value of the asset guaranteed by a non-affiliated third party, provided that that party is financially capable of meeting its guarantee obligation or obligation under the repurchase agreement. In the minimum lease payments the Company also includes the cost of exercising any option that the lessee holds to purchase the asset, and at the beginning of the lease contract it is highly certain that the option will be exercised. Minimum lease payments do not include contingent rentals, as well as service and tax charges that are paid by the Company and subsequently re-invoiced to the lessee.

Beginning of the lease contract and commencement of the term of the lease contract

A distinction is made between the beginning of the lease contract and the commencement of the lease term:

- the beginning of the lease contract is the earliest of the two dates - the date of the lease agreement or the engagement of the parties to the principal terms of the lease contract.
- the commencement of the lease term is the date, from which the lessee can exercise its right to use the leased asset. This is also the date on which the Company initially recognized the leasing receivable.

Initial and consecutive evaluation

Initially, the Company recognizes a finance lease receivable, equal to its net investment that includes the present value of the minimum lease payments and any unguaranteed residual value for the Company. The present value is calculated by discounting the minimum lease payments with the interest rate inherent to the lease agreement. Initial direct costs are included in the calculation of the finance lease receivable. During the term of the lease, the Company charges financial income (interest income under finance leases) on the net investment. Lease payments received are treated as a reduction in the net investment (repayment of principal) and recognition of financial income in a way that ensures a constant rate of return on the net investment.

Subsequently, the net investment in finance lease contracts is presented net, after deducting the individual and portfolio impairment losses. The determination of the impairment of finance leases is set out below (Paragraph: Impairment of Financial Assets).

Impairment of financial assets

A financial asset that is not stated at fair value through the profit or loss, is reviewed at each reporting date in order to assess whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset and that loss event has affected the expected future cash flows from that asset, which can be measured reliably.

Objective proof that a financial asset is impaired, includes default or delay by the debtor, restructuring of the obligation to the Company under conditions that the Company would not otherwise consider, indications that a debtor or issuer will become insolvent, adverse changes in the debtor's payment status.

2.4 Significant accounting judgements, estimates and assumptions (continued)

Impairment of financial assets (continued)

Financial assets measured at amortized cost

The Company considers the evidence of impairment of financial assets measured at amortized cost (loans, lease receivables and other receivables) for both a specific asset and on a collective level. All individually significant assets are tested for specific impairment.

Those for which there is no specific impairment, are then tested collectively for impairment that has occurred, but has not yet been identified. Assets that are not individually significant, are collectively tested for impairment by grouping together assets with similar risk characteristics.

In assessing the collective impairment level, the Company uses the historical trends of default probability, recovery time and the amount of losses incurred, adjusted by the management's judgment

as to whether the current economic and credit conditions are such that the actual losses are likely to be greater or lower than those predicted on the basis of the historical trends.

Impairment loss for a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the expected future cash flows, discounted at the original effective interest rate. An impairment loss is recognized in the profit or loss and is reflected in an adjustment account decreasing the loans and receivables. When an event occurs after the recognition of the impairment, reduces the impairment loss, such decrease is reflected back through the profit or loss.

2.5 Summary of the Significant Accounting Policies

Property, Plant and Equipment

Property, plant and equipment are presented in the financial statements at historical cost less the accumulated amortization and impairment losses.

Initial evaluation

Upon initial acquisition, property and equipment are measured at cost, which includes the purchase price, customs duties and all direct costs necessary to bring the asset into a working condition. Direct costs are: site preparation costs, initial delivery and processing costs, installation costs, costs for fees for the parties involved in the project, non-refundable taxes, and other costs.

Subsequent evaluation

The approach chosen by the Company for the subsequent valuation of property and equipment is the acquisition cost model under IAS 16, the cost of acquisition, less the accumulated depreciation and accumulated impairment losses.

Gains and losses on the writing off of property, plant and equipment (determined as the difference between the proceeds and the carrying amount of the asset) are recognized net in the other income/ expenses in the profit or loss statement.

2.5 Summary of Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Depreciation method

The Company uses a straight-line method of depreciation of property and equipment. The useful life by group of assets is determined in accordance with: physical wear and tear, equipment specificity, future intentions for use and expected obsolescence and may be presented as follows:

	2017	2016
Buildings	50 years	50 years
Equipment and computers	5 years	5 years
Transport vehicles	5 years	5 years
Industrial inventory	6.7 years	6.7 years

The useful life of assets is reviewed at the end of each year and, if significant deviations from the future asset life expectancy are identified, it is corrected prospectively.

Subsequent costs

Repairs and maintenance costs are recognized as current costs in the period, in which they are incurred. Subsequent expenditures relating to property and equipment, that have the nature of replacement of certain core parts or of reorganization and redevelopment, are capitalized to the carrying amount of the asset and its residual useful life is reviewed at the date of capitalization. At the same time, the non-depreciated part of the replaced components is written off from the carrying amount of the assets and is recognized in the current expense for the restructuring period.

Intangible assets

Intangible assets are presented in the financial statements at their acquisition cost less the accumulated amortization and impairment losses. Software products (software) and licenses for software use are included.

The Company applies a straight-line method of depreciation of intangible assets over a useful life of 5 years. (2016: 5 years).

Intangible assets are written off from the statement of financial position when they are permanently decommissioned and no future economic benefits are expected, or when they are sold. Gains or losses from sales of individual assets of the intangible assets group are determined by comparing the sale proceeds and the carrying amount of the asset at the date of sale.

Impairment of non-financial assets

The reporting values of the non-financial assets of the Company, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date in order to determine whether there are any indications of impairment. In the event that such evidence exists, an estimate of the recoverable amount of the asset is made. For intangible assets with indefinite useful lives or assets which are not yet ready for use, the recoverable amount is determined each year at the same time. An impairment loss is always recognized in the event that the carrying amount of an asset or cash-generating unit (CGU), of which it is an integral part, exceeds its recoverable value.

2.5 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

The recoverable value of an asset or CGU is the higher of its value in use and its fair value, less the costs to sell. In assessing the value in use, future cash flows are discounted to their present value by applying a pre-tax discount rate, reflecting the current market assessments, price of money and the asset-specific or CGU-specific risks. For the purpose of the impairment test, assets that cannot be tested individually, are grouped together into the smallest possible group of assets generating cash receipts from continued use, that are largely independent of the cash receipts from other assets or CGU.

Impairment losses are recognized in the profit or loss. Impairment losses recognized as CGUs are allocated in such a way, as to reduce the reporting values of the unit proportionally.

An impairment loss is restored only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined after deducting depreciation, if an impairment loss had not been recognized.

Foreign Currency Transactions

Transactions executed in foreign currencies are translated in BGN at the rates of the BNB for the day of the transaction. Receivables and liabilities denominated in foreign currencies are revalued on a daily basis. At the end of the year they are revalued in their BGN equivalent at the BNB closing exchange rates, which for the most significant currencies at the date of the statement of financial position are as follows:

<u>Type of currency</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Euro	1.95583	1.95583

Since 1999, the Bulgarian lev has been linked to the euro, the official currency of the European Union, at a ratio of EUR 1 for BGN 1.95583.

Net foreign exchange gains and losses arising from the revaluation of receivables, payables and transactions in a foreign currency are recognized in the statement of comprehensive income for the period in which they arise.

Provisions

Provisions are recognized when the Company has a present constructive or legal obligation as a result of a past event and it is probable that the repayment / settlement of that liability is related to an outflow of resources. Provisions are measured on the basis of the best estimate of the management at the end of the reporting period of the expenses necessary to settle the liability.

Pension and other payables to the personnel under the social and labor law

Pursuant to the Bulgarian law, the Company is obliged to pay contributions to social security and health insurance funds. The employment relationship with the employees of the JOBS Micro Financing Institution EAD, in its capacity as an employer, is based on the provisions of the Labor Code.

2.5 Summary of Significant Accounting Policies (continued)

Short-term earnings

Short-term employee benefits of the Company in the form of remuneration, bonuses and social benefits and allowance are recognized as an expense in the statement of comprehensive income in the period, in which the related work is incurred or the requirements for receipt are met, and as a current liability of their undiscounted amount. Social security and health insurance contributions owed by the Company are recognized as current expense and liability at the undiscounted amount, together and in the period of decrease of the related income to which they relate.

At the end of each reporting period, the Company assesses and accounts for the sum of the expected costs for accruing compensated leave, that is expected to be paid as a result of the unused entitlement to accumulated leave. The assessment shall include an estimate of the cost of the salaries themselves and the cost of contributions to the statutory public and health insurance, that the employer owes on such amounts.

Long-term retirement benefits

According to the Labor Code, the employer is obliged to pay to the staff, which has reached retirement age, a benefit which, depending on the length of service in the enterprise in question, may vary from 2 to 6 gross salaries on the date of termination of the employment relationship. Based on their characteristics, these schemes constitute defined benefit plans.

Severance income

In accordance with the provisions of the Labor Code, the employer has the obligation to pay, upon termination of the employment contract prior to retirement, benefits for: non-respected notice period - the gross salary for one month; due to the Company's closure or the closure of part thereof, lay-offs, reduction in workload and job cessation for more than 15 days, etc. - gross labor remuneration for one month; upon termination of the employment contract due to sickness - compensation amounting to 2 gross monthly salaries; for unused paid annual leave - for the relevant years for the time that is recognized as length of service.

The Company recognizes employee retirement benefit obligations before retirement, when a binding commitment is made on the basis of an announced plan to terminate the employment contract with the persons concerned without being able to cancel it, or upon the formal issue of the documents for voluntary leaving. Termination benefits payable for more than 12 months are discounted and presented in the statement of financial position at their present value.

Taxes

JOBS Micro Financing Institution EAD charges current taxes under the Bulgarian law. The profit tax is calculated on the basis of the taxable profit for the period, determined in accordance with the rules established by the tax authorities, based on which taxes are paid (refunded). The tax effect associated with transactions or other events reported in the statement of comprehensive income, is also recognized in the statement of comprehensive income and the tax effect associated with transactions and other events reported directly in equity is also directly stated with the equity.

2.5 Summary of the Significant Accounting Policies (continued)

Taxes (continued)

Deferred tax obligations are recognized for all temporary differences, subject to taxation, unless they arise from initial recognition of an asset or a liability in a transaction, which at the time of the transaction does not affect the accounting or taxable profit (tax loss).

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

Deferred tax receivables are accounted for all temporary differences to be deducted, to the extent that it is probable that taxable profit will be present, from which the appropriate deductions for deferred tax receivables will be made. This does not apply to cases where they arise from the initial recognition of an

asset or liability in a transaction that has no impact on the accounting or tax profit (tax loss) at the date of the transaction.

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

Cash and cash equivalents

Cash equivalents for the purposes of the cash flow statement consist of cash on current accounts, deposits made available at sight and / or with an original maturity of up to 3 months.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through sale rather than through continued use in the Company's operations. These assets were originally accepted by the Company as collateral or were provided under a financial leasing agreement and are acquired as a result of exchange of "debt for property" or seizure from the lessees, who have not repaid their obligations under the contractual terms of the provided financial leasing. Assets classified in this group are available for immediate sale in their current state. Assets classified as held for sale are presented in the statement of financial position at the lower of the carrying amount and their fair value less the estimated direct selling costs.

The assets in this qualifying group are not depreciated.

The Company determines the fair value of the assets held for sale on the grounds of the market-based evidence from an assessment carried out by professionally qualified valuers.

2.5 Summary of the Significant Accounting Policies (continued)

Interest income and expense

Interest income and expense is recognized in the statement of comprehensive income for all financial instruments on an accrual basis, using the effective interest rate method at the time of granting the loan or lease. The effective interest rate method is a method for calculating the depreciable amount of a financial asset or liability and for allocating interest income or expense over the period. Effective interest rate is the percentage that discounts the expected future cash payments or proceeds over the useful life of the financial instrument or, where appropriate, over a shorter period, against the net carrying amount of the financial asset or financial liability.

Interest income includes the interest income received from deposits with banks, interest on loans and leases provided to customers, fees and commissions on loans and leases to clients, which are an integral part of the effective income of the financial instrument.

Interest expense includes interest on borrowings, fees and commissions on borrowings, which are an integral part of the effective interest expense.

The foregone financial income (interest) represents the difference between the gross and the net investment in the lease agreement, the gross investment in the lease agreement being the sum of the

minimum lease payments and the unguaranteed residual value, accrued for the lessor. Interest income on lease transactions (financial income) is allocated over the lease term and is recognized based on a fixed periodic rate of return on the lessor's net investment.

Fees and commissions

Fees and commission income and expense that are an integral part of the effective interest rate for a financial asset or liability, are included in the calculation of the effective interest rate.

The other fee and commission income under the "JOBS Micro Financing Institution EAD Fees and Commissions Tariff" is recognized upon the performance of the relevant services.

Other charges for fees and commissions mainly related to bank services and agent commissions are recognized upon receipt of the relevant services.

3. Disclosure of the financial risk management policy

In the ordinary course of its business, the Company is exposed to various financial risks. These risks are identified, measured and monitored using various control mechanisms in order to be managed and to avoid concentration of unjustified risk. The risk management process is essential for the Company's profitability and its existence. The main risks the Company is exposed to are credit, market, liquid and operational risk.

Risk Management Structure

The main units responsible for direct risk management are:

Board of Directors - Adopts rules and procedures for risk management. Controls the risk factors for the Company's activities and takes decisions within the limits of its powers. It also analyzes credit transactions worth more than BGN 100 000 from the point of view of credit risk management upon their authorization;

Credit Committee – it carries out current monitoring and analyzes the credit and leasing portfolio of the Company in terms of credit risk, incl. by individual transactions;

Credit Board - analyzes credit and leasing transactions from the point of view of credit risk management upon their authorization and / or renegotiation;

Operational Management (Executive officer and Deputy Executive officer) - organizes the activities for implementation of the Risk Management Rules adopted by the Board of Directors. Creates a work organization that ensures compliance with the specified risk limits and levels. Controls the compliance of the procedures used for risk analysis, measurement and assessment by the relevant employees with the internal regulatory documents adopted by the Board of Directors.

Risk Management Department - Develops and implements a risk management system. Prepares and submits to the Board of Directors periodic reports in order to assess the risks in the activity, incl. compliance with the limits, and reports to the operating management of the Company. Performs initial and ongoing verification of the risk assessment methods. Controls the incoming data necessary for risk assessment according to the applicable confidence and sufficiency method.

Measurement and management of major risks

The Board of Directors of the Company has adopted internal rules, procedures and methodologies for measuring the various risks that are based on historical experience, statistics and models, good international practices in the field of microfinance.

The risk control and management is in line with the Company's mission to provide microfinance to local micro and small businesses. This impacts the Company's market strategy, as well as the level of risk that can be assumed. The Board of Directors of the Company adopts limits on the admissible concentration of the risks to which the Company is exposed.

3.1 Credit risk

Credit risk is the risk that customers / counterparties will not be able to fully repay the amounts owed to the Company within the agreed terms.

The management of the specific credit risk is carried out by the Credit Council and the Credit Committee of the Company and is monitored by the Board of Directors. The credit risk management function ensures the application of appropriate policies and rules and their compliance with the associated procedures and controls for ongoing monitoring of each financing transaction. The risk exposure of the loan and lease portfolio is managed by analyzing the ability of the counterparties to meet their payment obligations and by setting appropriate credit limits. Credit risk is partially reduced also by accepting different types of collateral.

3. Disclosure of the Financial Risk Management Policy (continued)

3.1. Credit risk (continued)

The unutilized funds under approved financing transactions in the form of loans or finance leases represent commitments of the Company. With respect to the credit risk, the Company is potentially exposed to a loss amounting to the total sum of the financing, which was not provided. However, the probable amount of the loss is lower than any unutilized funds, since most of this type of commitment imply requirements to maintain certain credit standards on the part of each client.

Maximum exposure to credit risk

The exposure to credit risk, arising from financial assets recognized in the financial position statement, is as follows:

<i>In thousand BGN</i>	2017	2016
<i>Financial asset</i>		
Cash	322	1,291
Bank deposits	17	13
Financial lease receivables	1,035	704
Granted loans	15,986	10,773
Receivables from customers and other trade receivables	34	48
	17,394	12,829

Exposure to credit risk, arising from contingent obligations, reported off the balance sheet, as follows:

<i>In thousand BGN</i>	2017	2016
Unutilized authorized loans	1,047	794
	<hr/>	<hr/>
	1,047	794
Maximum credit risk exposure	18,441	13,623
	<hr/>	<hr/>

Percent of the exposure, subject to an agreement requiring collateral:

In thousand BGN

Type of credit exposure	Major collateral type	2017	2016
	1. Real estate mortgage		
	2. Special pledge on movable property	100 (up	
	3. Receivables pledge, surety by third solvent parties, promissory note	to 70%	
		for	100
		guarantees under COSME)	
Credits and advance			
	1. Own assets		
Financial lease	2. Promissory note, surety, registration of the Lease agreement in the SPR, etc.	100	100

3. Disclosure of the Financial Risk Management Policy (continued)

3.1. Credit risk (continued)

Credit risk – concentration

The company management carries out current monitoring of the credit risk from concentration of financial assets both by economic sectors and by groups of related parties.

The financial assets of the company (financial leasing, loans and receivables) classified by economic sectors, are:

In thousand BGN

Sectors	2017	%	2016	%
Agriculture, hunting, forestry and fisheries	6,764	39.66%	4,719	40.95%
Processing industry	2,793	16.38%	1,743	15.12%
Construction	380	2.23%	663	5.75%
Trade, repair and maintenance of motor vehicles and motorcycles, of personal and household goods	3,053	17.90%	1,260	10.93%
Hotels and restaurants	1,049	6.15%	916	7.95%
Transport, storage and communications	1,126	6.60%	956	8.29%
Administrative and support activities	521	3.05%	577	5.00%
Culture, sport and entertainment	409	2.40%	487	4.23%
Professional activities and scientific research	23	0.13%	35	0.30%
Financial and insurance activities	4	0.02%	17	0.15%
Human healthcare and social work	308	1.81%	17	0.15%
Real estate operations	187	1.10%	45	0.39%
Production and distribution of electricity and heat and gaseous fuels	389	2.28%	–	–
Other activities serving the public and individuals	49	0.29%	90	0.78%
Total	17,055		11,525	

Loans and receivables quality

The Company has internal rules and procedures for risk assessment of each counterparty. The assessment is based on a methodology covering current financial information, forecasts, the intended use of the funds, the manner of servicing the exposures and the status of the accepted collateral. Receivables from the provided financing are classified into three risk groups, depending on the results of the assessment. The adopted classification groups are as follows: "Regular", "Under Supervision" and "Non-performing." The Classification of risk exposures falls within the competence of the Credit Committee and is performed monthly. It also requires financial information from the clients every year, which is then analyzed based on the internal methodology by the Risk Management Department.

All the funding provided to customers is secured, where exemptions are allowed upon granting funding under the COSME programme. The accepted collaterals for the finance leases provided are primarily leased assets, personal guarantees and promissory notes. The usual practice of the Company is to require an initial installment from the lessees of at least 20% of the purchase price of the leased asset.

3. Disclosures of the Financial Risk Management Policy (continued)

3.1. Credit risk (continued)

Value of the financial asset portfolio of the company by types of financial assets:

In thousand BGN

	Receivables under a financial lease				Loans provided		Receivables from clients and other trade receivables		Total			
	2017		2016		2017		2016		2017		2016	
Depreciated on an individual basis												
Observed	63	12	632	17	35	32	730	61				
Non-performing	449	462	765	433	403	403	1,617	1,298				
Gross value	512	474	1,397	450	438	435	2,347	1,359				
Depreciation	(446)	(464)	(92)	(149)	(435)	(435)	(973)	(1,048)				
Book value	66	10	1,305	301	3	-	1,374	311				
In arrears but not depreciated												
	66	9	965	292			1,031	301				
Book value	66	9	965	292	-	-	1,031	301				
regular	981	703	14,829	10,590	32	50	15,842	11,343				
Gross value	981	703	14,829	10,590	32	50	15,842	11,343				
Depreciation	(12)	(9)	(148)	(118)	(1)	(2)	(161)	(129)				
Book value	969	694	14,681	10,472	31	48	15,681	11,214				

Average effective interest rate on financial assets:

	2017	2016
Lease	7.70%	10.08%
Loans	7.21%	8.03%

Receivables under financing granted in the form of a financial lease, according to the type of leased asset:

<i>In thousand BGN</i>	2017	%	2016	%
Machines, facilities and industrial equipment	572	55.26%	405	57.53%
Freight and light commercial vehicles	124	12.03%	92	13.07%
Computers and other electronics	8	0.75%	10	1.42%
Other	331	31.96%	197	27.98%
	1,035		704	

3. Disclosure of the Financial Risk Management Policy (continued)

3.1. Credit risk (continued)

Loans receivable according to type of accepted collateral:

All loans granted are secured by fixed tangible assets. The Company accepts as main collateral special pledge on movable property (machines and equipment, facilities, vehicles, materials, etc.), real estate mortgage, bank guarantees, money pledges, securities pledge and as additional collateral - a special receivables pledge, guarantee by solvent third parties, promissory note, going-concern pledge, other eligible collateral provided by the applicable legislation. In each loan agreement the Company requires coverage of the full amount of the loan with the value of the collateral provided for the loan.

3.2. Market risk

Market risk is the risk of negative changes in interest rates, exchange rates between different currencies and in the market price of financial instruments. These changes affect the profitability of the Company.

Interest rate risk

Interest rate risk is the probability of a potential change in the net interest income or net interest margin and the market value of equity due to a change in the overall market interest rates.

For the purpose of determining interest rates on client financing by the end of 2014, the Company has introduced and applies a methodology to determine a base interest rate that is tied to the cost of the financial resource used for financing - return on equity, required profit rate, expected loss resulting from the funding and cost of maintenance, which are reviewed on a quarterly basis.

In 2015 the Company also introduced a new methodology for setting the annual interest rate on the products of JOBS Micro Financing Institution EAD, which determines the reference interest rates used to form the annual interest rate on the Company's financial leasing and loan products. The annual interest rate (AIR) on the loan is the interest rate applicable annually to the amount of the loan utilized and not repaid. AIR can be fixed or floating. A fixed interest rate on the loan is a fixed amount valid for the entire period of the loan. The floating interest rate on loans and finance lease contracts is a variable amount, formed as a sum of a reference index and a flat-rate surcharge. The surcharge and the interest rate are individualized in the credit or leasing contracts. The reference index is the three-month (3M) EURIBOR or the three-month (3M) SOFIBOR.

The Company monitors the movements in foreign currencies, inconsistencies in interest rates and the maturity structure of its assets and liabilities.

The Company's interest and risk exposure includes the Company's assets and liabilities at book value according to the interest rates set in the contracts and their sensitivity to interest rate behavior.

The Company is exposed to various market risks. The market risk is associated with the probability of future changes in the prevailing market conditions that would have a material impact on the Company's financial position.

3. Disclosure of the Financial Risk Management Policy (continued)

3.2. Market risk (continued)

In thousand BGN 31 December 2017	with floating interest %	with fixed interest %	non-interest bearing	total
Financial assets				
Cash	-		322	322
Bank deposits	-		17	17
Financial lease receivables	1,035		-	1,035
Granted loans	15,142		844	15,986
Receivables from customers and other trade receivables	-		34	34
Total financial assets	16,177	1,183	34	17,394
Financial liabilities				
Bank loans	-	8,147	-	8,147
Liabilities to suppliers and other trade liabilities			179	179
Total financial liabilities	-	8,147	179	8,326
Total interest rate exposure	16,177	(6,964)	(145)	9,068

In thousand BGN 31 December 2016	with floating interest %	with fixed interest %	non-interest bearing	total
Financial assets				
Cash	-	1,291	-	1,291
Bank deposits	-	13	-	13
Financial lease receivables	704	-	-	704
Granted loans	9,329	1,444		10,773
Receivables from customers and other trade Receivables	-	-	48	48
Total financial assets	10,033	2,748	48	12,829
Financial liabilities				
Bank loans	-	3,670	-	3,670
Liabilities to suppliers and other trade liabilities	-	-	101	101
Total financial liabilities	-	3,670	101	3,771
Total interest rate exposure	10,033	(922)	(53)	9,058

3. Disclosure of the Financial Risk Management Policy (continued)

3.2. Market risk (continued)

Analysis of the interest sensitivity and risk

The table below shows the financial instruments of the company, presented by book value, categorized by the earlier of the two – the date of change in the interest rate under the contract or the maturity date.

<i>In thousand BGN</i>		1-3	3-6	6-12	1-5 years	More	Non-	
<i>31 December 2017</i>	Within 1	months	months	months		than 5	interest	Total
	month					years	bearing	
Financial assets								
Cash	322							322
Bank deposits	-	-	17	-	-	-	-	17
Receivables under a financial lease	1,035	-	-	-	-	-	-	1,035
Granted loans	15,271		103		324	-	-	15,986
Receivables from customers and other		68		220				
Trade receivables	-	-	-	-	-	-	34	34
Total financial assets	16,628	68	120	220	324	-	34	17,394
Financial liabilities								
Bank loans	-	747		733	6,667	-	-	8,147
Liabilities to suppliers and other trade liabilities	-	-	-	-	-	-	179	179
Total financial liabilities		747	-	733	6,667	-	179	8,326
Total interest rate exposure to sensitivity	16,628	(679)	120	(513)	(6,343)	-	(145)	9,068

3. Disclosure of the financial risk management policy (continued)

3.2. Market Risk (continued)

Analysis of the interest rate sensitivity and risk (continued)

<i>In thousand BGN</i>	Within 1	1-3	3-6	6-12	1-5 years	More than 5	Non-
31 December 2016	month	months	months	months		years	interest
							bearing
Financial assets							
Cash	1,291	-	-	-	-	-	1,291
Bank deposits	-	-	13	-	-	-	13
Financial lease receivables	704	-	-	-	-	-	704
Granted loans	9,370	85	128	268	922	-	10,773
Receivables from customers and other trade receivables	-	-	-	-	-	48	48
Total financial assets	11,365	85	141	268	922	- 48	12,829
Financial liabilities							
Bank loans	-	3	-	733	2,934	-	3,670
Liabilities to suppliers and other trade liabilities	-	-	-	-	-	-	-
Total financial liabilities	-	3	-	733	2,934	- 101	3,771
Total interest rate exposure							
To sensitivity	11,365	82	141	(465)	(2,012)	- (53)	9,058

Currency risk

The currency risk is the risk of a negative impact from variations in the prevailing exchange rates on the financial standing and cash flows of the company as a result of open currency positions. The company provides funding only in BGN and EUR. Since the BGN is tied to the EUR, there is no open significant currency risk for the company.

3. Disclosure of the Financial Risk Management Policy (continued)

3.2. Market risk (continued)

The following table summarizes the company exposure to currency risk. It includes the financial instruments and contingent liabilities and commitments of the company at book value, categorized by type of currency.

In thousand BGN

As at 31 December 2017	in EUR	In BGN	Total
<hr/>			
Financial assets			
Cash	16	306	322
Bank deposits	-	17	17
Financial lease receivables	-	1,035	1,035
Granted loans	20	15,966	15,986
Receivables from customers and other trade receivables	-	34	34
Total financial assets	<hr/> 36	<hr/> 17,358	<hr/> 17,394
Financial liabilities			
Bank loans	2,947	5200	8,147
Liabilities to suppliers and other trade liabilities	-	179	179
Total financial liabilities	<hr/> 2,947	<hr/> 5,379	<hr/> 8,326
Net balance - sheet currency position	(2,911)	11,979	9,068
Contingent liabilities and commitments	-	1,047	1,047
	<hr/>	<hr/>	<hr/>

3. Disclosure of the Financial Risk Management Policy (continued)

3.2. Market risk (continued)

3. Disclosure of the financial risk management policy (continued)

3.2. Market Risk (continued)

As at 31 December 2016	IN EUR	In BGN	Total
<hr/>			
Financial assets			
Cash	20	1,271	1,291
Bank deposits	-	13	13
Financial lease receivables	-	704	704
Granted loans	136	10,637	10,773
Receivables from customers and other trade receivables	-	48	48
Total financial assets	<hr/> 156	<hr/> 12,673	<hr/> 12,829
Financial liabilities			
Bank loans	3,670	-	3,670
Liabilities to suppliers and other trade liabilities	-	101	101
Total financial liabilities	<hr/> 3,670	<hr/> 101	<hr/> 3,771
Net balance - sheet currency position	<hr/> (3,514)	<hr/> 12,572	<hr/> 9,058

Contingent liabilities and commitments

794 794

3.3. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its current and potential liabilities when they become due without incurring unacceptable losses.

In the process of liquidity management, the Company takes into account its available financial resources, forthcoming receipts from clients and expected receipts from financing, comparing them with the commitments related to the negotiated transactions and pending payments under concluded loan agreements. The conformity and controlled non-conformity of maturity terms and interest rates of assets and liabilities is a key issue in the management of the Company's liquidity.

Percentages of the ratio of liquid assets to the Company's liabilities:

	2017	2016
	%	%
As at 31 December		
Mean value for the period	273%	2684%
Highest for the period	338%	8573%
Lowest for the period	209%	340%

3. Disclosure of the financial risk management policy (continued)**3.3. Liquidity Risk (continued)**

Undiscounted cash flows by contractual due date:

In thousand BGN

As at 31 December 2017	Within 1 month	1-3 months	3-12 Months	1-5 years	More than 5 years	Total
Financial liabilities						
Bank loans	21	788	912	6,981		8,702
Liabilities to suppliers and other trade liabilities	179					179
Total financial liabilities	200	788	912	6,981	-	8,881

In thousand BGN

As at 31 December 2016	Within 1 month	1-3 months	3-12 Months	1-5 years	More than 5 years	Total
Financial liabilities						
Bank loans	6	13	783	3,049		3,851
Liabilities to suppliers and other trade liabilities	101	-	-			101
Total financial liabilities	107	13	783	3,049	-	3,952

3.4. Equity Management

The main objective of the company in the process of equity management is to maintain its level within limits, sufficient for further development of the business and attainment of the objectives and volumes set out upon its establishment – provision of funding opportunities for micro and small enterprises and in compliance with the commitments under the concluded agreements. Pursuant to Ordinance No. 26 of BNB, the minimum required capital for the activity performed by the company is 1,000 thousand BGN. The registered capital of the company is 7,643 thousand BGN.

4. Application of estimates

The table shows the balance sheet and fair values of financial assets and financial liabilities, including their levels in the hierarchy of fair values.

31 December 2017	Book value			Fair Value				
Note	Loans and receivables	Other	Total	Level 1	Level 2	Level 3	Total	
Financial assets which are not stated at fair value						3		
Cash	12	322	-	322	-	322	-	322
Bank deposits	13	17	-	17	-	17	-	17
Granted loans	15	15,986	-	15,986	-	18,560	-	18,560
Receivables from customers and other trade receivables	16	34	-	34	-	460	-	460
		16,359	-	16,359	-	19,359	-	19,359
Financial liabilities, which are not stated at fair value								

Bank loans	19	-	8,147	8,147	-	8,470	- 8,470
		-	8,147	8,147	-	8,470	- 8,470

Fair value of financial assets and liabilities, which are not stated at fair value, but disclosure at fair value is required

Type of financial instrument	Fair value as at 31.12.2017	Level of fair value	Assessment technique	Significant non-observable income data	Interconnection between key non-observable incoming data and fair value
Loans granted	18,560	Level 2	Discounted cash flows Future cash flows are assessed based on the published interest rates by new business for December 2016 by BNB, without making adjustments thereto	not applicable	not applicable
Receivables from customers and other trade receivables	460	Level 2	Discounted cash flows Future cash flows are assessed based on the published interest rates by new business for December 2016 by BNB, without making adjustments thereto	not applicable	not applicable
Bank loans	8,470	Level 2	Discounted cash flows Future cash flows are assessed based on the published interest rates by new business for December 2016 by BNB, without making adjustments thereto	not applicable	not applicable

4. Application of estimates (continued)

The table shows the book and fair values of financial assets and financial liabilities, including their levels in the hierarchy of fair values.

31 December 2016 In thousand BGN	Book value	Loans and receivables			Fair value			Level 3	Total
		Loans and receivables	Other	Total	Level 1	Level 2	Level 3		
Financial assets which are not stated at fair value	Note								
Cash	12	1,291	-	1,291	-	1,291	-	1,291	
Bank deposits	13	13	-	13	-	13	-	13	
Granted loans	15	10,773	-	10,773	-	12,087	-	12,087	
Receivables from customers and other trade receivables	16	48	-	48	-	473	-	473	
		12,125	-	12,125	-	13,864	-	13,864	
Financial liabilities not valued at fair value									
Bank loans	19	-	3,670	3,670	-	3,824	-	3,824	
		-	3,670	3,670	-	3,824	-	3,824	

Fair value of financial assets and liabilities, which are not stated at fair value, but disclosure at fair value is required

Type of financial instrument	Fair value as at 31.12.2016	Level of fair value	Assessment technique	Significant non-observable income data	Interconnection between key non-observable incoming data and fair value
Loans granted	12,087	Level 2	Discounted cash flows Future cash flows are assessed based on the published interest rates by new business for December 2016 by BNB, without making adjustments thereto	not applicable	not applicable
Receivables from customers and other trade receivables	473	Level 2	Discounted cash flows Future cash flows are assessed based on the published interest rates by new business for December 2016 by BNB, without making adjustments thereto	not applicable	not applicable

			Discounted cash flows		
	3,824	Level 2	Future cash flows are assessed based on the published interest rates by new business for December 2016 by BNB, without making adjustments thereto	Not applicable	Not applicable
Bank loans					

5. Net interest income

<i>In thousand BGN</i>	2017	2016
Income from interest under loans	1,087	750
Income from loan default	119	48
Income from financial lease interest	94	107
Income from financial lease default	29	43
Interest on deposits and others		-
	<u>1,329</u>	<u>948</u>

Interest costs

Costs for interest under bank loans	(99)	(15)
	<u>(99)</u>	<u>(15)</u>

Net interest income

<i>including</i>	1,230	933
Interest under individually depreciated loans and leasing	228	63

6. Net costs for fees and commissions

In thousand BGN **2017** **2016**

Income from fees and commissions

Income from registration fees at the CAT, CTI and other	36	25
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Costs for fees and commissions

Agency commissions	(46)	(47)
Bank fees	(3)	(2)
	<u>(49)</u>	<u>(49)</u>

Net costs for fees and commissions

	<u>(13)</u>	<u>(24)</u>
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7. Other operating income

In thousand BGN **2017** **2016**

Other income	10	105
	<u>10</u>	<u>105</u>

As at December 31, 2017, the other operating income consists of BGN 6 thousand awarded claims, BGN 3 thousand awarded legal advisor fee and BGN 1 thousand other income (2016: BGN 92 thousand paid guarantees under loan agreements, included in a guarantee portfolio, BGN 3 thousand income from the realization of seized leased assets, BGN 2 thousand income from revaluated seized leased asset, BGN 2 thousand awarded legal advisor fee and BGN 6 thousand other income

8. Loan, leasing and receivables depreciation

	Financia l lease		Loans granted		Receivables from customer and other trade receivables		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Balance as at 1 January	(474)	(308)	(267)	(266)	(436)	(590)	(1,177)	(1,164)
<i>Depreciation for the year:</i>								
Accrued depreciation	(11)	(208)	(187)	(147)	(2)	(29)	(200)	(384)
Restored depreciation	25	24	167	139	2	183	194	346
Written off depreciation	2	18	47	7	-	-	49	25
Balance as at 31 December	(458)	(474)	(240)	(267)	(436)	(436)	(1,134)	(1,177)

9. General and administrative costs

<i>In thousand BGN</i>	2017	2016
Staff remuneration and social security	561	459
Management costs	198	164
Communications and IT services	51	51
Office and office equipment maintenance	24	32
Taxes and State Fees	17	18
Audit, legal and advisory services	8	8
Advertising and representative events	24	17
Hired services	14	13
Business trips	11	9
Rent	6	19
	<u>914</u>	<u>790</u>

<i>In thousand BGN</i>	2017	2016
<i>Staff costs include:</i>		
Salaries	471	404
Social security contributions	66	55
Accrued amounts for retirement compensations	24	-
	<u>561</u>	<u>459</u>

9. General and administrative costs (continued)

As at 31.12.2017 the company employs 14 people (2016 – 14).

The management costs include salaries and social security contributions for the Board of Directors of the company, as well as paid leave of the CEO.

10. Taxation

<i>In thousand BGN</i>	2017	2016
Costs for current taxes	(33)	9
Deferred tax expense as a result of temporary differences	4	8
Total current tax expense	<u>(29)</u>	<u>17</u>
<i>In thousand BGN</i>	2017	2016
Accounting profit	296	171
Tax at current tax rate (10% for 2017, 10% for 2016)	(29)	(17)
Total tax expenses	<u>(29)</u>	<u>(17)</u>
Effective tax rate	10.01%	10.48%

The deferred income tax expense relates to the following items in the statement of financial position:

<i>In thousand BGN</i>	Assets	Liabilities		
	2017	2016	2017	2016
Property and equipment	-	-	-	-
Provisions for staff remuneration	(3)	(2)	-	-

Provisions for retirement compensations	(3)	-	-
Net tax (assets) / liabilities	(6)	(2)	-

10. Taxation (continued)

Changes in the temporary differences throughout the year are recognized in the comprehensive income statement and in the equity statement, as follows:

<i>In thousand BGN</i>	2017	2016	Changes in the profit and loss
Property and equipment	-	-	-
Provisions for staff remuneration	(3)	(2)	(1)
Provisions for retirement compensations	(3)	-	(3)
	(6)	(2)	(4)

Upon the recognition of deferred tax assets we took into account the probability individual differences to have a reverse manifestation in the future and the possibilities for the company to generate sufficient tax profit.

11. Cash and equivalents

<i>In thousand BGN</i>	2017	2016
Current accounts	322	1,291
Bank deposits	17	13
Cash	339	1,304
Bank deposits at sight and with original maturity of up to 3 months	-	-
Cash and cash equivalents in the cash flow statement	322	1,291

12. Bank deposits

<i>In thousand BGN</i>	2017	2016
Bank deposits with original maturity over 3 months	17	13

The main parameters of bank deposits are presented in the table below (the amounts are in thousand BGN)

Bank	Deposit amount – principal	Currency	Date of conclusion	Maturity date	Term	Interest rate	Book value as at 31.12.2017
Bulgarian Development Bank AD	17	BGN	01.12.2017	31.05.2018	6 months	0.05%	17

13. Receivables under financial leases

The net investment in a financial lease is calculated as the difference between the gross investment in the financial lease, decreased by the unrealized financial income and the depreciation accrued.

<i>In thousand BGN</i>	2017	2016
Financial lease receivables, gross	1,705	1,325
Unrealized financial income	(212)	(147)
Net minimum lease payments	1,493	1,178
Depreciation	(458)	(474)
Financial lease receivables, net	1,035	704

Financial lease receivables are distributed as follows:

<i>In thousand BGN</i>	2017	2016
With a repayment deadline of up to 1 year	41	185
With a repayment deadline of 1 year to 5 years	1,452	993
Net minimum lease payments	1,493	1,178
Depreciation	(458)	(474)
Financial lease receivables	1,035	704

As at the date of the financial statements, the interest accrued is 7 thousand BGN (2016: 5 thousand BGN)

14. Granted loans

<i>In thousand BGN</i>	2017	2016
With a repayment deadline of up to 1 year	1,475	940
With a repayment deadline of 1 year to 5 years	8,309	5,862
With a deadline over 5 years	6,442	4,238
Total granted loans	16,226	11,040
Depreciation	(240)	(267)
Total granted loans after depreciation	15,986	10,773

As at the date of the financial statement, the interest accrued amount to 79 thousand BGN (2016: 61 thousand BGN)

15. Other trade receivables

<i>In thousand BGN</i>	2017	2016
Receivables from Business centers	470	484
Depreciation	(436)	(436)
Total	34	48

16. Properties, machines and equipment, intangible assets

<i>In thousand BGN</i>	Equipment and Computers	Industrial inventories	Transport vehicles	License and Software	Total
Reported value					
As at 1 January 2016	31	4	38	44	117
Acquired	-	-	-	14	14
Decommissioned	-	-	-	-	-
As at 31 December 2016	31	4	38	58	131
As at 1 January 2017	31	4	38	58	131
Acquired	-	-	-	1	1
Decommissioned	-	-	-	-	-
As at 31 December 2017	31	4	38	59	132

Accumulated

depreciation

As at 1 January 2016	(26)	(3)	(10)	(39)	(78)
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Depreciation costs for the

Year	(3)	-	(7)	(5)	(15)
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Depreciation of decommissioned

-	-	-	-	-	-
As at 31 December 2016	(29)	(3)	(17)	(44)	(93)

As at 1 January 2017	(29)	(3)	(17)	(44)	(93)
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Costs for depreciation for the

Year	(2)	-	(6)	(3)	(11)
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Depreciation of decommissioned

-	-	-	-	-	-
As at 31 December 2017	(31)	(3)	(23)	(47)	(104)

Book value

As at 31 December 2017	-	1	15	12	28
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As at 31 December 2016	2	1	21	14	38
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At the end of 2017, the fully depreciated assets which are still in use have a total acquisition value of BGN 83 thousand (2016 – BGN 76 thousand).

17. Assets held for sale

The assets held for sale are not used and the company does not plan to use them in its activities. These assets are announced for sale for the purpose of selling them by the end of the next calendar year.

In thousand BGN**2017****2016**

Assets held for sale in the beginning of the period	13	8
Acquired	165	7
Written off	(2)	(2)
Assets held for sale in the end of the period	176	13

<i>In thousand BGN</i>	2017	2016
Depreciation in the beginning of the period	-	-
Accrued throughout the year	-	3
Written off throughout the year	-	(3)
Depreciation in the end of the period	-	-

18. Other assets

<i>In thousand BGN</i>	<u>2017</u>	<u>2016</u>
Other receivables	69	38
	69	38

Other receivables constitute VAT to be refunded, amounting to 46 thousand BGN, deferred costs of BGN 1 thousand, BGN 5 thousand receivables from customers and other receivables of BGN 17 thousand (2016: VAT to be refunded of BGN 12 thousand, prepayments of BGN 8 thousand, deferred costs of BGN 6 thousand, BGN 2 thousand receivables from customers in relation to an assignment agreement and other receivables of BGN 10 thousand).

19. Bank loans

<i>In thousand BGN</i>	Authorized		Utilized amount		Unutilized	Book value	
Lending bank	Amount	Currency	2017	2016	amount	2017	2016
Bulgarian Development Bank AD	8,000	BGN	5,200	-	2,800	5,200	-
Bulgarian Development Bank	3,667	EUR	2,934	3,667	-	2,947	3,670

AD

Total	11,667	8,134	3,667	2,800	8,147	3,670
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19. Bank loans (continued)

The main parameters of the received loans are presented in the following table:

Loan	Date of conclusion	Final repayment date	Repayment scheme	Interest rate	Grace period
Bulgarian Development Bank AD	15.04.2016	30.12.2020	Two equal installments	1.95%	36 months
Bulgarian Development Bank AD	15.06.2016	29.09.2019	Six months	1.80%	12 months

The following table summarizes the changes in liabilities arising from financing activities, including changes related to cash flows and non-financial changes and continues a reconciliation between the initial and final balances in the financial position statement of the liabilities arising from financial activities for the year ended 31 December 2017.

	1 January 2017	Incoming cash flows	Cash outflows	Effect of changes in currency rates	Accruals based on the effective interest rate method	31 December 2017
	Thousand BGN	Thousand BGN	Thousand BGN	Thousand BGN	Thousand BGN	Thousand BGN
Non-current interest bearing loans and borrowings						
In BGN	-	5,200	24	-	24	5,200
In a foreign currency (EUR)	3,670	-	787	-	64	2,947
Total liabilities from financial	3,670	5,200	811	-	88	8,147

activities						
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20. Obligations to suppliers and other obligations

<i>In thousand BGN</i>	2017	<u>2016</u>
Customers under advance payments and other liabilities to customers	50	23
Liabilities to suppliers	15	22
Staff liabilities	60	18
Current tax liabilities	12	5
Other liabilities	42	33
Total	<u>179</u>	<u>101</u>

The staff liabilities include: accruals for paid leave and social security contributions thereon for the employees and retirement provisions, including under management and control agreements as at 31 December 2017 and 31 December 2016.

The other obligations include: BGN 17 thousand performance guarantees by the members of the Board of Directors, social security liabilities of BGN 23 thousand and BGN 2 thousand VAT liabilities (2016: BGN 13 thousand, constituting management guarantees by the members of the Board of Directors, social security liabilities of BGN 19 thousand and BGN 1 thousand other liabilities.

21. Share capital

The registered and fully paid capital as at 31 December 2016 amounts to 7 643 thousand BGN. The shares have a nominal value of BGN 100 each and as at 31.12.2017 the value of the main capital is also BGN 7643 thousand. As at 31 December 2017 the share capital is 100% property of the Bulgarian Development Bank AD.

On 28.03.2017 the MB of the sole shareholder took a decision for payment of dividends of BGN 69 thousand to the Bulgarian Development Bank AD.

22. Deals with related parties and companies

Balances with related parties in the statement of financial standing include:

Assets

<i>Company/ person</i>	<i>Type of balance</i>	2017	2016
Bulgarian Development Bank AD	Cash in current accounts and deposits with an original term of up to 3 months	321	1,289
Bulgarian Development Bank AD	deposits wiht an original term of above 3 months	17	13
Total		<u>338</u>	<u>1,302</u>

Liabilities

<i>Company/ person</i>	<i>Type of balance</i>	2017	2016
Bulgarian Development Bank AD	Bank loans	8,147	3,670

National Guarantee Fund EAD	Other liabilities	5	-
Key managerial staff	Other liabilities	17	13
Key managerial staff	Unused leave and retirement accruals of the management	15	6
Total		8,184	3,689

Costs

<i>Company/ person</i>	<i>Type of balance</i>	2017	2016
Bulgarian Development Bank AD	Costs for fees and commissions	(3)	(6)
Bulgarian Development Bank AD	Interest costs	(88)	(15)
National Guarantee Fund EAD	Interest costs	(11)	-
Bulgarian Development Bank AD	Administrative costs	(1)	(13)
Key managerial staff	Management costs	(198)	(164)
Total		(301)	(198)

Income

<i>Company/ person</i>	<i>Type of balance</i>	2017	2016
Bulgarian Development Bank AD	Interest income	-	-
Bulgarian Development Bank AD	Other income	-	-
Total		-	-

Contingent liabilities and commitments to related parties:

<i>Company/ person</i>	<i>Type</i>	2017	2016
Bulgarian Development Bank AD	Bank guarantee obtained	1	1
Total		1	1

23. Events after the reporting date

On 07.02.2018 Kostadin Bozhikov Munev was released from the Board of Directors and was replaced by Angel Atanasov Dzhalezov.

On 22.03.2018 an amendment in the Articles of Association of the company was registered, whereby the number of members in the Board of Directors is changed from three to five members.

On 30.03.2018 the following new member of the Board of Directors was registered: Hristina Atanasova Todorova. On 02.04.2018 Mrs. Todorova was also entered as a procurator of the Company.

I, the undersigned, Asya Todorova Mihaylova, do hereby certify that this is a true and correct translation I made from Bulgarian into English of the document “ANNUAL REPORT OF THE MANAGEMENT, REPORT OF THE INDEPENDENT AUDITOR AND ANNUAL FINANCIAL STATEMENTS - 31 December 2017” attached hereto. The translation contains 63 pages.

Sworn translator:

Asya Todorova Mihaylova