MANAGEMENT FINANCIAL GROUP AD
Consolidated Financial Statements

31 December 2018

Contents of the financial statements

Management presents Annual Consolidated Financial Statement as of 31 December 2018, prepared in accordance with International Financial Reporting Standards (IFRS). This report has been audited by Moore Stephens Bulgaria - Audit OOD

CONSOLIDATED DIRECTORS' REPORT OF MANAGEMENT FINANCIAL GROUP AD 2018

The Annual Consolidated Financial Statements of Management Financial Group AD (the Parent Company, the Group) as of 31 December 2018 consist of the Individual Financial Statements of the Holding Company and the companies within the group.
As of December 31, 2018, the Parent Company participates in several companies with various subjects of financial activity, non-bank lending being the main activity

For the year 2018 Management Financial Group AD realized consolidated net profit in the amount of BGN 13,493 thousand (2017 - BGN 30,283 thousand) as follows:
Profit for the shareholders of the group in the amount of BGN 8,344 thousand (2017 - BGN 16,158 thousand)
Non-controlling interest' profit of BGN 5,149 thousand (2017 - BGN 14,125 thousand)
As of December 31, 2018, the Group's consolidated assets amount to BGN 164,745 thousand.

As of 31 December 2018 the subsidiary companies over which the Group exercises control or significant influence are as follows:

	Own share	
	2018	**2017**
Easy Asset Management AD	48%	48%
Viva Credit OOD	99%	99%
Access Finance OOD	78%	79%
Finatrade Finance AD	70%	80%
Agency for control of outstanding debts EOOD	100%	95%
Pioneer Capital AD - in liquidation	99.996%	99.996%
Dynamic Investments AD - in liquidation	99.996%	99.996%
Express Pay EOOD	100%	100%
Prospect Capital AD	60%	-
EASY ASSET MANAGEMENT MICROCREDIT GHANA LIMITED	90%	90%
MFG AB	100%	-

In 2018 Management Financial Group AD incorporated the following companies:

- **<u>Prospect Capital AD</u>**

As of December 31, 2018, Management Financial Group AD holds 60% of Prospect Capital AD (Subsidiary) share capital. The subsidiary is registered in accordance with the Bulgarian legislation and regulatory requirements for non-banking financial institutions. The initial registered capital of the Subsidiary is BGN 1,500,000, consisting of 1,500,000 ordinary shares with nomial value of BGN 1 per share. In 2018, the share capital has been increased to BGN 3,000,000 thousand, consisting of 3,000,000 ordinary shares, each with nominal value of BGN 1 per share.

- **MFG,AB**

As of December 31, 2018, Management Financial Group AD owns 100% the share capital of MFG, AB (MFG, AB) (Subsidiary). The subsidiary is registered in accordance with the legislation and regulatory requirements for non-banking financial institutions in the Republic of Lithuania. The initial registered capital of the Subsidiary is EUR 1,000,000, consisting of 1,000,000 registered ordinary shares with nominal value of EUR 1 per share.
As of December 31, 2018, Management Financial Group AD has paid in 25.01% of the share capital of the Subsidiary.
The entities over which the Group exercises indirect control as of 31 December 2018 are as follows:

	Controlling share %	
	2018	**2017**
Easy Credit LLC (Ukraine)	48%	48%
Easy Asset Management IFN AD (Romania)	48%	48%
I Credit SP ZOO (Poland)	48%	48%
I Credit SRO (Czech Republic)	48%	48%
M Cash Company Macedonia DOOOEL	78%	48%
M Cash OOD - in liquidation (Bulgaria)	33.60%	33.60%
Management Group EAD - Erased Legal Entity (Bulgaria)	48%	48%
Dabrava Investments - Erased Legal Entity EAD	48%	48%
Access Capital EAD - Erased Legal Entity (Bulgaria)	48%	48%
Easy Payment Services EOOD (Bulgaria)	44.16%	40.32%
Easy Asset Management Asia Limited (Myanmar)	47.04%	47.04%
Axi Finance IFN SA (Romania)	78%	79%
Financial Bulgaria	48%	-
Agency for control of outstanding debts SRL	100%	-

The Parent Company owns 100% of Easy Credit LLC (Subsidiary). The Subsidiary is registered in accordance with the Ukrainian legislation and regulatory requirements for non-banking financial institutions. The amount of the initial registered capital of the Subsidiary is 6,922 UAH, which at the date of registration of the capital are equivalent to EUR 800 thousand or BGN 1,565 thousand. In 2015, a decision was made to increase the capital to 102,460 thousand UAH, which are equivalent to EUR 4,581 thousand or BGN 8,960 thousand as of the date of the capital increase. In 2016, the capital reached the equivalent of BGN 13,797 thousand.
The Parent Company owns 100% (99.9995416%) of Easy Asset Management IFN AD (Subsidiary). The subsidiary is registered in accordance with the Romanian legislation and regulatory requirements for non-banking financial institutions. The total number of shares are 459,800 and the share capital amounts to BGN 861 thousand (equivalent to EUR 440 thousand). The currency of the registered capital of the subsidiary is RON. In 2018 the share capital was increased and as of December 31, 2018, amounted to BGN 4,303 thousand, equivalent to EUR 2,200 thousand (RON 10,261 thousand).
The Parent Company owns 100% of I Credit SP.Z.O.O - (Subsidiary), established in 2014. The Subsidiary is registered in accordance with the Polish legislation and regulatory requirements for non-banking financial institutions. The amount of the registered capital of the Subsidiary is BGN 2 thousand (equivalent to PLN 5 thousand) as of the registration date. In 2016, a decision for increase of the capital to PLZ 200 thousand has been made.
The Parent Company owns 100% of I Credit S.R.O. - in liquidation (Subsidiary), established in 2014. The Subsidiary is registered in accordance with Czech legislation and regulatory requirements for non-banking financial institutions. The amount of the Subsidiary's registered capital is BGN 142 thousand (equivalent to CZK 2 million) at the date of incorporation. In 2018, the company did not engage in commercial activities and proceeded with its liquidation.

The Parent Company owns 92% of Easy Payment Services EOOD (Subsidiary), established in 2016. The subsidiary is registered in accordance with the legislation of the Republic of Bulgaria. The amount of the registered capital is BGN 1,000 thousand at the registration date. The Subsidiary activities are execution of payment transactions, issuance of payment instruments and/or acceptance payment instruments. In 2018 registered capital has been increased to BGN 3,000 thousand.

The Parent Company owns 98% of Easy Asset Management Asia Limited (Subsidiary), established in 2016. The subsidiary is registered in accordance with the legislation and regulatory requirements of the Republic of the Union of Myanmar. The amount of the Subsidiary's registered capital is USD 200 thousand, equivalent to BGN 345 thousand at the date registration. In 2018, the Company did not engage in commercial activities.

In 2017, Easy Asset Management AD acquired the shares of the local unit of the British non-bank consumer crediting group International Personal Finance (IPF) – Provident Financial Bulgaria OOD. The Company owns 100% of Financial Bulgaria EOOD (Subsidiary). The Subsidiary is registered in accordance with the legislation of the Republic of Bulgaria. The registered capital of the Subsidiary is BGN 51 million.

Access Finance OOD owns 99.999% of Axi Finance IFN SA (Subsidiary). The subsidiary is registered in accordance with the Romanian law in October 2015. In April 2016 the subsidiary received a license for a non-banking financial institution from the Romanian National Bank. The amount of the registered capital of the company is RON 880 thousand (390 thousand BGN).
As of December 31, 2018, Access Finance OOD has restructured part of the loan it has granted to its subsidiary Axi Finance IFN SA as equity. The amount of the loan restructured into equity is BGN 8,570 thousand or RON 20,385 thousand.
As of December 31, 2018, the investment of Access Finance in its subsidiary is reported as equity investment available for sale, reported at cost, and its value is equal to the BGN equivalent of the capital contribution at the date of incorporation. As of December 31, 2018 the investment was impaired by BGN 4,970 thousand. The investment is valued at BGN 3,990 thousand after the impairment.
As of December 31, 2018, Access Finance OOD also owns 100% of M Cash Macedonia. M Cash Macedonia is a company licensed to provide unsecured non-bank loans in the Republic of Macedonia. The Subsidiary's capital amounts to BGN 196 thousand, equivalent to EUR 100 thousand.

The Agency for Control of Outstanding Debts EOOD owns 100% of the Agency for control of outstanding debts SRL Romania (Subsidiary). The subsidiary is registered in accordance with the Romanian legislation in August 2018. On 21.08.2018 RON 1 000 000,00 were transferred for its incorporation at a of rate of 1 RON = 0.441030 BGN (BGN 441 thousand). By the end of 2018, the Company had not started operations.

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

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

The nature of the Group's operations requires the assumption and professional management of certain financial risks. The primary function of the risk management unit is to identify and measure all major risks to the Group's operations, as well as to manage risk exposures and resource allocation. The Group regularly reviews its policies and risk management systems to reflect changes in markets, products and /or market practices. The Group's objective is to achieve an appropriate balance between the risks assumed and the returns received, as well as to minimize the potential adverse effects on the financial results. In this context, risk is defined as the possibility of loss or loss of profit due to internal

or external factors. Risk management is performed within the rules and procedures approved by the Board of Directors. The Group identifies, assesses and manages financial risks in close interaction with all operational units. The Board of Directors sets the principles for comprehensive risk control and management, as well as written policies, for areas specific to the Group, such as exchange rate risk, interest rates, credit risk, financial instruments, etc. In addition, the internal control unit performs an independent review of the risk management systems as well as a review of the control environment.
The risks that arise in connection with financial instruments to which the company is exposed include credit risk, liquidity risk, market risk and operational risk, as set out below.
Credit risk is associated with the occurrence of financial losses due to the default of customers, suppliers, creditors of the Group companies. Credit risk is primarily related to loans granted to customers of Group companies. For its internal needs, the Group uses its own models for measuring and analyzing credit risk. These models are subjected to periodic review and comparison of their performance against real values in order to optimize the model effectiveness.
The Group is exposed to market risk, which is the likelihood that the fair value or cash flows associated with financial instruments will fluctuate due to changes in market prices. Market risks arise mainly from positions in interest, foreign exchange and capital products, which are exposed to general and specific market movements and changes in the level of dynamics of market rates or prices. Due to the specific nature of the Group's financial instruments, it is primarily exposed to interest rate risk.
Interest rate risk associated with cash flows is related to the fact that future cash flows from financial instruments are affected by changes in market interest rates. Interest rate risk related to fair value is related to the fact that the value of a financial instrument varies due to changes in market interest rates. The Group is exposed to both risks - fair value and cash flow. Interest margins may increase as a result of these changes, which in turn would limit potential losses.
Exchange rate fluctuations affect the Company's financial position and cash flows. As a result of the currency board, the Bulgarian lev is pegged to the euro at a lev to euro ratio of 1.95583 / EUR, which means that positions in that currency do not lead to significant currency risk unless the ratio is changed in the future.
Liquidity risk is related to the inability to fulfill the Group's obligations when they become due. Net cash outflows would reduce the available cash resources, which play an important role in the Group's lending process and in meeting of its obligations. In certain circumstances, a lack of liquidity may result in the sale of assets or the potential inability to meet the credit commitments of pre-approved clients. The risk that the Group will not be able to meet its monetary obligations is inherent in the activity and may be caused by a wide range of institutional-specific and market events such as mergers and acquisitions, systemic shocks and natural disasters, etc. The Group's liquidity management involves monitoring of the future cash flows. This includes maintaining a portfolio of highly liquid assets; monitoring the liquidity ratios of the statement of financial position; management of concentration and maturity structure of liabilities, etc. An analysis of the contractual maturities of financial liabilities and financial assets is carried out. The Group has a diversified portfolio of cash and high quality, highly liquid assets to meet its current liabilities.
Operational risk is the risk of loss due to system failure, human error, fraud or external events. When the control systems and activities in place do not prevent such events, operational risks could damage reputation, have legal or regulatory consequences, or cause financial loss for the Group. The Group does not expect to eliminate all operational risks, but seeks to manage those risks by establishing a good control environment, as well as by monitoring and managing potential risks. Control measures include effective segregation of duties, definition of access rights, authorization of transactions, and reconciliation of information from various sources, training and assessment of staff and other controls.
The Group's core capital management objectives are to maintain the ability of Group companies to continue operations as going concern entities so that they can continue to provide shareholder returns and benefits to other stakeholders, and to maintain a strong capital base to support of business development. Capital adequacy is monitored by the Group's management. As the Group is in the process of growth, management believes that an optimal capital structure has not been achieved.

The structure of the share capital of Management Financial Group AD as of December 31, 2018 and December 31, 2017 is as follows:

Shareholders	**2018**	**2017**
	% ownership	% ownership
Nedelcho Yordanov Spasov	50%	50%
Stanimir Svetoslavov Vasilev	50%	50%
	100%	100%

There are no significant events after the date of the annual consolidated financial statements that require disclosure.

Nedelcho Spasov

CEO

Sofia, 24.06.2019

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MANAGEMENT FINANCIAL GROUP AD

Opinion

We have audited the financial statements of **MANAGEMENT FINANCIAL GROUP AD** and its **subsidiaries** (The Group)., which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, set out from page 7 to page 41

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted in EU.

Basis for opinion.

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

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

Management is responsible for the other information. The other information consists of director's report, prepared by management according to Chapter 7 from the Accountancy Act, but does not include the financial statements and our audit report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and thus to consider if this other information is materially inconsistent with the financial statements or our knowledge, obtained in the audit, or otherwise appears to be materially inconsistent.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report in this fact.

We have nothing to report in this regard.

Other matters to be reported according to Accountancy Act

In addition to our responsibilities and reporting, according to the ISA referring to director's report, we performed the procedures added to those required in the ISA, in accordance with the Guidelines of the professional organization of the Certified Public Accountants and the Registered Auditors in Bulgaria – Institute of Certified Public Accountants (ICPA), issued on 29.11.2016 approved by its Managing Board on 29.11.2016. These procedures concern verification of the form and substance of this other information with the purpose to help us in forming our conclusion if the other information includes the disclosures, provided in Chapter 7 of the Accounting Act, applicable in Bulgaria.

Conclusion concerning art. 37 para. 6 of the Accountancy Act.

Based on the procedures performed in our opinion:

a) The information, included in director's report set out on page 1 to page 6 for the financial year, for which the financial statements have been prepared, is in accordance with the financial statements.
b) The director's report has been prepared according to the requirements of Chapter 7 of the Accountancy Act.

Responsibilities of Management

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Independent Financial Audit Act will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as going concern.

- Assess overall presentation, structure and substance of the financial statements, including disclosures, as well as whether the financial statements present fundamental transactions and events in a true way.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Ivan Simov.

Registered auditor

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Ivan Simov

24 June 2019
Sofia, Bulgaria

MOORE STEPHENS BULGARIA – AUDIT OOD

Stefan Nenov
Managing Partner, registered auditor

(All amounts are in BGN thousand)

	Note	31 December 2018	31 December 2017
ASSETS			
Cash and cash equivalents	10	13,031	16,450
Loans and receivables from clients	11	118,122	95,217
Individually significant loans to firms and individuals	12	10,960	18,262
Trade and other receivables	13	14,633	10,025
Other investments	14	4,015	716
Property, plant and equipment	15	2,281	1,429
Intangible assets	16	528	450
Assets classified as held for sale	15	215	-
Deferred tax assets	9	960	643
Total Assets		**164,745**	**143,192**
EQUITY			
Equity attributable to owners			
Share capital	22	35,080	35,080
Redeemed own shares		(36)	(35)
Reserves		9,742	7,898
Retained earnings		38,569	31,110
Translation reserves		(8,692)	(4,042)
Total equity of the Group		**74,663**	**70,011**
Equity of non-controling interests		52,094	50,661
Total Equity		**126,757**	**120,672**
LIABILITIES			
Liabilities on loans received	17	2,401	4,426
Finance lease payables	18	35	5
Payables to staff and social security	19	10,198	9,276
Trade and other payables	20	24,864	7,850
Tax payables	21	490	963
Total liabilities		**37,988**	**22,520**
Total equity and libilities		**164,745**	**143,192**

The financial statements from page 7 to page 41 were approved on 28 May 2019.

Nedelcho Spasov
CEO

Vera Slavova
Chief Accountant

Initialed for identification purposes according to the auditors report
Ivan Simov
Registered auditor
Date: 24.06.2019

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(All amounts are in BGN thousand)

	Note	31 December 2018	2017
Interest revenue and penalties for non-compliance with contractual obligations	3	207,768	179,579
Interest expense	4	(748)	(275)
Interest income, net		**207,020**	**179,304**
Revenue from proceeds on loans (secondary market)	5	4,910	1,611
Cost of revenue from proceeds on loans	5	(2,815)	(1,166)
Net income from proceeds on loans		**2,095**	**445**
Other financial revenue/(expense), net	6	(12,521)	(14,483)
Impairment expense of loans and receivables		(57,522)	(27,469)
Net interest income after impairments		**139,072**	**137,797**
Staff costs	7	(78,369)	(66,528)
Depreciation and amortization charge	15,16	(1,117)	(822)
Other operating expenses, net	8	(42,274)	(37,064)
Profit before tax		17,312	33,383
Income tax expense	9	(3,819)	(3,100)
Net profit for the period		**13,493**	**30,283**
Other comprehensive income			
- Movement in translation reserves		(10,124)	22
Total comprehensive income		**3,369**	**30,305**
- ***Share of the Group***		***3,694***	***16,162***
- ***Share of non-controlling interests***		***(325)***	***14,143***

The financial statements from page 7 to page 41 were approved on 28 May 2019.

Nedelcho Spasov
CEO

Vera Slavova
Chief Accountant

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(All amounts are in BGN thousand)

	Share capital	Reserve	Premium reserve	Redeemed Own shares	Translation reserve	Retained earnings	**Total equity of the Group**	Equity of non-controlling interests	**Total equity**
Balance as at 1 January 2017	**1,000**	-	**13,188**	-	**(8)**	**4,927**	**19,107**	**2,518**	**21,625**
Profit for the year	-	-	-	-	-	16,162	16,162	14,143	30,305
Translation of foreign activities	-	-	-	-	27	-	27	(5)	22
Issuance of shares	34,080	-	-	-	-	-	34,080	-	34,080
Dividends declared	-	-	-	-	-	(638)	(638)	(826)	(1,464)
Other movements in equity	-	7,898	(13,188)	(35)	(4,061)	10,659	1,273	34,831	36,104
Balance as at 31 December 2017	**35,080**	**7,898**	-	**(35)**	**(4,042)**	**31,110**	**70,011**	**50,661**	**120,672**
Balance as at 1 January 2018	**35,080**	**7,898**	-	**(35)**	**(4,042)**	**31,110**	**70,011**	**50,661**	**120,672**
Profit for the year	-	-	-	-	-	8,344	8,344	5,149	13,493
Translation of foreign activities	-	-	-	-	(4,650)	-	(4,650)	(5,474)	(10,124)
Dividends declared	-	-	-	-	-	(2,141)	(2,141)	(888)	(3,029)
Other movements in equity	-	1,844	-	(1)	-	1,256	3,099	2,646	5,745
Balance as at 1 December 2018	**35,080**	**9,742**		**(36)**	**(8,692)**	**38,569**	**74,663**	**52,094**	**126,757**

The financial statements from page 7 to page 41 were approved on 28 May 2019.

Nedelcho Spasov
CEO

Vera Slavova
Chief Accountant

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Ivan Simov
Registered auditor
Date: 24.06.2019

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MANAGEMENT FINANCIAL GROUP AD
CONSOLIDATED STATEMENT OF CASH FLOWS
31 DECEMBER 2018

(All amounts are in BGN thousand)

	31 December 2018	31 December 2017
Cash flows from operating activities		
Loans disbursed to clients	(378,417)	(296,856)
Loans repaid by clients, incl. interests	498,416	403,565
Individually significant loans lended	(18,432)	(18,755)
Individually significant loans repaid, incl. interests	7,851	15,111
Cash flows related to financial assets, net	(504)	(1,103)
Proceeds from clients	3,916	1,790
Payments to suppliers	(28,395)	(34,293)
Payments to staff and social security	(75,439)	(62,345)
Tax payments	(3,697)	(2,299)
Other cash outflow	(4,616)	(43)
Net cash flow from operating activities	**683**	**4,772**
Cash flows from investing activities		
Acquiring of fixed assets	(1,648)	(909)
Inflow cash as a result of business combination	196	9,896
Investments in daughter companies, net	-	1,327
Other cash flows from investing activities	(2,865)	(209)
Net cash flow from investing activities	**(4,317)**	**10,105**
Cash flows from financing activities		
Cash flows from issuance and redemption of securities	1,050	(115)
Bank loans received	23,476	42,780
Repayment of bank loans, including interests	(28,408)	(42,908)
Dividends paid	(2,802)	(228)
Trade loans received, net, including repayment of interests	6,599	2,478
Trade loans granted, including repayment of interests	761	(1,724)
Other cash flows from financing activities	(449)	(355)
Net cash flow from financing activities	**227**	**(72)**
Net (decrease)/increase in cash and cash equivalents	**(3,407)**	**14,805**
Effect from exchange rate movements	(12)	(27)
Cash and cash equivalents in the beginning of the year	16,450	1,672
Cash and cash equivalents at the end of the year	**13,031**	**16,450**

The notes on pages 12 to 41 are an integral part of these consolidated financial statements

The financial statements from page 7 to page 41 were approved on 28 May 2019.

Nedelcho Spasov	Vera Slavova
CEO	Chief Accountant

Initialled for identification purposes according to the auditors report
Ivan Simov
Registered auditor
Date: 24.06.2019

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Notes to the Consolidated Financial Statements

1. General information

MANAGEMENT FINANCIAL GROUP (The Group) include Management Financial Group AD (Parent Company) and following subsidiaries: Easy Asset Management AD (Consolidated Statements), Viva Credit OOD, Access Finance OOD, Fintrade Finance AD, Agency for the control of outstanding debts EOOD, Pioneer Capital AD, Dynamic Investment AD, Express Pay EOOD, Axi Finance IFN SA (Romania).

Management Financial Group AD is a joint-stock company incorporated on October 15, 2015 under the name Spesh Cash Prim AD and operates in Bulgaria. The Company is registered at the Registry Agency on 27.10.2015. The headquarters and management address of the Company are: Lyulin 7, Jawaharlal Nehru Blvd., bl. Silver Center JSC, fl. 2, office 40-46, Sofia, Bulgaria.

The Company's main activity is: extending of loans with funds not raised by accepting of deposits or other repayable funds; finance lease; acquisition of loans; acquisition of interests in a credit institution or other financial institution in accordance with the Credit Institutions Act; provision of investment management services, management, consultancy, including business management consultancy, investment and transaction consulting, risk analysis and management, market research, project management, and any other activity not forbidden by the law.

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

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

The parent company is represented by Nedelcho Yordanov Spasov and Stanimir Svetoslavov Vasilev - Executive Directors.

Subsidiaries over which the Group exercises control or significant influence as of 31 December 2018/ 31 December 2017 are as follows:

	Share %	
	2018	**2017**
Easy Asset Management AD	48%	48%
Viva Credit OOD	99%	99%
Access Finance OOD	78%	79%
Fintrade Finance AD	70%	80%
Agency for control of outstanding debts EOOD	100%	95%
Pioneer Capital AD	99.996%	99.996%
Dynamic Investments AD	99.996%	99.996%
Express Pay EOOD	100%	100%
Prospect Capital AD	60%	-
EASY ASSET MANAGEMENT MICROCREDIT GHANA LIMITED	90%	90%

MFG AB	100%	-

In 2018 Management Financial Group AD incorporated the following companies :

- **Prospect Capital AD**

As of December 31, 2018, Management Financial Group AD holds 60% of Prospect Capital AD (Subsidiary) share capital. The Subsidiary is registered in accordance with the Bulgarian legislation and regulatory requirements for non-banking financial institutions. The initial registered capital of the Subsidiary is BGN 1,500,000, consisting of 1,500,000 ordinary shares with a nominal value of BGN 1 per share. In 2018, the share capital has been increased to BGN 3,000,000 thousand, consisting of 3,000,000 ordinary shares, each with nominal value of BGN 1 per share.

- **MFG,AB**

As of December 31, 2018, Management Financial Group AD owns 100% the share capital of MFG, AB (MFG, AB) (Subsidiary). The subsidiary is registered in accordance with the legislation and regulatory requirements for non-banking financial institutions of the Republic of Lithuania. The initial registered capital of the Subsidiary is EUR 1,000,000, consisting of 1,000,000 registered ordinary shares with nominal value of EUR 1 per share.

As of December 31, 2018, Management Financial Group AD has paid in 25.01% of the share capital of the Subsidiary.

The companies over which the Group exercises indirect (indirect) control as at 31 December 2018 are as follows:

	Own share	
	2018	**2017**
Easy Credit LLC (Ukraine)	48%	48%
Easy Asset Management IFN AD (Romania)	48%	48%
I Credit SP ZOO (Poland)	48%	48%
I Credit SRO (Czech Republic)	48%	48%
M Cash Company Macedonia DOOEL	78%	48%
M Cash OOD – (in liquidation)	33.60%	33.60%
Management Group EAD - Erased Legal Entity (Bulgaria)	48%	48%
Dabrava Investments EAD - Erased Legal Entity	48%	48%
Access Capital EAD - Erased Legal Entity (Bulgaria)	48%	48%
Easy Payment Services EOOD (Bulgaria)	44.16%	40.32%
Easy Asset Management Asia Limited (Myanmar)	47.04%	47.04%
Axi Finance IFN SA (Romania)	78%	79%
Financial Bulgaria	48%	-
Agency for control of outstanding debts SRL	100%	-

The Parent Company owns 100% of Easy Credit LLC (Subsidiary). The Subsidiary is registered in accordance with the Ukrainian legislation and regulatory requirements for non-banking financial institutions. The amount of the initial registered capital of the Subsidiary is 6,922 UAH, which at the date of registration of the capital are equivalent to EUR 800 thousand or BGN 1,565 thousand. In 2015, a decision was made to increase the capital to 102,460 thousand UAH, which are equivalent to EUR 4,581 thousand or BGN 8,960 thousand as of the date of the capital increase. In 2016, the capital reached the equivalent of BGN 13,797 thousand.

The Parent Company owns 100% (99.9995416%) of Easy Asset Management IFN AD (Subsidiary). The subsidiary is registered in accordance with the Romanian legislation and regulatory requirements for non-banking financial institutions. The total number of shares are 459,800 and the share capital amounts to BGN 861 thousand (equivalent to EUR 440 thousand). The currency of the registered capital of the subsidiary is RON. In 2018 the share capital was increased and as of December 31, 2018, amounted to BGN 4,303 thousand, equivalent to EUR 2,200 thousand (RON 10,261 thousand).

The Parent Company owns 100% of I Credit SP.Z.O.O - (Subsidiary), established in 2014. The Subsidiary is registered in accordance with the Polish legislation and regulatory requirements for non-banking financial institutions. The amount of the registered capital of the Subsidiary is BGN 2 thousand (equivalent to PLN 5 thousand) as of the registration date. In 2016, a decision for increase of the capital to PLZ 200 thousand has been made.

The Parent Company owns 100% of I Credit S.R.O. - in liquidation (Subsidiary), established in 2014. The Subsidiary is registered in accordance with the under Czech legislation and regulatory requirements for non-banking financial institutions. The amount of the Subsidiary's registered capital is BGN 142 thousand (equivalent to CZK 2 million) at the date of incorporation. In 2018, the company did not engage in commercial activities and proceeded with its liquidation.

The Parent Company owns 92% of Easy Payment Services EOOD (Subsidiary), established in 2016. The subsidiary is registered in accordance with the legislation of the Republic of Bulgaria. The amount of the registered capital is BGN 1,000 thousand at the registration date. The Subsidiary activities are execution of payment transactions, issuance of payment instruments and / or acceptance payment instruments. In 2018 registered capital has been increased to BGN 3,000 thousand.

The Parent Company owns 98% of Easy Asset Management Asia Limited (Subsidiary), established in 2016. The subsidiary is registered in accordance with the legislation and regulatory requirements of the Republic of the Union of Myanmar. The amount of the Subsidiary's registered capital is USD 200 thousand, equivalent to BGN 345 thousand at the date registration. In 2018, the Company did not engage in commercial activities.

In 2017, Easy Asset Management AD acquired the shares of the local unit of the British non-bank consumer crediting group International Personal Finance (IPF) – Provident Financial Bulgaria OOD. The Company owns 100% of Financial Bulgaria EOOD (Subsidiary). The Subsidiary is registered in accordance with the legislation of the Republic of Bulgaria. The registered capital of the Subsidiary is BGN 51 million.

Access Finance OOD owns 99.999% of Axi Finance IFN SA (Subsidiary). The subsidiary is registered in accordance with the Romanian law in October 2015. In April 2016 the subsidiary received a license for a non-banking financial institution from the Romanian National Bank. The amount of the registered capital of the company is RON 880 thousand (390 thousand BGN).

As of December 31, 2018, Access Finance OOD has restructured part of the loan it has granted to its subsidiary Axi Finance IFN SA in equity. The amount of the loan restructured into equity is BGN 8,570 thousand or RON 20,385 thousand.

As of December 31, 2018, the investment of Access Finance in its subsidiary is reported as equity investment available for sale, reported at cost, and its value is equal to the BGN equivalent of the capital contribution at the date of incorporation. As of December 31, 2018 the investment was impaired by BGN 4,970 thousand. The investment is valued at BGN 3,990 thousand after the impairment.

As of December 31, 2018, Access Finance OOD also owns 100% of M Cash Macedonia. M Cash Macedonia is a company licensed to provide unsecured non-bank loans in the Republic of Macedonia. The Subsidiary's capital amounts to BGN 196 thousand, equivalent to EUR 100 thousand.

The Agency for Control of Outstanding Debts EOOD owns 100% of the Agency for control of outstanding debts SRL Romania (Subsidiary). The subsidiary was registered in accordance with the Romanian legislation in August 2018. On 21.08.2018 RON 1 000 000, 00 were transferred for its incorporation at a of rate of 1 RON = 0.441030 BGN. (BGN 441 thousand). By the end of 2018, the Company had not started operations.

2. Accounting policies

The main accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. Unless otherwise stated, these policies are systematically applied to all reporting periods presented

2.1 Basis of preparation

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

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

2.1.1. Going concern

Management has a reasonable expectation that the Group has adequate resources to continue operating in the foreseeable future. Therefore, the Group continues to adopt the going concern principle in preparing the Consolidated Financial Statements.

2.1.2. Changes in accounting policy and disclosures

/a/ New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The group also elected to adopt the following amendments early: 6

- Annual Improvements to IFRS Standards 2015-2017 Cycle.

The company has chosen not to restate comparatives on adoption of IFRS 9 and therefore both of these changes (if any) have been processed at the date of initial application (01.01.2018) and presented in the statement of changes in equity as at 31.12.2018. Most of the other amendments (i.e. IFRS 15) did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

/New standards and amendments – applicable 1 January 2018/

- **IFRS 9 Financial Instruments**

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments:

Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.
Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.
All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.
All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).
For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.
Effective Date 1 January 2018.

- **Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4**

In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective.
Effective Date 1 January 2018 or when the entity first applies IFRS 9.

- **IFRS 15 Revenue from contracts with customers**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.
The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.
A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognised earlier than under previous standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) – minimum amounts must be recognised if they are not at significant risk of reversal.

- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.

- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.

- As with any new standard, there are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.
Effective Date 1 January 2018.

- **Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2**

The amendments made to IFRS 2 in June 2016 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. They also introduce an exception to the classification principles in IFRS 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature.

Entities with the following arrangements are likely to be affected by these changes:

- equity-settled awards that include net settlement features relating to tax obligations

- cash-settled share-based payments that include performance conditions, and

- cash-settled arrangements that are modified to equity-settled share-based payments.

Effective Date 1 January 2018.

- **Annual improvements 2014-2016 cycle**

The following improvements were finalised in December 2016:

- IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.

- IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

Effective Date 1 January 2018.

- **Transfers of Investment Property – Amendments to IAS 40**

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.
The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle.
The Board provided two options for transition:

- prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or

- retrospectively - only permitted without the use of hindsight.

Additional disclosures are required if an entity adopts the requirements prospectively.
Effective Date 1 January 2018.

- **Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.
For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).
If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.
Entities can choose to apply the interpretation:

- retrospectively for each period presented
- prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or
- prospectively from the beginning of a prior reporting period presented as comparative information.

Effective Date 1 January 2018.

New standards and interpretations not yet adopted

As at 31 May 2018, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending 31 December 2018.

- **IFRS 16 Leases**

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.
The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.
Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.
The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
Effective Date 1 January 2019. Early adoption is permitted only if IFRS 15 is adopted at the same time.

- **IFRS 17 Insurance Contracts**

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

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

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.
Effective Date 1 January 2021.

- **Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28**

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128 Investments in Associates and Joint Ventures.
Effective Date 1 January 2019.

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

The following improvements were finalised in December 2017:
- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

Effective Date 1 January 2019.

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

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.
The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).
Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.
** In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

2.2 Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Thousand Bulgarian Leva (TBGN), which is the Company's functional and presentation currency. The Bulgarian Lev has been fixed to the EUR by the means of the enforced currency board in the Republic of Bulgaria since 1 January 1999

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

The profit and loss from transactions in foreign currency, which refer to receivables and cash on hand, are presented in the Statement of Income as Financial income or expenses. All other profits and losses are presented in the Statement of Income as Other (losses)/profits – net.

The closing exchange rates of the BGN against the major foreign currencies relevant to the Company's operations for the reporting periods of the financial statements are as follows:
Significant exchange rates:

	31.12.2018 г.	31.12.2017 г.
USD	1.70815	1.63081
EUR	1.95583	1.95583
RON	0.41939	0.41984
Ukrainian hryvnia	0.06167	0.06551
Polish zloty	0.45470	0.46823
Czech Koruna	0.07603	0.07659
Macedonian Denar	0.03180	0.03121

2.3. Revenue and expense recognition

Revenues are recognized to the extent that the economic benefits are available, which are possible to pass over to the Group, and these economic benefits may be measured reliably. The Group observes the following specific criteria for revenue recognition:

For all financial instruments carried at amortized cost, interest-bearing financial assets classified as available-for-sale and financial instruments carried at fair value, interest income and expense are recognized as 'interest income' and 'interest expense' in the financial statements, using the effective interest method. It is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the interest rate that accurately discounts the estimated future cash flows for the life of the financial instrument or, where necessary, for a shorter period relative to the net carrying amount of the financial asset or financial liability.
In calculating the effective interest rate, the Group estimates cash flows that take into account all contractual terms of the financial instrument (eg. prepayment options) but does not take into account future credit losses. The calculation includes all fees and commissions paid or received between the parties to the contract, which form an integral part of the effective interest rate, transaction costs and any other premiums and discounts given or received.

The revenue from fees and commissions is charged at the time of the service's provision. The fees obtained for provision of services over a definite period of time are charged within this period of time. The fees for obligations for extension of credits, which most probably will be drawn, and other fees related with credits, are deferred (together with all additional expenditure) and are recognized by changing the effective interest rate on the loan.

2.4. Intangible assets

Intangible assets include software, licenses and other. They are accounted for at cost, including all duties paid, non-recoverable taxes and direct costs incurred in preparing the asset for use, whereby the capitalized costs are amortized on a straight-line basis over the estimated useful life of the assets, as it is considered to be limited.

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

Subsequent expenses arising on intangible assets after initial recognition are recognized in profit or loss and other comprehensive income for the period they arise, unless they are able to generate more than the originally projected future economic benefits of the asset and when these costs can be reliably measured and assigned to the asset. If these conditions are met, the cost is added to the cost of the asset.

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

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

- Software 2 years
- others 6,7 years

Amortization expense is recorded in the statement of profit or loss and other comprehensive income.

The profit or loss on the sale of intangible assets is defined as the difference between the proceeds from the sale and the carrying amount of the assets and is recognized in the statement of profit or loss and other comprehensive income in the line "Profit / (Loss) on sale of non-current assets".

The materiality threshold selected for the Group's intangible assets is BGN 700.00 (seven hundred levs).

2.5. Plant and equipment

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

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

Subsequent costs associated with a particular asset from plant and equipment are added to the carrying amount of the asset when it is probable that the Group will have economic benefits that exceed the initially estimated performance of the existing asset. All other subsequent expenses are recognized as an expense for the period in which they are incurred.

The residual value and useful lives of machines and equipment are evaluated by management at each reporting date.

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

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

- Machines 3.3 years
- Vehicles 4 years
- Inventory 6.7 years
- Computers and peripherals 2 years
- Others 6.7 years

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

The materiality threshold selected for the Group's plant and equipment amounts to BGN 700.00 (seven hundred levs.

2.6 Tests for impairment of intangible assets and plant and equipment

In determining the amount of impairment, the Group defines the smallest identifiable group of assets for which individual cash flows (a cash generating unit) can be determined. As a result, some assets are subject to an impairment test on an individual basis, while others as a cash generating unit.

All assets and units, generating cash flows, are tested for impairment at least annually. All other individual assets or generating cash flows units are tested for impairment when events or changes in circumstances indicate that their carrying amount cannot be recovered.

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

Impairment losses on a cash generating unit are stated as a decrease in the carrying amount of that unit's assets.

For all of the Group's assets, management subsequently assesses whether there is any indication that the impairment loss recognized in prior years may no longer exist or be reduced. An impairment loss recognized in a prior period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

2.7. Financial assets and liabilities

- **IFRS 9 Financial Instruments**

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.
Classification of debt assets is defined by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.
All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.
All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).
For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

2.8. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not:
(a) credits which the Company intends to sell immediately, which are classified as held for trading, and those which, after the initial recognition, are determined as reported at fair value in the profit or loss;
(b) credits which the Company, after the initial recognition, has classified as available for sale; or
(c) credits for which the Company may not restore to a significant degree the entire initial investment for a reason different from deterioration of the borrower's status.

These financial assets are initially measured at fair value and subsequently at amortized cost using the effective interest method, less any impairment losses and uncollectability.

The amortized cost is calculated taking into account all provided discounts or premiums at acquisition and includes fees which are an inseparable part of the valid interest rate, as well as the expenditure related to the transaction. Credits and receivables are shown on the Consolidated Statement of Financial Position as loans and advances extended to customers. The accrued interest in included in the Statement of Comprehensive Income as Interest revenue. In case of impairment, the loss from impairment is recognized in the Statement of Comprehensive Income as loss from impairment. The amortized part included in the calculations of the effective interest for the period is presented as adjustment in the interest revenue in the Statement of Comprehensive Income. The losses from impairment are included in the Statement of Comprehensive Income for the period of effecting the impairment
The Group may undertake commitments for extending credits where the loans are classified as held for trading since the intention is to sell the loans in the short run. These undertaken commitments for extending credits are classified as derivatives and are measured at fair value in the profit or loss for the period.

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

Offsetting financial instruments

Financial assets and liabilities are netted and the net amount is stated in the Statement of Financial Position, where there is a vested right to offset the recognized amounts and the Company intends to reach an agreement on a net basis or simultaneously realize the asset and settle the liability.

Impairment of financial assets

(A) Impairment of assets carried at amortized cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired only when there is objective evidence of impairment as a result of one or more events occurring after the asset is initially recognized (the 'loss event') and that event (or events) had a negative impact on the estimated future cash flows of the Group's financial asset or group of financial assets that can be measured reliably. The criteria used by the Group to determine whether objective evidence of impairment loss is available include:

(a) significant financial difficulties of the debtor;
(b) breach of contract, such as default or late payment of interest or principal payments;
(c) the availability of objective data indicating that there is a measurable decrease in the estimated future cash flows of a portfolio of financial assets after the initial recognition of those assets, although the decrease cannot yet be identified against the individual financial assets in the portfolio;
(d) adverse changes in the payment status of the borrowers in the portfolio.

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

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

The carrying amount of the loans is reduced by the amount of impairment and the amount of the loss is recognized in the Statement of Comprehensive Income for the period in which the loss occurred.

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

Impairment of assets classified as available for sale

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A material or continuing decrease in the fair value of an available for sale financial asset is objective evidence of impairment that results in the recognition of an impairment loss. If there is such evidence in respect of available for sale assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, is transferred from equity and recognized in profit or loss for the period.

If, in a subsequent period, the fair value of an available for sale debt instrument increases and the increase is due to an event occurring after the period when the impairment loss is recognized, the impairment is reversed through the Statement of Comprehensive Income.

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

Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell the asset or its value in use. The recoverable amount is determined for an individual asset, except when the use of the asset generates cash flows that are significantly dependent on the cash flows generated by other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. At each reporting date, the Company assesses whether there is any indication that the impairment loss of a non-financial asset other than goodwill recognized in previous years may no longer exist or may have decreased. If there are such indications, the recoverable amount of the asset is estimated.

An impairment loss is reversed only when there has been a change in the estimates used to initially determine the asset's recoverable amount after the last impairment loss is recognized. In this case, the carrying amount of the asset is increased to its recoverable amount; this value not exceeding the carrying amount that would have been determined after deducting depreciation, provided that no impairment loss was recognized in previous years.

2.9. Cash and cash equivalents

Cash and cash equivalents stated in the Cash Flow Statement include cash, current accounts and bank deposits with an original maturity of less than three months.

2.10 Provisions

A provision for a legal or constructive liabilities is recognized when the Group has a present liabilities as a result of past events; there is a significant likelihood that an outflow of resources will be required to discharge the obligation; a reliable estimate of the value of the liability can be made. The costs of all provisions are reported in the statement of comprehensive income without offsetting. The Group does not recognize provisions for future operating losses. In cases where there are numerous similar obligations, the likelihood of settlement is determined by considering those similar obligations as a whole. A provision is recognized even if the probability of payment for a particular liability in the group of similar liabilities is low. Provisions are discounted when the effect is material, in which case the amount of the provision is the present value of the payments expected to be made to cover the liability. The discount rate is the pre-tax rate that reflects the current market valuation of the time differences in the value of money and the risks specific to the liability. The discount rate does not reflect the risks for which future cash flows are already recalculated. The increase in provisions due to the passage of time is recognized as an expense for interest.

2.11. Share based payments

The Company's staff receives share-based remuneration, and employees provide services in exchange for considerationin the form of equity instruments. The cost of stock-related transactions is recognized, together with a corresponding increase in equity, for the period in which the fulfillment and / or the conditions for the provision of services are met, at the date on which the respective employees obtain full entitlement to receive them (the "acquisition date" rights "). The cumulative expense recognized for share-related transactions for each reporting date up to the acquisition date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments it will ultimately receive to be acquired. The cost is referred to as "Staff cost". Where stock-based payment conditions change, the minimum costs recognized in Personnel Expenses are the costs that would have been the same if the conditions had not changed. An additional expense for all modifications is recognized, which increases the total value of the share-based payment arrangement or otherwise benefits the employee. In cases where share-based payments are canceled, the cancellation is treated as a transfer of entitlement from the date of cancellation and any costs not yet recognized until the date of cancellation are recognized immediately.

If a new program is introduced to replace of an old stock-paying program, the canceled and new programs are treated as if they were a modification of the original program, as described above.

The cost of share-based payments is initially measured at fair value using a pricing model, taking into account the conditions under which the instruments are provided. This fair value is stated as an expense over the acquisition period. Program liabilities are measured at fair value in each statement of financial position up to and including the settlement date, with changes in fair value recognized in the statement of comprehensive income.

2.12. Current income tax

The Group accrues current taxes under relevant legislation. Profit tax is calculated on the basis of taxable profit for the period determined under the rules established by the tax regulations. The tax effect of transactions or other events is recognized in the statement of comprehensive income. The tax effect of transactions and other events reported directly in equity is directly attributable to equity. Current tax assets and liabilities for the current and prior years represent the amount expected to be recovered or paid to the tax authorities. The tax rates used in the calculations are those that are statutory at the date of the statement of financial position.

2.13. Deferred taxes

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

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

Deferred taxes are recognized as income or expense using the tax rates applicable at the date of preparation of the financial statements. Deferred taxes are not recognized when they arise from the initial reporting of an asset or liability in a transaction for which, at the time of the transaction, neither the accounting nor the tax profit (loss) is reflected. Deferred taxes arising from investments in subsidiaries and operations abroad are recognized in the statement of comprehensive income and the statement of financial position, except when the period for accrual (or deduction) of these temporary differences is controlled by the Company, and it is likely that the temporary difference will not be retroactive in the future.

2.14. Redeemed own shares and own share contracts

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

2.15. Dividends

Dividends related to ordinary shares are recognized as a liability and are deducted from equity when approved by the shareholders of the Company. Intermediate dividends are deducted from equity when they are declared. . Current dividends approved after the date of the Statement of Financial Position are disclosed as event after the reporting date.

2.16. Staff benefits

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

The company is obliged to pay retirement benefits to its employees, provided that a number of legal bases are fulfilled, in accordance with relevant labor law. The Company recognizes expenses for termination benefits if the following conditions are fulfilled: a firm commitment and a detailed plan for termination of employment are in place, and there is a legally established obligation to pay such short-term staff benefits. Employee benefits that are payable for a period longer than one year after the reporting date are discounted to their present value.

According to the Bulgarian labor legislation the parent company is obliged to pay two or six monthly gross salaries to employees upon retirements depending on the length of service in the Parent Company. I the length of service in the Parent company is more than 10 years the retirement benefit amounts to six monthly gross salaries, otherwise amounts to two salaries. These retirement benefit payables are not secured with funds collected in a separate fund (the payables are not funded). As of the date of preparation of these financial statements the Parent Company's management has made assessment of the present value of these payables using actuarial calculations based on the projected unit credit method.

2.17. Related parties

For the purposes of these financial statements, the Group presents as related parties its immediate and ultimate parents and their related parties, its shareholders, parent's or entity's key management personnel and their close family members and their related parties.

2.18. Significant accounting estimates and judgments

The presentation of the financial statements in accordance with IFRS requires management to make the best estimates and reasonable assumptions that affect the reported values of assets and liabilities, and the disclosure of contingent receivables and liabilities at the reporting date, and accordingly income and expenses for the reporting period.
Estimates and related assumptions are based on historical experience and other factors that are reasonable in the circumstances, the results of which form the basis for judgments about the carrying amounts of assets and liabilities that are not apparent from other sources. Actual results may differ from the estimates made.

Accounting estimates and key assumptions are reviewed regularly. An adjustment to accounting estimates is made in the year that the estimates are revised, if the adjustment relates to current and future years. Management's judgments in applying IFRSs that have a material effect on the financial statements and accounting judgments with a material risk of material adjustment in the following year are set out below.

3. Interest revenue and penalties for non-compliance with contractual obligation

	2018	2017
Interest revenue and penalties for non-compliance with contractual obligation of the borrowers on the loans granted	207,715	179,578
Interest income on deposits and current accounts	53	1
	207,768	**179,579**

4. Interest expense

	2018	2017
Interest on bank loans	31	76
Interest on financing and leases	716	199
Other interest expense	1	-
	748	**275**

5. Income from loan proceeds and cost of revenue

Credit proceeds represent the gross amount of payments made by debtors and accrued income, and include:

	2018	2017
Income from BGN receipts	4,910	1,611
	4,910	**1,611**

Cost of revenue

Cost of revenue reoresents the decrease in the carrying amount of the loan or receivable due to payments made by debtors.

	2018	2017
Cost of revenue in BGN	(2,815)	(1,166)
	(2,815)	(1,166)

6. Other financial income / (cost), net

	2018	2017
Revenues from ceded receivables	11,939	5,607
Carrying amount of financial assets sold	(11,053)	(18,522)
Income / Expenditure on operations with financial assets	(12,765)	(6)

Income / Expenditure from subsequent revaluation of financial assets and instruments	(218)	-
Foreign exchange gains / expenses (net)	(149)	(1,488)
Fees and commissions expenses	(573)	(413)
Interest income on individually significant loans (net)	298	339
Total	**(12,521)**	**(14,483)**

7. Employee benefit expenses

	2018	2017
Wages and salaries	69,893	57,624
Social security contributions	8,476	8,904
	78,369	**66,528**

8. Other operating expenses, net

	2018	2017
Other operating revenue:		
Revenue from provision of services	132	318
Other operating revenue	191	106
	323	**424**
Other operating expenses:		
Materials	(4,191)	(3,215)
Costs for external services	(30,636)	(27,308)
Other operating expenses	(7,770)	(6,965)
	(42,597)	**(37,488)**
	(42,274)	**(37,064)**

9. Deferred tax assets and liabilities

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

	2018	2017
Current corporate tax	4,089	3,386
Effect from deferred taxes	(270)	(286)
Total	**(3,819)**	**(3,100)**

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

	2018	2017
Deferred tax assets	960	643

	2018	2017		2015
In the beginning of the year:	643	354		2
(Expense)/Revenue in the Statement of Income	317	289	-	(59)
In the end of the year	**960**	**643**	-	**57**

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

Deferred tax assets / liabilities	Pension and other payables to staff	Total
As of January 01, 2017	**354**	**354**
(Expenses)/Revenue in the Statement of Income	289	289
As of December 31, 2017	**643**	**643**
As of January 01, 2018	643	643
(Expenses)/Revenue in the Statement of Income	317	317
As of December 31, 2017	**960**	**960**

10. Cash and cash equivalents

	2018	2017
Cash at bank	11,822	14,451
Cash at hand	1,034	1,820
Cash in transit	175	179
	13,031	**16,450**

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

11. Loans and receivables

	2018	2017
Principals and charged interests	173,317	136,017
Other receivables, including legal claims	1,365	1,207
Minus: impairment losses	(56,560)	(42,007)
	118,122	**95,217**

All loans are with fixed interest rates.

For its internal needs, the Group uses applies its own models for measuring and analyzing credit risk. These rating assessment and rating models are used applied in the analysis of the loan portfolio, and are used serve as a basis for the calculation of the loss on uncollectable loans.

12. Individually significant loans granted to legal entities and individuals

	2018	2017
Loans to legal entities	38,236	22,604
Loans to individuals	419	788
Minus: Impairment losses	(27,695)	(5,130)
Total	**10,960**	**18,262**

All loans are with fixed interest rates.

Individually significant commercial loans provided are reviewed for impairment on the basis of the individual characteristics of the credit claim.

13. Trade and other receivables

	2018	2017
Guarantees and advances to suppliers	6,640	6,085
Cessions of loans and receivables	1,056	1,017
Other	6,937	2,923
Total	**14,633**	**10,025**

14. Other investments

	2018	2017
Quoted Shares	3,073	-
Derivatives	178	-
Unquoted shares	764	520
Interests	-	196
Total available-for-sale investments on the statement of financial position	**4,015**	**716**

15. Property, plant and equipment

	Plant and equipment	Vehicles	Other	Total
Book value				
As January 1, 2017 г.	**3,527**	**24**	**194**	**3,745**
Additions	660	52	92	804
Transfers		18		18
Written-off	(727)		(8)	(735)
Book value				
As December 31, 2017 г.	**3,460**	**94**	**278**	**3,832**
Depreciation				
as January 1, 2017 г.	**(2,198)**	**(3)**	**(110)**	**(2,311)**
Accrued over the period	(508)	(9)	(66)	(583)
Written off during the period	483		8	491
Depreciation				
As December 31, 2017 г.	**(2,223)**	**(12)**	**(168)**	**(2,403)**
Carrying value				
as December 31, 2017 г.	**1,237**	**82**	**110**	**1,429**
Book value				
As January 1, 2018 г.	**3,460**	**94**	**278**	**3,832**
Acquired from business combinations	20	8		28
Additions	1,688	70	108	1,866
Disposals	(1,064)	(15)	(1)	(1,080)
Book value				
as December 31, 2018 г.	**4,104**	**157**	**385**	**4,646**
Depreciation				
As January 1, 2018 г.	**(2,223)**	**(12)**	**(168)**	**(2,403)**
Acquired from business combinations	(16)	(3)	-	(19)
Accrued over the period	(577)	(22)	(95)	(694)
Written off during the period	746	4	1	751
Depreciation				
As December 31, 2018 г.	**(2,070)**	**(33)**	**(262)**	**(2,365)**
Carrying value				
as December 31, 2018 г.	**2,034**	**124**	**123**	**2,281**

- Assets and disposal groups classified as held for sale

Assets classified as held for sale are the property of Viva Credit OOD.:
- Plot of land located in the town of Sozopol, municipality. Sozopol Region Burgas 8130, Misarya, with an area of 1207 sq.m. with a carrying amount of BGN 142 thousand
- Plot of land located in the town of Sozopol, municipality. Sozopol Region Burgas 8130, Misari, with an area of 580 sq.m. with a carrying amount of BGN 73 thousand.

16. Intangible assets

	Concessions, patents, licenses, trademarks, software and other similar rights and assets	Advances	Total
Book value as January 1, 2017 г.	**1,282**		**1,282**
Additions	539	1	540
Transfers	1	-1	-
Book value as December 31, 2017 г.	**1,822**	**-**	**1,822**
Amortization as January 1, 2017 г.	**(1,023)**	**-**	**(1,023)**
Accrued over the period	(239)	-	(239)
Disposals	(110)	-	(110)
Amortization as December 31, 2017 г.	**(1,372)**	-	**(1,372)**
Carrying value as December 31, 2017 г.	**450**	**-**	**450**
Book value as January 1, 2018	**1,822**	-	**1,822**
Acquired from business combinations	30		30
Additions	552	-	552
Disposals	(422)	-	(422)
Book value as December 31, 2018.	**1,982**	-	**1,982**
Amortization as January 1, 2018 г.	**(1,372)**	-	**(1,372)**
Acquired from business combinations	(14)	-	(14)
Accrued over the period	(423)	-	(423)

Written off during the period	355	-	355
Amortization as December 31, 2018	**(1,454)**	-	**(1,454)**
Carrying value As December 31, 2018 г.	**528**	-	**528**

17. Liabilities on loans and finance leases

Liabilities to banks include interest rate bank loans on revolving credit facilities. The Group has no overdue principals, interests and other similar liabilities as of December 31, 2018 and December 31, 2017. Loan interest rates are calculated on the basis of effective yield by applying an effective interest rate. The borrowed funds have variable interest rates, in the form of a base interest rate and a premium. There is no liability on working capital line / overdraft for working capital as of December 31, 2018 (BGN 4,900 thousand as of December 31, 2017 at an effective interest rate of 5%).
The loan is secured by special pledges on loan portfolios, as well as mortgaged property of debtors.
Other liabilities to banks include revolving credit cards with a total amount of BGN 5 thousand as of December 31, 2018. (BGN 4 thousand as of December 31, 2017). As of 31.12.2018 the group has leasing liabilities in the amount of BGN 244 thousand in Poland (BGN 248 thousand as of 31.12.2017) and BGN 820 thousand in Romania.

	2018	**2017**
Liabilities to banks	5	4,142
Liabilities to non-banking financial institutions	3	-
Liabilities to commercial companies	1,329	-
Liabilities to lessors	1,099	289
	2,436	**4,431**

19. Liabilities to staff and social security institutions

	2018	**2017**
Payables to staff	5,298	4,612
Social security payables	1,890	1,564
Unused leave and other short-term staff benefits	2,972	2,593
Personal income tax	38	507
	10,198	**9,276**

20. Trade and other payables

	2018	**2017**
Trade payables	3,488	1,691
Guarantees	16,071	4,074
Cession liabilities	10	830
Payables under other financings	-	1

Other tax and fee payables	2,238	140
Other payables	3,057	1,114
	24,864	**7,850**

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

In 2016, the Group companies started a partnership with a P2P investment platform regulated under the legal framework of the Republic of Estonia. The platform provides an opportunity to invest in loans already granted by originator companies. This is done through the transfer of rights, with the gross carrying amount of the transferred undisclosed assets as at 31 December 2018 amounting to BGN 17,071 thousand. (BGN 4,074 thousand as of December 31, 2017). The investor can choose in which part of the loan to invest, with the maximum threshold being up to 70% of the loan principal. The loans that are financed through the platform are different in type and overdue profile, and their realization is within one year. The originator is obliged to pay the remaining part of the principal to the investor in case of delay over 60 days. The maximum exposure of the Group companies in terms of credit risk is up to the amount of the transferred capital and as of 31.12.2018 amounts to BGN 16,071 thousand (BGN 4,074 thousand as of December 31, 2017). The fair value of the transferred non-written-off assets from the Group companies and related liabilities as of December 31, 2018 is BGN 16,071 thousand (BGN 4,074 thousand as of December 31, 2017). The Group companies do not write off the loans transferred through the platform from the individual statement of financial position, but report a corresponding guarantee obligation.

21. Tax payables

	2018	2017
Corporate tax	237	517
Personal income tax	139	13
VAT	104	47
Other taxes	10	386
	490	**963**

22. Share capital

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

	2018	**2017**
	Number	Number
Issued and fully paid shares:	35,080,024	35,080,024
Shares issued and fully paid as of December 31	35,080,024	35,080,024
Total	**35,080,024**	**35,080,024**

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

	2018 Number of shares	2018 %
Nedelcho Yordanov Spasov	17,540,012	50
Stanimir Svetoslavov Vasilev	17,540,012	50
	35,080,024	**100**

23. Financial risk management

The nature of the Group's operations requires the assumption and professional management of certain financial risks. The primary function of the Risk Management Unit is to identify and measure all major risks to the Group's operations, as well as to manage risk exposures and resource allocation. The Group regularly reviews its policies and risk management systems to reflect changes in markets, products and / or market practices.

The Group's objective is to achieve an appropriate balance between the risks assumed and the returns received, as well as to minimize the potential adverse effects on the financial results. In this context, risk is defined as the likelihood of loss or loss of profit due to internal or external factors. Risk management is performed within the rules and procedures approved by the Board of Directors. The Group identifies, assesses and manages financial risks in close collaboration with all operating units.
The Board of Directors sets the principles for comprehensive risk control and management, as well as written policies, for areas specific to the Group, such as exchange rate risk, interest rates, credit risk, financial instruments, etc. In addition, the internal control unit performs an independent review of the risk management systems as well as a review of the control environment.
The risks that arise in connection with financial instruments to which the company is exposed include credit risk, liquidity risk, market risk (disclosed below), and operational risk.

23.1 Credit risk

Credit risk is related to the incurrence of financial losses due to the default of customers, suppliers, creditors of the Group Credit risk is related primarily to the loans granted to clients of the Company.

Due to the nature of the Group's operations, the risks associated with the Group exposure to third party is of major importance. The credit risk assessment of the micro-credit portfolio is made on a portfolio basis and requires additional calculations of the probability of default, as well as the related loss rates, correlation dependencies in the portfolio of assets and others.

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

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

These models are subjected to periodic review and comparison of their behavior performance against real values, and adjustments are made to the baseline variables to optimize the model's performance efficiency These credit risk measurement procedures are part of the Group's routine operating activities.

• *Re-negotiated loans and receivables*

Loan restructuring activities include extensions of payment terms and other modifications to contract terms. They are made when there are indications that payments will continue.

The Group's exposure to credit risk is limited to the carrying amount of its financial assets. No credit risk management derivatives are used.

The Company considers that indications for impairment losses on micro-credits with a delay of more than 4 days have arisen, and accordingly considers them as impaired.

23.2 Market risk

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

- ***Interest risk***

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

The Company is exposed to both risks - fair value and cash flow. Interest margins may increase as a result of these changes, which in turn would limit the Company's potential losses arising from changes in market interest rates.

- ***Currency risk***

Exchange rate fluctuations affect the financial position and cash flows of the Group. As a result of the currency board, the Bulgarian lev is pegged to the euro at a lev to euro ratio of 1.95583 / EUR, which means that positions in that currency do not present significant currency risk unless the ratio changes in the future. The main currency risk for the Group stems from the currency conversion of positions in Ukrainian hryvnia. The Group does not use derivative instruments to hedge this risk.

23.3 Liquidity risk

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

The Group's liquidity management is performed by a separate team in the Accounting and Control Department, and includes monitoring of future cash flows. This includes maintaining a portfolio of highly liquid assets; monitoring the liquidity ratios of the statement of financial position; management of concentration and maturity structure of liabilities, etc. Cash flows are measured and forecast for the next day, week, and month, respectively, as they are key periods for managing liquidity. An analysis of the contractual maturities of financial liabilities and financial assets is carried out.

The Company holds a diversified portfolio of cash and high quality, highly liquid assets to meet its current liabilities.

23.4 Operational risk

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

24. Capital management

The Company's key capital management objectives are to maintain the Company's ability to continue as a going concern so that it can continue to provide shareholder returns and benefits to other stakeholders, and to maintain a strong capital base to support development of the activity.

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

25. Related parties

The main related parties with which the Company operates are:

Company name	**Type of relation**
LIQUID DREAMS OOD	Company under common control through a majority shareholder
Seewines AD	Company under common control through a majority shareholder
Seewines Logistics EOOD	Company under common control through a majority shareholder
Seewines Spirit AD	Company under common control through a majority shareholder
LUCENT INVESTMENTS AD	Company under common control through a majority shareholder
SEEWINES TUSCANY S.R.L.	Company under common control through a majority shareholder
Hiron Management AD	Company under common control through a majority shareholder
ARMADA CAPITAL AD	Other type of relation
ELEVEN INVESTMENTS KDA	Other type of relation
ORBISI BULGARIA OOD	Company under common control through a majority shareholder
IUVO GROUP OU - Estonia	Company under common control through a majority shareholder
IUVO Credit	Company under common control through a majority shareholder
OÜ ORBISE Corp - Estonia	Company under common control through a majority shareholder
Nedelcho Spasov	Controlling owner
Stanimir Vasilev	Controlling owner

Receivables and liabilities for related party transactions and related expenses and income as of December 31, 2018 and 2017 are as follows:

Transactions and balances	**2018**	**2017**
Revenues		
Revenue from interests		
IUVO GROUP OU - Estonia	75	19
LIQUID DREAMS OOD	20	-
Seewines AD	535	10
Seewines Logistics EOOD	8	-
Hiron Management AD	61	-
Total interest income	**699**	**29**

Other operating expenses	**2018**	**2017**
IUVO GROUP OU - Estonia	(129)	(38)

Seewines AD	-	(13)
Seewines Logistics EOOD	(12)	
Total other operating expenses	**(141)**	**(51)**

Interest expenses	**2018**	**2017**
LUCENT INVESTMENTS AD	35	-
ARMADA CAPITAL AD	1	-
Total interest expense	**36**	**-**

Receivables	**2018**	**2017**
Loans granted		
IUVO GROUP OU - Estonia	1,267	507
LIQUID DREAMS OOD	721	-
Seewines AD	8,645	4,210
Seewines Logistics EOOD	708	-
Hiron Management AD	3,011	-
Total loans granted	**14,352**	**4,717**

Trade and other payables	**2018**	**2017**
IUVO Credit	6,499	-
LUCENT INVESTMENTS AD	1,135	-
ARMADA CAPITAL AD	194	-
Total trade and other payables	**7,828**	**-**

Trade and other payables	**2018**	**2017**
IUVO GROUP OU	12	5
Total trade and other payables	**12**	**5**

The amount of outstanding loans to senior management as at 31 December 2018 is BGN 368 thousand (as of December 31, 2017 - BGN 671 thousand).

26. Legal actions

The company has formal control procedures as well as legal risk management policies. In the event that a present liability arises as a result of past events that may be required to settle an outflow of cash and the value of any losses can be measured reliably, the Company makes provisions to account for the adverse effects that the claims could have on his financial position. At the end of the reporting period the Company has a number of unresolved legal claims, the effects of which are not expected to be material (together or separately). Accordingly, no provisions have been made for these claims in these Consolidated Financial Statements.

27. Events after the end of the reporting period

The Group has not identified any significant or adjusting events occurring between the reporting date and the date of preparation of the Annual Consolidated Financial Statements that relate to its activities in 2018, which should be separately disclosed or require changes in the consolidated financial statements as of 31 December 2018