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ТИ ЕС ЕЙ ЕООД

Translation from Bulgarian

JOBS MICRO FINANCING INSTITUTION EAD

ANNUAL MANAGEMENT REPORT
INDEPENDENT AUDITOR'S REPORT AND
ANNUAL FINANCIAL STATEMENTS

31 December 2018

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JOBS MICRO FINANCING INSTITUTION EAD

TABLE OF CONTENTS

GENERAL INFORMATION

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

The Board of Directors is with the following composition as at 31 December 2018:

- Rumen Dimitrov Mitrov;
- Nikolay Dimitrov Dimitrov;
- Angel Atanasov Dzhalazov;
- Hristina Atanasova Todorova.

Seat and registered office

1 Dyakon Ignatiy Str., Sofia

Auditor

Ernst & Young Audit OOD
Polygraphia Office Center
47A Tsarigradsko Shose Blvd., floor 4
1124 Sofia

MANAGEMENT REPORT
OF JOBS MICRO FINANCING INSTITUTION EAD FOR YEAR 2018

General information on the Company's structure and management

JOBS Micro Financing Institution EAD (the Company, JOBS MFI EAD) is a single-member joint stock company registered with the Commercial Register on 14 January 2011, having its seat and registered office at 1 Dyakon Ignatiy Str., Sofia. The Company's scope of business is micro financing, including, but not limited to granting microloans, acquisition from third parties and leasing of industrial equipment, cars and other vehicles, as well as other items (financial leasing), purchase and sale and import of such items, consultancy services, commercial representation and mediation for local and foreign natural persons and legal entities operating in Bulgaria, as well as any other activity not prohibited by law.

Company's bodies:

1. Sole Shareholder
2. Board of Directors (BoD)

The Company's Sole Shareholder is Bulgarian Development Bank AD. The Company's Sole Shareholder has a two-tier management structure. The Supervisory Board (SB) consists of Lachezar Dimitrov Borisov (Chairperson of the Supervisory Board), Mitko Emilov Simeonov (Deputy Chairperson of the Supervisory Board) and Velina Ilieva Burska (Member of the Supervisory Board). The Management Board (MB) of Bulgarian Development Bank AD consists of: Stoyan Todorov Mavrodiev – MB Chairperson and Chief Executive Officer, Rumen Dimitrov Mitrov – MB Deputy Chairperson and Executive Director and Nikolay Dimitrov Dimitrov – Executive Director.

The Company's Board of Directors consists of four members and as of the date of this Report is composed of:

Rumen Dimitrov Mitrov – Chairperson of the Board of Directors;
Nikolay Dimitrov Dimitrov – Deputy Chairperson of the Board of Directors;
Angel Atanasov Dzhalazov - Member of the Board of Directors and Executive Director;
Hristina Atanasova Todorova – Member of the Board of Directors and Procurator;

In 2018 and until the date of this report, the following changes were made in the composition of the Board of Directors of the Company:

On 7 February 2018 Kostadin Bozhikov Munev was dismissed from the Board of Directors and Angel Atanasov Dzhalazov took over his office.
On 30 March 2018 Hristina Atanasova Todorova was registered as a new member of the Board of Directors, and as of 2 April 2018, she was also registered as a procurator of the Company.

There are no contracts entered into within the meaning of Art.240(b) of the Commerce Act by and between the members of the Board of Directors or their related parties, on the one hand, and the Company, on the other hand, which go beyond their normal business or deviate significantly from market conditions.

The involvement of members of the BoD of the Company in commercial companies as partners with unlimited liability, holding more than 25 percent of the capital of another company, as well as their involvement in the management of other companies or cooperatives in the capacity of procurators, managers or board members is as follows:

1) Rumen Mitrov is Executive Director and Deputy Chairperson of the Management Board of Bulgarian Development Bank AD and Deputy Chairperson of the Board of Directors of Capital Investments Fund AD.
2) Nikolay Dimitrov is Executive Director and a member of the Management Board of Bulgarian Development Bank AD and a member of the Board of Directors of Capital Investments Fund AD.

3) Angel Dzhalazov is a member of the Board of Directors and Executive Director of the National Guarantee Fund EAD, BG LIFE OOD, a partner with 25% shareholding.
4) Hristina Todorova has no participation in other companies or cooperatives pursuant to Art. 247(2)(4) of the Commerce Act.
5) Kostadin Munev (dismissed from the BoD in February 2018) has no participations in other companies or cooperatives pursuant to Art. 247(2)(4) of the Commerce Act.

As at 31 December 2018, the registered capital of the Company comes to BGN 7,643,000 (seven million six hundred and forty-three thousand) and is divided into 76,430 (seventy-six thousand four hundred and thirty) shares with a nominal value of BGN 100 (one hundred) each. The shares are ordinary, materialized, registered and indivisible, with each share entitles its holder to one vote. The Company's capital is fully paid.

Ecology and research & development have no impact on the Company's business.

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

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

Branches
The Company has no registered branches. The Company operates through its head office in Sofia.

Subsidiaries
JOBS Micro Financing Institution EAD has no subsidiaries.

Activity review

In 2018 financing was provided to end customers under 36 loan and lease contracts in the amount of BGN 3,094 thousand.

As at 31 December 2018, the active loan and lease portfolio of the Company amounts to BGN 15,530 thousand presented by amortized debt before impairment and consists of 349 loan and lease transactions. The Company also has receivables from 12 non-profit associations amounting to BGN 466 thousand before impairment.

The Company's assets as at 31 December 2018 amount to BGN 15,736 thousand. Their structure is: cash in the amount of BGN 624 thousand, receivables from banks in the amount of BGN 26 thousand, receivables from non-profit associations after impairment in the amount of BGN 60 thousand, net investment in financial lease in the amount of BGN 932 thousand, and receivables on loans to customers after impairment in the amount of BGN 13,858 thousand. As at 31 December 2018, the Company has fixed tangible and intangible assets with a carrying amount of BGN 25 thousand, assets held for sale in the amount of BGN 172 thousand, deferred tax assets of BGN 2 thousand and other assets of BGN 37 thousand.

The Company uses external financing in the form of a revolving credit line facility provided by Bulgarian Development Bank (BDB) AD as a target lending resource for onward financing (on-lending) by lending or leasing assets under financial lease to final beneficiaries, micro, small and medium-sized enterprises within the meaning of the Small and Medium-Sized Enterprises Act, at pre-determined by the Bank parameters of sub-transactions with agreed amount of BGN 25,000 thousand and balance for utilization in the amount of BGN 19,300 thousand and loan agreement under the program of Bulgarian Development Bank AD for indirect micro financing with the support of the European Investment Fund and the European Progress Microfinance Facility of the European Union, with an agreed amount of EUR 1,875 thousand.

The liabilities of the Company at the end of year 2018 amount to BGN 6,309 thousand and consist of BGN 4,700 thousand residual amount under revolving credit line facility agreement with BDB AD, BGN 1,473 thousand residual amount under loan agreement with BDB AD for indirect micro financing with the support of the European Investment Fund and the European Progress Microfinance Facility of the European Union, and other liabilities of BGN 136 thousand.

The equity of JOBS Micro Financing Institution EAD amounts to BGN 9,427 thousand formed by share capital in the amount of BGN 7,643 thousand, reserves in the amount of BGN 1,583 thousand, retained earnings in the amount of BGN 89 thousand, formed as an effect of the application of IFRS 9 for the first time, and current profit of BGN 112 thousand.

The reported financial result for year 2018 is profit before taxes in the amount of BGN 124 thousand.

The total revenues of the Company in 2018 amount to BGN 1,484 thousand, including interest revenues of BGN 1,412 thousand, which is 95% of total revenues.

As at 31 December 2018, the number of staff employed under labour contracts amounts to 11 employees (14 employees for the same period in year 2017).

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

1. credit risk
2. liquidity risk
3. market risk
   - foreign currency risk
   - interest rate risk

Credit risk
The financial assets that potentially expose the Company to credit risk are mainly receivables from concluded lease and loan agreements, as well as the transferred rights to receivables from the United Nations Development Programme in Bulgaria. The Company is exposed to credit risk in the event its counterparties fail to meet their obligations. The policy adopted by the Company to minimize the risk of non-payment is to make a preliminary assessment of the creditworthiness of customers, as well as to require additional collateral on lease and loan agreements and transferred rights to receivables – insurance of leased assets, registration of lease agreements with the Central Pledge Register, suretyship, promissory notes and registered pledges on receivables, as well as mortgage on real estate and/or pledge of movables when authorizing loans.

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

Foreign currency risk
The Company carries out its operations of providing financing in Bulgarian Lev (BGN) and EUR under the conditions of a currency board. While the exchange rate of BGN is sustainably pegged fixed to the Euro by law, Euro is not considered a currency that carries foreign currency risk to the Company's cash flows and financial position.

Interest rate risk
For the purpose of determining the interest rates on financing provided to customers by the end of year 2014, the Company has introduced and applies a methodology for determining a base interest rate linked to the price of the financial resources used for financing – return on equity, required margin of profit and expected loss from provided financing and maintenance price, which are reviewed on a quarterly basis. In 2015 the Company introduced a new Methodology for Determining the Annual Interest Rate on the Products of JOBS Micro Financing Institution EAD, which determined the reference interest rates used in the formation of the annual interest rate on the products provided by the Company in the form of financial lease and loans. Annual Interest Rate (AIR) on loans is the interest rate applicable on an annual basis to the amount of the utilized and outstanding portion of the loan. AIR may be fixed or floating. Fixed Interest Rate on the loan is a fixed amount valid for the entire

term of the loan. Floating Interest Rate on loans and financial lease agreements is a variable formed as a sum of a reference index and a fixed margin. The margin and the period for determining the interest rate are individualized in the loan or lease agreements. The reference index is a quarterly (3M) EURIBOR or a quarterly (3M) SOFIBOR. The Management believes that the interest rate policy adopted minimizes this risk.

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

The gross remunerations received by the Board of Directors of the Company during the year amount to a total of BGN 280,326.

Significant events occurred after the annual accounting closing

There are no events that occurred after the reporting date that would require additional disclosures in the annual report as at 31 December 2018.

Future development and commitment

The Management of JOBS Micro Financing Institution EAD is committed to the future sustainable development of the business and the growth of the Company's assets.

Signed	*Signed*
Nikolay Dimitrov	Angel Dzhalazov
Deputy Chairperson of BoD	Executive Director

Affixed the stamp of JOBS Micro Financing Institution EAD, Sofia

Date: 11 June 2019

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INDEPENDENT AUDITOR'S REPORT

To the Sole Shareholder of
JOBS Micro Financing Institution EAD

Report on the Audit of the Financial Statements

Opinion

We have audited the enclosed financial statements of JOBS Micro Financing Institution EAD (the "Company"), which comprise the statement of the financial position as at 31 December 2018, the statement of the comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the Notes to the financial statements, including summary of the significant accounting policies.

In our opinion, in all material respects the attached Financial Statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance the International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

Basis for expressing qualified opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the section of our report "Responsibilities of the Auditor for the Audit of the Financial Statements". We are independent from the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of the Independent Financial Audit Act (IFAA), applicable to our audit of the financial statements in Bulgaria, whereby we have implemented our other ethical responsibilities in compliance with the IFAA and the IESBA Code. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion.

Signed

Member of Ernst & Young Global

Ernst & Young Audit OOD
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SWIFT/BIC: UNCRBGSF with Unicredit Bulbank AD

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Information other than the Financial Statements and the Auditor's Report thereon

The Management is responsible for the other information. The other information comprises the Management Report prepared by the Management according to Chapter Seven of the Accountancy Act, but does not include the Financial Statements and our Auditor's Report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is expressly stated in our report to us and to the extent indicated.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work that we have done, we reach the conclusion that there is substantial incorrectly reporting in this other information, we are required to report this fact.

We have nothing to report in this regard.

Management's Responsibilities for the Financial Statements

The Management is responsible for the preparation and presentation of these financial statements of these financial statements that give a true and fair view in compliance with the IFRSs adopted by the EU and for such an internal control system as the Management determines as necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to the going concern assumption and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the Financial Statements

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

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As part of the audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Company'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 by the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves true and fair presentation.

We communicate with the Management 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.

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Report in relation to other legal and regulatory requirements

Additional issues required to be reported under the Accountancy Act

In addition to our responsibilities and reporting according to the International Standards of Auditing (ISAs), described above under Section "Information other than the financial statements and the auditor's report thereon", in respect of the Management Report, we also performed the procedures added to those required by ISAs, according to the Instructions on New and Expanded Audit Reports and Communication by the Auditor, issued by the Professional Organisation of Registered Auditors in Bulgaria, the Institute of Certified Public Accountants of Bulgaria (ISPAB). These procedures concern checks for the presence of and controls on the form and content of such information in order to help us in forming an opinion on whether the other information include the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in the Republic of Bulgaria.

Opinion in connection with Article 37(6) of the Accountancy Act

Based on the procedures performed, our opinion is that:

(a) The information included in the management report for the financial year for which the financial statements have been prepared corresponds to the financial statement.

b) The annual Management Report is prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Ernst & Young Audit OOD, audit company:

Signed
Milka Nacheva-Ivanova
Manager and
Registered Auditor, responsible for the audit

Affixed the official stamp of Ernst & Young Audit OOD, audit company, reg. No. 108, Sofia

21 June 2019
Sofia, Bulgaria

TSA

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

in BGN '000	Note	As at 31/12/2018	As at 31/12/2017
Assets			
Cash	11	624	322
Bank deposits	12	26	17
Assets held for sale	17	172	176
Financial lease receivables	13	932	1,035
Loans granted	14	13,858	15,986
Other trade receivables	15	60	34
Property, plant and equipment and intangible assets	16	25	28
Deferred tax assets	10	6	6
Receivables on excess corporate tax	18	11	-
Other assets	18	26	69
Total assets		15,740	17,673
Liabilities			
Bank loans	19	6,173	8,147
Payables to suppliers and other payables	20	136	167
Current tax payables	20	-	12
Total liabilities		6,309	8,326
Equity			
Share capital	21	7,643	7,643
Retained earnings		205	267
Reserves		1,583	1,437
Total equity		9,431	9,347
Total liabilities and equity		15,740	17,673

Notes from page 9 to page 56 form an integral part of these Financial Statements. These Financial Statements were approved to be issued by the BoD of JOBS MFI EAD on 11 June 2019.

Signed	*Signed*	*Signed*
Nikolay Dimitrov	Angel Dzhalazov	Petko Marinov
Deputy Chairperson of BoD	Executive Director	Chief Accountant and Compiler

Affixed the stamp of JOBS Micro Financing Institution EAD, Sofia

Affixed the official stamp of Ernst & Young Audit OOD, audit company, reg. No. 108, Sofia
Rectangular stamp with the following wording:
Financial statements on which we have issued our audit report dated:
21 June 2019
Ernst & Young Audit OOD
Manager and Registered Auditor: Signed

JOBS MICRO FINANCING INSTITUTION EAD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

in BGN '000

	Note	31/12/2018	31/12/2017
Interest revenues	5	1,412	1,329
Interest expenses	5	(173)	(99)
Net interest income	5	1,239	1,230
Fee and commission revenues	6	19	36
Fee and commission expenses	6	(58)	(49)
Net fee and commission expenses	6	(39)	(13)
Other operating income	7	53	10
Operating income		1,253	1,227
General and administrative expenses	9	(928)	(914)
Depreciation expenses	16	(11)	(11)
Revenues/(Expenses) for/on impairment of loans, leases and receivables	8	(190)	(6)
Profit before tax		124	296
Expenses on profit taxes	10	(18)	(29)
Profit after taxes		106	267
Other comprehensive income		-	-
Total comprehensive income for the year		106	267

Notes from page 9 to page 56 form an integral part of these Financial Statements. These Financial Statements were approved to be issued by the BoD of JOBS MFI EAD on 11 June 2019.

Signed	*Signed*	*Signed*
Nikolay Dimitrov	Angel Dzhalazov	Petko Marinov
Deputy Chairperson of BoD	Executive Director	Chief Accountant and Compiler

Affixed the stamp of JOBS Micro Financing Institution EAD, Sofia

Affixed the official stamp of Ernst & Young Audit OOD, audit company, reg. No. 108, Sofia
Rectangular stamp with the following wording:
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21 June 2019
Ernst & Young Audit OOD
Manager and Registered Auditor: Signed

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

In BGN '000	*Note*	Share capital	Statutory reserves	Additional reserves	Retained earnings	Total
Balance as at 1 January 2017		7,643	496	856	154	9,149
Comprehensive income for the period						
Profit for the year		-	-	-	267	267
Total comprehensive income for the period		-	-	-	267	267
Transfer between reserves based on shareholder's decision		-	16	69	(85)	-
Dividends to the shareholder		-	-	-	(69)	(69)
Total transactions with the shareholder		-	16	69	(154)	(69)
Balance as at 31 December 2017	21	7,643	512	925	267	9,347

In BGN '000	*Note*	Share capital	Statutory reserves	Additional reserves	Retained earnings	Total
Balance as at 1 January 2018		7,643	512	925	267	9,347
Effect of the application of IFRS 9 (Note 2.3)					99	99
Balance as at 1 January 2018 (restated)		7,643	512	925	366	9,446
Comprehensive income for the period						
Profit for the year		-	-	-	106	106
Total comprehensive income for the period		-	-	-	106	106
Transfer between reserves based on shareholder's decision		-	26	120	(146)	-
Dividends to the shareholder		-	-	-	(121)	(121)
Total transactions with the shareholder		-	26	120	(267)	(121)
Balance as at 31 December 2018	21	7,643	538	1,045	205	9,431

Notes from page 9 to page 56 form an integral part of these Financial Statements. These Financial Statements were approved to be issued by the BoD of JOBS MFI EAD on 11 June 2019.

Signed	*Signed*	*Signed*
Nikolay Dimitrov	Angel Dzhalazov	Petko Marinov
Deputy Chairperson of BoD	Executive Director	Chief Accountant and Compiler

Affixed the stamp of JOBS Micro Financing Institution EAD, Sofia

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Ernst & Young Audit OOD
Manager and Registered Auditor: Signed

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

in BGN '000	Note	31/12/2018	31/12/2017
Operations			
Profit for the year		106	267
Adjustments for:			
Expenses on impairment of loans, leases and receivables	8	190	6
Depreciation expenses	16	11	11
Profit Tax expenses	10	22	29
Other non-monetary amendments		4	(7)
		333	306
Amendment in:			
- receivables on deposits with banks	12	(9)	(4)
- financial lease receivables	13	70	(317)
- loans granted	14	2.040	(5.233)
- other trade receivables	15	4	14
- assets held for sale	17	-	(163)
- other assets	18	32	(31)
- other liabilities	20	(25)	78
Net cash flow from operations		2,445	(5,350)
Income taxes paid		(41)	(26)
Net cash flow from operations		2,404	(5,376)
Investment operations			
(Purchase)/Sale of property, plant, equipment and intangible assets	16	(8)	(1)
Net cash flows used in investment operations		(8)	(1)
Financial operations			
Amounts received on long-term borrowings		1,200	5,200
Amounts paid on long-term borrowings	19	(3,173)	(723)
Dividend paid to shareholders		(121)	(69)
Cash flows used in financial operations		(2,094)	4,408
Net (decrease)/increase in cash and cash equivalents		302	(969)
Cash and cash equivalents at the beginning of the period	11	322	1,291
Cash and cash equivalents at the end of the period	11	624	322
Interest received		1,231	1,202
Interest paid		(180)	(83)

Notes from page 9 to page 56 form an integral part of these Financial Statements. These Financial Statements were approved to be issued by the BoD of JOBS MFI EAD on 11 June 2019.

Signed	*Signed*	*Signed*
Nikolay Dimitrov	Angel Dzhalazov	Petko Marinov
Deputy Chairperson of BoD	Executive Director	Chief Accountant and Compiler

Affixed the stamp of JOBS Micro Financing Institution EAD, Sofia

Affixed the official stamp of Ernst & Young Audit OOD, audit company, reg. No. 108, Sofia
Rectangular stamp with the following wording:
Financial statements on which we have issued our audit report dated:
21 June 2019
Ernst & Young Audit OOD
Manager and Registered Auditor: Signed

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Corporate information

JOBS Micro Financing Institution EAD (the Company) was established on 23 December 2010 as a single-member joint stock company with 100% participation of Bulgarian Development Bank AD. The registered office of the Company is at: 1 Dyakon Ignatiy Str., Sofia As at 31 December 2017, the registered and paid-in share capital amounts to BGN 7,643,000, divided in 76,430 registered shares with a nominal value of BGN 100 each.

The scope of business of JOBS Micro Financing Institution EAD includes:
financing micro and small enterprises including, but not limited to granting loans, acquisition from third parties and leasing of industrial equipment, cars and other vehicles, as well as other items (financial leasing), purchase and sale and import of such items, consultancy services, commercial representation and mediation for local and foreign natural persons and legal entities operating in Bulgaria, as well as any other activity not prohibited by law.

The governing bodies of the Company are:

- Sole Shareholder;
- Board of Directors (BoD)

The Company's Sole Shareholder is Bulgarian Development Bank AD. The representative of the Company's Sole Shareholder is the Management Board of Bulgarian Development Bank AD.

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

The Board of Directors is with the following composition as at 31 December 2018:

- Rumen Dimitrov Mitrov;
- Nikolay Dimitrov Dimitrov;
- Angel Atanasov Dzhalazov;
- Hristina Atanasova Todorova.

As at 31 December 2018, the Company has no open branches (in 2017: no open branches).
As at 31 December 2018, the Company employs 11 employees under labour contracts (in 2017: 14 employees).

2.1. Basis of preparation

Statement of conformity

The Financial Statements of the Company have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union (IFRS adopted by the EU). The reporting framework of "IFRS adopted by the EU" is essentially the defined national accounting basis of "IAS adopted by the EU", regulated by the Accounting Act and defined in clause 8 of the Supplementary Provisions thereto.

These Financial Statements were approved to be issued by the Board of Directors of JOBS Micro Financing Institution EAD on 11 June 2019.

These Financial Statements have been prepared on the historical cost basis, except for the following:

- Assets held for sale that are measured at the lower value of the historical cost and the fair value less sales expenses.

2.1. Basis of preparation (continued)

Going concern principle

The Company's business operation in 2018 is characterized by micro financing. In preparing these Financial Statements, the Management has analysed the ability of the Company to continue its operations and the market situation. The Company expects to continue strengthening its market position in Bulgaria and to achieve a positive financial result in the future. The financial statements are prepared based on the going concern assumption.

2.2. Change in in accounting policies and disclosures

New and amended standards and clarifications

The accounting policies of the Company are consistent with those applied in the previous reporting period, except for the following amended IFRS, adopted as from 1 January 2018.

The Company applies IFRS 15 and IFRS 9 for the first time. The nature and effect of the amendments resulting from the adoption of these new accounting standards are described below.

For the first time in 2018 some other amendments and interpretations applied, but they have no effect on the financial statements of the Company. The Company has not adopted standards, interpretations or amendments that have been published but have not yet entered into force.

IFRS 9 Financial Instruments: Classification and Measurement

The final version of IFRS 9 Financial Instruments was issued in June 2014 and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous revisions of IFRS 9. The standard combines all three aspects of the accounting reporting of financial instruments: classification and measurement, impairment and hedge accounting. With the exception of hedge accounting, retrospective application is required, but the presentation of comparative information is not mandatory. The Fund has chosen not to restate the comparable information for 2017 about the financial instruments within the scope of IFRS 9, therefore the information for 2017 is presented in compliance with the requirements of IAS 39 and is not comparable with the information presented for 2018. The differences arising from the application of IFRS 9 are recognized directly in retained earnings and other components of equity.

2.2. Change in in accounting policies and disclosures (continued)

New and amended standards and clarifications (continued)

IFRS 9 Financial Instruments (continued)

The effect of the adoption of IFRS 9 as at 1 January 2018 is as follows:

	Adjustments	1 January 2018 *BGN '000*
Assets		
Loans and Receivables	(a)	99
Financial lease receivables		8
Loans granted		89
Other trade receivables		2
Total assets		99
Liabilities		-
Bank loans	(b)	-
Payables to suppliers and other payables		-
Current tax payables		-
Total liabilities		-
Total equity adjustment:		99
Retained earnings	(a), (b)	99
Other equity components		-

The nature of these adjustments is described below:

(a) Classification and measurement

Pursuant to IFRS 9, after initial recognition, debt instruments are carried at fair value through profit or loss, amortized cost or at fair value through other comprehensive income. Classification is based on two criteria: the Company's asset management business model and whether the contractual cash flows from the instrument are 'principal and interest payments only' on the outstanding principal amount.

The assessment of the business model of the Company is performed as at the date of the initial application, i.e. 1 January 2018. The assessment of whether contractual cash flows from debt instruments consist of principal and interest only is made on the basis of the facts and circumstances as at the initial recognition of the assets.

The IFRS 9 requirements for classification and measurement do not have a material impact on the Company. The following are the amendments in the classification of the Company's financial assets:

- *Loans and receivables* (including financial lease receivables, granted loans and other trade receivables other than financial lease receivables) classified as *Loans and receivables* as at 31 December 2017 are held for the purpose of obtaining the contractual cash flows and are accounted for as cash flows representing principal and interest payments only. As of 1 January 2018, they are classified and measured as *Debt instruments at amortized cost.*

2.2. Change in in accounting policies and disclosures (continued)

New and amended standards and clarifications (continued)

IFRS 9 Financial Instruments (continued)

The Company has not designated financial liabilities as financial liabilities accounted for at fair value in the profit or loss. There are no changes in the classification and measurement of the Company's financial liabilities.

In short, after the adoption of IFRS 9, the Company has made the following mandatory or optional reclassifications as at 1 January 2018.

	Measurement category pursuant to IFRS 9		
Measurement category pursuant to IAS 39	Fair value through profit/loss	Amortised cost	Fair value through other comprehensive income
	BGN '000	*BGN '000*	*BGN '000*
Financial assets			
Loans and Receivables			-
Loans granted	-	15,986	-
Other trade receivables	-	34	-
	-	16,020	-
Financial liabilities			
Bank loans	-	8,147	-
Payables to suppliers and other payables	-	15	-
		8,126	-

* The change in the carrying amount results from an exempt provision for impairment.

(b) Impairment

The adoption of IFRS 9 substantially changed the Company's accounting for impairment losses on financial assets by replacing the accrued losses approach of IAS 39 with a more forward-looking model of expected credit losses (ECL). IFRS 9 requires the Company to recognize a provision for expected credit losses for all debt instruments that are not carried at fair value through profit or loss and for assets under contracts with customers.

Following the adoption of IFRS 9, the Company has reduced the impairment of the item Loans and Receivables by the amount of BGN 99 thousand, respectively, which leads to an increase in Retained Earnings by the amount of BGN 99 as of 1 January 2018.

2.2. Change in in accounting policies and disclosures (continued)

New and amended standards and clarifications (continued)

IFRS 9 Financial Instruments (continued)

The following is the reconciliation of the closing balance of the impairment provisions in compliance with IAS 39 with the opening balance of the loss provisions determined in compliance with IFRS 9:

	Impairment provision in compliance with IAS 39 as at 31 December 2017	**Remeasurement**	**Expected credit losses in compliance with IFRS 9 as at 1 January 2018**
	BGN '000	*BGN '000*	*BGN '000*
Loans and Receivables pursuant to IAS 39 / Financial assets carried at amortized cost pursuant to IFRS 9, and assets under contracts with customers	1,134	(99)	1,035
	1,134	(99)	1,035

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and their related interpretations and applies to revenue arising from contracts with customers (with limited exceptions). Pursuant to IFRS 15, revenue is recognized to reflect the transfer of promised goods or services to customers in an amount that corresponds to the consideration to which the Company expects to be entitled in exchange for those goods or services. IFRS 15 requires more detailed disclosures, including the allocation of transaction fees between the individual performance obligations, information on individual performance obligations, changes in balances on accounts for contractual assets and liabilities between periods, and key estimates and indications. The application of the standard has no significant effect on the financial condition and equity of the Company.

The standard requires a more systematic approach to revenue recognition and measurement based on a five-step model that recognizes revenue. The five-step procedure requires MFI to identify the contracts with customers, to identify the performance obligations under those contracts, to determine the amount of contract remuneration, to allocate the contract remuneration to the identified performance obligations, and to recognize revenue when each of the specified performance obligations is met.

The Company has not ascertained a significant effect of the adoption of the standard in relation to the temporary recognition of revenue, as well as with respect to the relevant gross recognition of revenue based on the Company's assessment of whether it is a principal or agent under the contract with the customers.

2.2. Change in in accounting policies and disclosures (continued)

New and amended standards and clarifications (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The Company has adopted IFRS 15 using a modified retrospective application and the date of initial application is considered 1 January 2018. According to this method, the standard can be applied either to all contracts as at the date of the initial application, or only to contracts that have not been performed at that date. The Company has chosen to apply the standard to all contracts.

The cumulative effect of the initial application of IFRS 15 is recognized as at the date of its initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparable information has not been restated and continues to be accounted for in compliance with IAS 11, IAS 18 and their related interpretations.

The effect of the adoption of IFRS 15 as at 1 January 2018 is as follows:
The Company does not provide any special services under individual contracts with customers (other than loans) for which it could apply IFRS 15, i.e. the services of JOBS MFI are standard and provided according to the published Tariff. The Company does not have any significant services involving title transfer over time and thus requiring revenue recognition over time. A regular fee is collected for all "long-term" services until the customer cancels the service. The fee and commission revenues collected by the Company are as follows: fee for consideration of the request for financing; fee for registration with CAT, CTI; fee for deletion of collateral; renegotiation fee on lease/loan agreement: fee for written reference; fee for transfer of title over the leased asset. The adoption of IFRS 15 had no impact on the financial situation of the Company.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration
The interpretation addresses the issue of determining the date of the transaction for the purpose of determining the spot exchange rate to be used to convert the value of the asset, income or expense (or part thereof) upon initial recognition, which is related to the write-off of a non-monetary asset or non-monetary liabilities arising from advance payments made or received under a foreign currency transaction. The adoption of the interpretation did not have any impact on the financial position or performance of the Company.

IFRS 2 Share-based Payment (Amendments): Classification and Measurement of Share-based Payment Transactions
The amendments lay down requirements for: the accounting of the effects of the conditions for exercising and not exercising on the measurement of share-based payment transactions settled in cash; for share-based payment with the option of settlement net of withholding tax liabilities, and for changes in the share-based payment terms and conditions which amends the classification from a transaction settled in cash to a transaction settled by issuing equity instruments. The adoption of the amendments did not have any impact on the financial position or performance of the Company.

IFRS 4 Insurance Contracts (Amendments): Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The purpose of the amendments is to handle the discrepancy between the dates of entry into force of IFRS 9 and the expected new insurance-related standard of IFRS 17 Insurance Contracts. Companies that issue insurance contracts will still be able to adopt IFRS 9 on 1 January 2018.

2.2. Change in in accounting policies and disclosures (continued)

New and amended standards and clarifications (continued)

IFRS 4 Insurance Contracts (Amendments): Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (continued)

The amendments introduce two alternative approaches – a temporary exemption approach and an overlapping approach. The temporary exemption allows companies to defer the date of IFRS 9 adoption. The overlapping approach allows companies applying IFRS 9 as of 2018 to eliminate from profit or loss the effect arising from certain accounting inconsistencies that may result from the application of IFRS 9 prior to IFRS 17. The amendments are not applicable to the Company.

IAS 40 - Investment Property (Amendments): Transfers of Investment Property

The amendments give clarifications on transfers from or to investment property in the event of a change in the management's intentions only where there is a proven change in use. A change in the management's intentions alone is not sufficient evidence for the change in use. The adoption of the amendments did not have any impact on the financial position or performance of the Company.

Annual Improvements to IFRSs – 2014-2016 Cycle

A summary of the amendments to the relevant standards is presented below:

- IAS 28 Investments in Associates and Joint Ventures – measurement at fair value of the entity in which the investment is made.

The adoption of the amendments did not have any impact on the financial position or performance of the Company.

2.3. Standards issued but not yet in force and not adopted for earlier application

Briefly listed below are the issued standards that are not yet effective or have not been applied earlier by the Company as at the date of these financial statements. It is disclosed how reasonably they may affect the disclosures, the financial position and the performance when the Company adopts these standards for the first time. This is expected to occur when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 *Leases*, IFRIC 4 *Determination if a Given Agreement Contains a Leasing*, SIC-15 *Operating Leases Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 establishes the principles for recognizing, measuring, presenting and disclosing leases, and requires lessees to report all lease contracts under the same balance sheet model similar to accounting for financial leases in accordance with IAS 17. The standard includes two exemptions from the recognition of lease contracts – lease of 'low value' assets (e.g. personal computers) and short-term lease (i.e leases with a lease period of up to 12 months). As at the initial date of the lease, the lessee recognizes an obligation to make lease payments (i.e. lease liability) and an asset that represents the right to use the underlying asset over the period of the lease contract (i.e. right-of-use asset). The lessees will be required to recognize a separate expense for interest on the lease and amortization expense of the asset for the right of use.

In addition, lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g. change in lease term, change in future lease payments resulting from a change in the index or revaluation used to determine those payments).

2.3. Standards issued but not yet in force and not adopted for earlier application (continued)

IFRS 16 Leases (continued)

In principle, the lessee will recognize the amount of the revaluation of the lease liability as an adjustment to the right-of-use asset.

Under IFRS 16, the lessor's accounting is substantially unchanged from that currently applied under IAS 17. The lessors will continue to classify lease contracts in applying the same classification principle as defined in IAS 17 and distinguish between the two types of lease: operating and financial leases.

IFRS 16, effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than those required under IAS 17.

Transition to IFRS 16

The company plans to adopt IFRS 16 using the modified retrospective approach. The Company will begin applying the standard to contracts that were previously designated as leases while applying IAS 17 and IFRIC 4. Therefore, the Company will not apply the standard to contracts that were not previously designated as leases while applying IAS 17 and IFRIC 4.

The Company will not use the exemptions provided for in the standard for lease contracts for which the leases expire within 12 months from the date of the initial application and lease contracts for which the underlying asset is of low value. The Company has executed lease contracts for certain office equipment (i.e. personal computers, printers and copiers) that are considered of low value.
As of the date of the approval for issuance of these financial statements for 2018, the Company is still in the process of completing the analysis of the effects of the initial application of IFRS 16. The assessment of the possible effect that the application of IFRS 16 will have on the financial statements in the period of initial application is considered insignificant by the Management of the Company. The information disclosed above may be subject to further changes in 2018, following the completion of the analysis in connection with the initial application of IFRS.

IFRS 17: Insurance Contracts

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

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the identified discrepancy between the requirements of IFRS 10 and IAS 28 with respect to sale or contribution of assets between and investor and its associate or joint venture. Full profit or loss is recognized when the transaction concerns a business and part of the profit or loss provided that the transaction relates to non-business assets.

2.3. Standards issued but not yet in force and not adopted for earlier application (continued)

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

The entry into force of this amendment has been postponed indefinitely by the International Accounting Standards Board (IASB) depending on the results of its research project on reporting using the equity method. The amendments have not yet been adopted by the EU. The Company does not expect this amendments to have an effect on its financial position or performance.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation becomes effective for annual periods beginning on or after 1 January 2019, allowing for its earlier application. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Company will analyse and assess the effects of the interpretation on its financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement (Amendments): Prepayment Features with Negative Compensation

The Amendments, effective for annual periods beginning on or after 1 January 2019, allowing for their earlier application, introduce a change to IFRS 9 for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a negative prepayment feature. In particular, for a financial asset that contains a prepayment option that may result in the payment of a reasonable negative compensation amount, the Amendments require the financial asset to be measured at amortized cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held. These amendments are not expected to affect the Company's financial position or performance.

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

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

IAS 19 Employee Benefits (Amendments): Plan Amendment, Curtailment or Settlement

The amendments are effective for annual periods beginning on or after 1 January 2019, allowing for their earlier application. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remaining period of the annual reporting period after the plan amendment, curtailment or settlement. The amendments also clarify how accounting for a plan amendment, curtailment or settlement affects the requirements for the asset's upper limit. The amendments have not yet been adopted by the EU. The Company will analyse and assess the effects of the amendments on its financial position or performance.

2.3. Standards issued but not yet in force and not adopted for earlier application (continued)

IFRS 3 Business Combinations (Amendments): Definition of a Business
The amendments are effective for annual periods beginning on or after 1 January 2020, allowing for their earlier application. The amendments clarify the minimum business requirements and limit the definition of business. The amendments also remove the assessment of whether market participants are able to change missing elements, provide guidance to assist companies in assessing whether the acquired process is significant and introduce an optional fair value concentration test. The amendments have not yet been adopted by the EU. These amendments are not expected to affect the Company's financial position or performance.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
The amendments are effective for annual periods beginning on or after 1 January 2020, allowing for their earlier application. The amendments clarify the definition of material and how it should be applied, providing practical guidance that has so far been included in other IFRSs. The amendments also clarify that materiality depends on the nature and significance of the information. The amendments have not yet been adopted by the EU. The Company will analyse and assess the effects of the amendments on its financial position or performance.

Conceptual Framework for Financial Reporting
The International Accounting Standards Board (IASB) issued the Amended Conceptual Framework for Financial Reporting on 29 March 2018, effective for annual periods beginning on or after 1 January 2020. The conceptual framework presents the concepts of financial reporting, development of standards, guidelines for the preparation of consistent accounting policies and guidelines for the understanding and interpretation of standards. The main amendments introduced in the revised Conceptual Framework for Financial Reporting are related to the concept of measurement, including the factors to be taken into account when choosing a measurement basis, and the concept of presentation and disclosure, including which income and expenses are classified in other comprehensive income. The conceptual framework also provides updated definitions of assets and liabilities and criteria for their recognition in the financial statements. The conceptual framework for financial reporting has not yet been adopted by the EU. The Company will analyse and assess the effects of the amendments on its financial position or performance.

Annual Improvements to IFRSs – 2015-2017 Cycle
In the 2015-2017 cycle of the projected annual improvements to IFRSs, the IASB has published amendments that will become effective for annual periods beginning on or after 1 February 2019. A summary of the amendments to the relevant standards is presented below:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – interpretation on the reporting of previously held interests in joint ventures;
- IAS 12 Income Taxes – interpretation on the tax effects on the income from payments in relation to financial instruments classified as equity;
- IAS 23 Borrowing Costs – interpretation on the borrowing costs eligible for capitalization.

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

2.4. Significant accounting estimates, assumptions and indications

Use of estimates and assumptions

The preparation of the financial statements requires the Management to make estimates, assumptions and indications that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The disclosure of the financial statements in accordance with the International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the accounted amounts of assets and liabilities, income and expenses and the disclosure of contingent claims and liabilities at the accounting date. These estimates, accruals and assumptions are based on information available at the date of the financial statements, and therefore, the future actual results might be different from them. The items that require a higher degree of subjective assessment or complexity or where the assumptions and accounting estimates are significant for the financial statements are presented herein.

Impairment of financial assets (including lease receivables)

At the end of each reporting period (monthly), the Company carried out an ongoing review for the existence of circumstances that could lead to impairment of financial assets.
In determining the amount of the expected credit loss (ECL), the Company applies the following principles:

- In the absence of a significant increase in the credit risk on a particular financial instrument compared to its initial recognition, an impairment is formed in the amount of the calculated expected 12-month credit loss;
- If a significant increase in the credit risk of a financial instrument compared to its initial recognition is established, an impairment is formed in the amount of the calculated expected credit loss for the entire term of the asset.

In the presence of objective information that a customer is a related party and forms a group with another customer of the Company, the provisions of this document should apply at the "group" level.
Detailed information on key assumptions and estimates is disclosed in Note 2.5.

2.5. Summary of significant accounting policies

Functional currency and currency of presentation
These financial statements are presented in BGN thousands, the functional currency of the reporting entity.

Comparable data
The Company presents its Statement of Financial Position in general by degree of liquidity. An analysis of the recovery of assets or settlement of liabilities within twelve months after the date of the Statement of Financial Position (current) and more than 12 months after the date of the Statement of Financial Position (non-current) is presented in the Notes to the financial statements.

Fair value of financial assets and liabilities
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2.5. Summary of significant accounting policies (continued)

The Company discloses information about the fair value of those financial assets and liabilities for which there is available market information and whose fair value is significantly different from their carrying amount.

Fair value hierarchy

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

- Level 1 - the input data on Level 1 is the quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2 - the input data on Level 2 are inputs for the asset or liability other than quoted prices included in Level 1 that, directly or indirectly, are available for observation. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data:
- Level 3 - the input data on Level 3 are unobservable inputs for the asset or liability. This category includes all instruments in which the measurement method does not include observable input data and the non-observable input data have a significant effect on the measurement of the instrument. This category includes instruments that are measured on the basis of quoted prices of similar instruments, where significant non-observable adjustments or assumptions are required to reflect the differences between the instruments;

Financial assets

Initial recognition and measurement

The Company classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on:

- The Company's business model for the management of the financial assets (or sub-portfolio of financial assets); and
- The characteristics of the contractual cash flow of the financial asset.

A financial asset is measured at amortized cost if the following two conditions are simultaneously met:

- The financial asset is held within a business model, the purpose of which is to hold financial assets in order to collect the contractual cash flows (Hold to Collect); and
- The contractual terms of the financial asset give rise to cash flows which only constitute principal and interest payments on the outstanding principal amount.

A financial asset is measured at fair value in other comprehensive income if the following two conditions are simultaneously met:

- The financial asset is held within a business model, the purpose of which is achieved both by collecting contractual cash flows and by selling financial assets; and
- The contractual terms of the financial asset give rise to cash flows which only constitute principal and interest payments on the outstanding principal amount.

For the purpose of determining classification at amortized cost or at fair value through other comprehensive income:

- The principal is the fair value of the financial asset at its initial recognition.
- The interest consists of remuneration for the value of money over time, for the credit risk associated with the outstanding principal for a certain period of time, for other main risks and costs of lending, as well as for the profit margin.

2.5. Summary of significant accounting policies (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

A financial asset is measured at fair value through profit or loss, unless it is measured at amortized cost or at fair value through other comprehensive income. in accordance with the specified criteria.

Upon initial recognition, the Company may make an irrevocable choice to present at fair value through other comprehensive income the subsequent changes in an investment in an equity instrument that is not held for trading or is not contingent consideration recognized by the acquirer in a business combination to which IFRS 3 applies.

Notwithstanding the above with respect to the choice of measurement approach, the Company may, on initial recognition, determine an irrevocably designated financial asset as measured at fair value through profit or loss if it eliminates or significantly reduces the discrepancy in the measurement or the recognition that otherwise would arise in the measurement of assets or liabilities or in the recognition of gains and losses on different bases, as follows:

- If the Company has liabilities under insurance contracts the measurement of which includes current information and financial assets that it considers related and which would otherwise be measured at fair value through other comprehensive income or at amortized cost.
- If the Company has financial assets, financial liabilities or both that share common risk characteristics and this leads to opposite changes in their fair value that tend to compensate each other.
- If the Company has financial assets, financial liabilities or both that share their risk characteristics which leads to opposite changes in their fair value that are mutually compensable, and neither of the financial assets or the financial liabilities meet the requirements for designation as a hedging instrument since they are not measured at fair value through profit or loss.

Subsequent measurement

For the purposes of subsequent measurement, the financial assets are classified in four categories:

- Financial assets measured at amortized cost (debt instruments)
- Financial assets measured at fair value through other comprehensive income with "recycling" of cumulative gains or losses (debt instruments)
- Financial assets designated as measured at fair value through other comprehensive income without "recycling" of cumulative gains or losses upon their write-off (equity instruments)
- Financial assets measured at fair value through profit or loss

Financial assets accounted for at depreciated value

This category is the most important for the Company. The Company measures the financial assets at amortized cost when both of the following conditions are met:

- The financial asset is held within a business model that aims to hold it in order to obtain contractual cash flows from it, and
- The terms and conditions of the contract for the financial asset generate cash flows at specific dates that only include payments on the principal and the interest due on the outstanding principal.

The financial assets at amortized cost are subsequently measured using the effective interest rate method (EIR) and are subject to impairment. Profits and losses are recognized in profit or loss when an asset is written off, modified or impaired.

The financial assets of the Company measured at amortized cost include loans and receivables.

2.5. Summary of significant accounting policies (continued)

Financial assets (continued)

Write-off

The Company writes off a financial asset when and only when:

- The contractual rights over the cash flows from the financial asset have expired, or
- The financial asset is transferred.

The Company transfers a financial asset if and only if:

- It transfers the contractual rights to receive cash flows from the financial asset, or
- It retains the contractual rights to receive cash flows from the financial asset, but enters into a contractual obligation to pay cash flows to one or more recipients.

When the Company retains the contractual rights to receive cash flows from a financial asset (the "original asset") but enters into a contractual obligation to pay those cash flows to one or more other entities ("final recipients"), the Company recognizes the transaction as a transfer of financial asset if and only if all of the following three conditions are met:

- The Company has no obligation to pay amounts to potential recipients unless it has collected equivalent amounts from the original asset as short-term payments from the entity entitled to full repayment of the amount provided as a loan, together with the accrued interest determined at market interest rates that do not violate this condition.
- The Company has no right, under the terms of the transfer contract, to sell or pledge the original asset, except as collateral for its obligation to pay cash flows to the final recipients.
- The Company has the obligation to transfer all cash flows that it collects on behalf of the potential recipients without significant delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (during the short settlement period from the date of collection to the date of the required transfer to the final recipients) and the interest received from such investments are transferred to the final recipients.

When the Company transfers a financial asset, it assesses the extent to which it has retained the risks and benefits of the ownership of the financial asset. In this case:

- If the Company transfers substantially all the risks and benefits of the ownership of a financial asset, it writes off the financial asset and recognizes separately as assets or liabilities all rights and obligations created or retained in the process of transfer.
- If the Company retains substantially all the risks and benefits of the ownership of a financial asset, it continues to recognize that financial asset.
- If the Company neither transfers nor retains substantially all the risks and benefits of the ownership of a financial asset, it should determine whether it has retained the control on the financial asset, taking into account the following two options that are subject to assessment:
  (i) If the Company does not retain control, it must write off the financial asset and separately recognize as assets or liabilities all rights and obligations created or retained during the transfer.
  (ii) If the Company retains control, it must continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

The transfer of risks and benefits is assessed by comparing the exposure of the Company before and after the transfer with the change in the amounts and the time of the receipt of the net cash flows from the transferred asset. The Company retains substantially all the risks and benefits of the ownership of a financial asset if its exposure to changes in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer. The Company has transferred substantially all the risks and benefits of the ownership of a financial asset if its exposure to those changes is no longer significant relative to the total changes in the present value of the future net cash flows associated with the financial asset.

In assessing the volatility of the net cash flows, any reasonably possible change should be taken into account, giving more weight to the more likely results.

2.5. Summary of significant accounting policies (continued)

Financial assets (continued)

Write-off (continued)

The assessment of whether the Company has retained control on the transferred asset depends on the acquirer's ability to sell the asset.
If the acquirer is able in practice to sell the asset in its entirety to an unrelated third party and is able to exercise this right unconditionally and without the need to impose additional restrictions on the transfer, the Company has not retained control.
In all other cases the Company is considered to have retained control.

Impairment of financial assets (including lease)

At the end of each reporting period (monthly), the Company carried out an ongoing review for the existence of circumstances that could lead to impairment of financial assets.
In determining the amount of the expected credit loss (ECL), the Company applies the following principles:

- In the absence of a significant increase in the credit risk on a particular financial instrument compared to its initial recognition, an impairment is formed in the amount of the calculated expected 12-month credit loss;
- If a significant increase in the credit risk of a financial instrument compared to its initial recognition is established, an impairment is formed in the amount of the calculated expected credit loss for the entire term of the asset.

In the presence of objective information that a customer is a related party and forms a group with another customer of the Company, the provisions of this document should apply at the "group" level.

The Company classifies as "regular" (falling into Phase 1) all exposures for which there are no indicators of impairment. The Company classifies as "monitored" (falling into Phase 2) the exposures that are overdue for more than 30 days and/or for which there are indicators for recognizing a credit loss for the entire life of the asset. The Company classifies as "non-performing" (falling into Phase 3) the exposures that are overdue for more than 90 days and/or for which there are indicators for recognizing a credit loss for the entire life of the asset. The Company classifies as "restructured" any exposure on which the originally agreed terms have been changed due to the ascertained impossibility (full or partial) to be performed by a debtor and the effective interest rate on the exposure as a result of the changed terms is lower than the initially agreed one. Restructured exposure falls into Phase 2 or Phase 3, depending on the indicators of impairment.

For exposures on financial assets the credit risk of which has not increased since their initial recognition, the period for calculating the expected credit loss is 12 months from the respective reporting date. For exposures on financial assets the credit risk of which has increased significantly since their initial recognition, the period for calculating the expected credit loss is the entire life of the asset. The expected credit loss includes an estimate based on significant increases in the probability of the non-performance risk after the initial recognition of the asset. For Phase 3 exposures at the reporting date, the expected credit loss is the difference between the gross carrying amount of the asset and the present value of the expected future cash flows, discounted at the financial asset's original effective interest rate (recoverable amount). The recoverable amount is calculated taking into account the expected cash flows from the sale of high-quality liquid collateral and other credit protections, which are part of the contractual terms and are not recognized separately by the Company. The calculation reflects the amount and timing of cash flows expected from the sale of the collateral, less the cost of acquiring and selling the collateral, regardless of whether the acquisition of these assets is probable or not.

2.5. Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)
The maximum period that the Company takes into account when measuring the expected credit losses is the maximum term of the contract (including the extension options) in respect of which it is exposed to credit risk. If the Company has formed an impairment on a financial asset equal to the expected credit losses throughout its life, but determined as of the current reporting date that the circumstances for significant increase in credit risk compared to its initial recognition no longer exist, the Company forms an impairment in the amount of the 12-month credit loss as of the current reporting date. With respect to purchased or provided impaired loans, as of the reporting date, the Company recognizes as a loss adjustment the cumulative changes in the expected credit losses throughout the life of the instrument after the initial recognition. For financial assets, the expected credit loss is the present value of the difference between the contractual cash flows due to the Company under the contract and the cash flows that the Company expects to receive. The expected credit loss for financial assets is discounted at the reporting date using the effective interest rate determined on the initial recognition of the financial asset.
For undrawn credit commitments, the expected credit loss is the present value of the difference between the contractual cash flows due to the Company if the holder of the loan obligation withdraws the loan and the cash flows that the Company expects to receive if the loan is withdrawn. The expected credit loss on credit commitments is discounted at the reporting date using the effective interest rate that is to be applied on the recognition of the financial asset arising from the credit commitment. When calculating the expected credit loss on credit commitments, the Company takes into account the changes in the risk of non-performance of liabilities arising from the principal obligation from which the commitment results.
The expected credit loss for impaired credit assets is discounted at the reporting date using the adjusted effective interest rate determined on the initial recognition.
For financial assets formed from lease receivables, the expected credit loss is determined by cash flows compatible with the cash flows used to measure the lease receivable in compliance with IAS 17. The expected credit losses on leased receivables are discounted using the same discount rate used to measure lease receivables in compliance with IAS 17.

Financial liabilities

Initial recognition and measurement
On initial recognition, financial liabilities are classified as liabilities measured at fair value through profit or loss, or as loans and borrowings, payables or derivatives, designated as hedging instruments in an effective hedge, as appropriate.

Initially, all financial liabilities are recognized at fair value, and in the case of loans and borrowings and payables – net of the directly related transaction costs.

The Company's financial liabilities include loans and borrowings, including bank overdrafts.

Subsequent measurement
The measurement of the financial liabilities depends on their classification as described below:

Loans and borrowings

This category is the most important for the Company.

2.5. Summary of significant accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

After their initial recognition, the Company measures the interest-bearing loans and borrowings at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss where the liability is written off, as well as through the depreciation process based on EIR.

The depreciated cost is calculated by taking into account any discounts or premiums on the acquisition and charges or expenses that are an integral part of the effective interest rate. The depreciation through the effective interest rate is included as an expense in the Income Statement.

This category refers mainly to interest-bearing loans and borrowings. Further information is presented in Note 19.

Write-off

The financial liabilities are written off when the liability is repaid or terminated or expired. When an existing financial liability is replaced by another one by the same lender under substantially different conditions or the conditions of an existing liability are substantially altered, such exchange or modification should be treated as writing off of the original liability and recognition of a new liability. The difference in the relevant carrying amounts is recognized in the Income Statement.

Property, machinery, plant and equipment

Property, plant and equipment are presented in the financial statements at their historical acquisition price less the accumulated depreciation and the impairment loss.

Initial measurement

Upon their initial acquisition, property, plant and equipment are measured at their acquisition price which consists of their purchase price, including customs duties and all other direct expenses necessary to bring the asset to working condition. Direct expenses include: expenses on the preparation of the item, initial expenses on delivery and handling, installation expenses, fees paid to the professionals involved in the project, unrecoverable taxes, etc.

2.5. Summary of significant accounting policies (continued)

Property, machinery, plant and equipment (continued)

Subsequent measurement

The approach chosen by the Company for subsequent measurement of the property and equipment is the acquisition costs approach under IAS 16 – at the acquisition price less the accrued depreciation and the accumulated impairment losses.

The profits and losses in the cases of writing off any property. plant. equipment (determined as difference between the incomes with the carrying amount of the asset) are recognized net as other revenues/other expenses in profit or loss.

Method of depreciation

The Company uses "direct method" of depreciation of property and equipment. The useful life by groups of assets is determined in accordance with: the physical wear and tear, the specific features of the equipment, the future intentions for use and the expected obsolescence, and is as follows:

	2018	2017
Buildings	50 years	50 years
Equipment and computers	5 years	5 years
Transport means	5 years	5 years
Fixtures and fittings	6.7 years	6.7 years

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

Subsequent expenses

The expenses for repairs and maintenance are recognized as current expenses in the period in which they are incurred. The subsequent expenses related to property and equipment, having the nature of replacement of certain components or reorganization and restructuring, are capitalized to the carrying amount of the respective asset and reviewed with respect to the remaining useful life as at the date of capitalization. However, the unamortized part of the replaced components is derecognised from the carrying amount of the asset and is recognized in the current expenses for the period of restructure.

Intangible assets

Intangible assets are accounted for in the financial statements at their cost of acquisition less the accumulated depreciation and impairment losses. They include software and software licenses.

The Company applies the direct method of depreciation of intangible assets with determined useful life of 5 years (in 2017: 5 years).

The intangible assets are written off from the Statement of Financial Position when they are permanently out of use and no future economic benefits are expected from them or they are sold. The gains or losses from the sales of individual assets belonging to the "Intangible assets" group are determined by comparing the sale proceeds and the carrying amount of the asset as at the date of the sale.

2.5. Summary of significant accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. In case there are such indications, an approximate evaluation of the asset recoverable value is made. For any intangible assets with an undefined useful life or intangible assets that are not yet ready for use, the recoverable value is determined at the same time each year. Impairment losses are recognized whenever the carrying amount of an asset or a cash-generating unit (CGU) in which it is a part exceeds its recoverable value.

The recoverable value of any asset or CGU is the higher of its value in use or its fair value, less the relevant sales expenses. For the purposes of determining the value in use, the future cash flows are discounted to their current value using a discount rate before taxes that reflects the current market estimates, the value of money over time and the specific risks associated with the asset or the CGU. For the purposes of impairment testing, the assets that cannot be individually tested are grouped in the smallest possible group of assets generating incoming cash flows from continuous use that are considerably independent from the cash flows from any other assets or CGU.

Impairment losses are recognized in profit or loss. Impairment losses recognized as CGU are allocated so as to reduce the carrying amounts of the assets in the site proportionately.
Impairment loss is only recovered to such extent that the carrying amount of the asset does not exceed its carrying amount that would be determined net of depreciation, if no impairment loss has been recognized.

Foreign currency transactions

Transactions carried out in foreign currency are translated in BGN at the BNB official exchange rate on the transaction day. Receivables and liabilities denominated in foreign currencies are remeasured on a daily basis. At the end of the year they are remeasured in their BGN equivalent at the closing exchange rates of the BNB, which for the most important currencies as at the dates of the Statement of Financial Position, are as follows:

Currency	31 December 2019	31 December 2020
EUR	1.95583	1.95583

Since 1999 the Bulgarian Lev has been pegged to the Euro, the official currency of the European Union, at a fixed exchange rate of EUR 1 for BGN 1.95583.

Net gains or losses on changes in foreign exchange rates resulting from the remeasurement of receivables, liabilities and foreign currency transactions are recognized in the Statement of Comprehensive Income for the period in which they occurred.

Provisions

Provisions are recognized when the Company has a current constructive or legal liability as a result of a past event and it is likely that the repayment/settlement of this liability is related to outflow of resources. The provisions are measured at the best estimate of the Management as of the end of the reporting period for the expenses required to settle the relevant liability.

2.5. Summary of significant accounting policies (continued)

Pension and other liabilities to employees payable pursuant to the social and labour legislation

According to the Bulgarian legislation, the Company is required to pay contributions to the social security and health insurance funds. The labour relations with the employees of JOBS Micro Financing Institution EAD, in its capacity of employer, are based on the provisions of the Labour Code.

Short-term earnings

Short-term income of the Company's staff in the form of remuneration, bonuses and social supplements and benefits is recognized as an expense in the statement of comprehensive income for the period in which service has been rendered or the requirements for their receipt have been met and as a current liability in the amount of their undiscounted amount. The social security and health insurance contributions due by the Company are recognized as a current expense and liability at undiscounted value as a total amount in the period of reducing the respective income to which they are connected.

In the end of each reporting period, the Company measures the amount of the estimated costs of the accumulating reimbursable leaves which is expected to be paid as a result of the unused entitlement of such reimbursable leaves. The measurement includes the estimated cost of the employee's remuneration and expenses for the compulsory social security and health insurance contributions payable by the employer on these amounts.

Long-term retirement benefits

Under the Labour Code, the employer is required to pay benefits to the staff upon retirement which depending on the length of service may vary between 2 and 6 gross monthly salaries as at the date of the termination of the employment. By their nature these schemes are defined benefit plans.

Employment termination benefits

Pursuant to the provisions of the Labour Code, the employer is required to pay the following benefits upon the termination of the employment contract before retirement: wavier of notice – gross monthly salary for one month; upon closure of the enterprise or part thereof, staff cuts, reducing the volume of work and work stoppage for more than 15 days – gross monthly salary for one month; upon termination of employment due to illness – compensation in the amount of 2 gross monthly salaries; unused annual leave -- benefits for the respective years of the time recognized as service period.

The Company recognizes its employee retirement benefit obligations before retirement when a commitment is demonstrated to terminate the employment contract with the persons concerned on the basis of a publicly announced plan, including restructuring, without the option of cancellation or upon the formal issue of the documents for voluntary leaving. Termination benefits payable for more than 12 months are discounted and presented in the Statement of Financial Position at their present value.

Taxes

JOBS Micro Financing Institution EAD charges current taxes under the Bulgarian law. The profit tax is calculated on the basis of the taxable profit for the period determined in accordance with the rules established by the tax authorities under which taxes are paid (recovered).

2.5. Summary of significant accounting policies (continued)

Taxes (continued)

The tax effect associated with transactions or other events reported in the statement of comprehensive income is also reported in the statement of comprehensive income and the tax effect associated with transactions and other events reported directly in equity is also recognized directly in equity.

The deferred tax liabilities are reported for all taxable temporary differences, except when resulting from the initial recognition of an asset or liability in a transaction which at the time of its execution affects neither the accounting nor the taxable profit (taxable loss).

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

The deferred tax liabilities are reported for all deductible temporary differences to the extent to which a future taxable profit is probable, against which appropriate deductions of the deferred tax liabilities should be made. This does not apply to cases where they result from the initial recognition of an asset or liability in a transaction which at the time of its execution affects neither the accounting nor the taxable profit (taxable loss).

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

Cash and cash equivalents

Cash equivalents for the purposes of the cash flow statement consist of cash on current accounts, provided deposits on demand and/or with an original term of up to 3 months.

Assets held for sale

Assets are classified as held for sale if their carrying amount is to be recovered through sale and not through continuing use in the Company's operations. These assets were initially accepted by the Company as collateral or leased out and subsequently acquired as a result of a debt-for-equity swap or seizure from lessees who fail to service their obligations in compliance with the contractual terms and conditions of the financial lease. Assets classified in this group are available for immediate sale in their current condition. Assets classified as held for sale are recognized in the statement of financial position at their carrying amount or their fair value less the estimated direct sales costs, whichever is lesser.

Assets from this qualification group are not subject to depreciation.

The Company determines the fair value of assets held for sale based on market-based evidence from a valuation performed by professionally qualified appraisers.

2.5. Summary of significant accounting policies (continued)

Interest revenues and expenses

Interest revenues and expense are recognized in the statement of comprehensive income for all financial instruments on an accrual basis using the effective interest rate method at the time the loan or lease is granted. The effective interest rate method is a method of calculating the depreciable value of a financial asset or liability, and of allocating interest revenue or expense over the relevant time period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, over a shorter period, to the net carrying amount of the financial asset or financial liability.

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

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

Unearned financial income (interest) is the difference between the gross and net investment in the lease contract, where the gross investment in the lease contract is the sum of the minimum lease payments and the unguaranteed residual value accrued to the lessor. Revenues from interests on lease transactions (financial income) are allocated over the term of the lease contract and are recognized on the basis of a constant periodic rate of return on the lessor's net investment.

Fees and commissions

Fee and commission revenues and expenses that are an integral part of the effective interest rate for a financial asset or liability are included in the measurement of the effective interest rate.
The other fee and commission revenues under the Tariff of Fees and Commissions of JOBS Micro Financing Institution EAD are recognized upon the performance of the relevant services.
Other fee and commission expenses, mainly related to banking services and agency commissions, are recognized upon the receipt of the relevant services.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and their related interpretations and applies to revenue arising from contracts with customers outside of the scope of:

- Lease contracts (IAS 17 / IFRS 16 Leases);
- Insurance contracts (IFRS 4 Insurance Contracts);
- Financial instruments and other contractual rights or obligations (IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Ventures, IAS 27. Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures;
- Non-monetary transactions between enterprises in the same business to facilitate sales to customers or potential customers.

The Company applies IFRS 15 as of 1 January 2018.

IFRS 15 introduces a five-step model to apply to revenue arising from contracts with customers regardless of the type of transaction or industry, requiring the Bank (1) to identify the contracts with customers; (2) to identify the performance obligations under those contracts; (3) to determine the amount of contract remuneration; (4) to allocate the contract remuneration to the identified performance obligations, and (5) to recognize revenue when each of the specified performance obligations is met.

2.5. Summary of significant accounting policies (continued)

Fees and commissions (continued)

The fee and commission revenues of JOBS Micro Financing Institution EAD for year 2018 are as follows:

Fee type	**2018**
Fee for consideration of documents	11
Fee for deletion of registered collateral	4
Renegotiation fee	2
Fee for transfer of ownership	1
Other fees	1
Total revenues from contracts with customers	**19**

The fees listed in the table above are recognized when incurred. The General Terms and Conditions of the Company and the Tariff of Fees and Commissions approved by the Board of Directors apply to them. To the extent that the services provided are irreversible, the Company does not calculate the probability of non-realization of revenues and, accordingly, does not calculate expected losses on the latter.

The Company analysed the revenue within the scope of IFRS 15 and found that there would be no significant differences in the categories of revenue described above compared to their reporting under previous standards. The balances of receivables under the above types of contracts as at 31 December 2018 are insignificant.

3. Disclosure of financial risk management policy

In its normal course of business, the Company is exposed to various financial risks. These risks are identified, measured and monitored by it through various control mechanisms so that they can be managed and to avoid the concentration of undue risk. The risk management process is essential for the profitability of the Company and its existence. The major risks to which the Company is exposed are credit, market, liquidity and operational risks.

Risk management structure

The main units that are directly responsible for risk management are:

Board of Directors - adopts rules and procedures for risk management. Controls the risk factors for the Company's operations and makes decisions within its powers. Analyses loan transactions exceeding BGN 100,000 in terms of credit risk management when authorizing them;

Credit Committee - exercises ongoing monitoring and analyses the Company's loan and lease portfolio in terms of credit risk, including by individual transactions;

Credit Board - analyses credit and lease transactions in terms of credit risk management upon their authorization and/or renegotiation;

Operational Management (Executive Director and Procurator) - organizes the activities for the implementation of the Risk Management Rules adopted by the Board of Directors. Creates work organization that ensures compliance with certain limits and levels of risk. Controls the compliance of the procedures for analysis, measurement and risk assessment used by the respective employees with the internal normative documents adopted by the Board of Directors.

Risk Management Department - develops and implements a risk management system. Prepares and submits periodic reports to the Board of Directors in order to assess the risks in the operations, including the compliance with limits, and reports on an ongoing basis to the operational management of the Company. Performs initial and ongoing testing of risk assessment methods. Controls the input data required for risk assessment according to the applicable method of reliability and sufficiency.

Measurement and management of major risks

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

The control and management of risks is in line with the Company's mission to provide microfinancing to local micro and small enterprises. This reflects on the market strategy of the Company, as well as the level of specific risk that may be taken. The Company's Board of Directors adopts limits on the admissible concentration of the risks to which the Company is exposed.

3.1. Credit risk

Credit risk is the risk that customers/counterparties will be unable to repay in full the amounts due to the Company within the agreed deadlines.

The specific credit risk is managed by the Credit Board and the Credit Committee of the Company and is supervised by the Board of Directors. The credit risk management function ensures the application of appropriate rules and policies and their compliance with the related procedures and controls for ongoing monitoring of each lending transaction. The risk exposure of the loan and lease portfolio is managed by analysing the ability of counterparties to meet their payment obligations and by setting appropriate credit limits. Furthermore, credit risk is partially reduced by accepting various types of collateral.

3. Disclosure of financial risk management policy (continued)

3.1. Credit risk (continued)

Unused funds under approved transactions for financing in the form of loans or financial lease are commitments of the Company. With regard to credit risk, the Company is potentially exposed to a loss in the amount of the total non-provided financing. However, the probable amount of loss is lower than all unspent funds, as most of this type of commitment involve requirements to maintain certain credit standards by each customer.

Maximum credit risk exposure

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

In BGN '000	2018	2017
Financial assets		
Cash	624	322
Deposits with banks	26	17
Financial lease receivables	932	1,035
Loans granted	13,858	15,986
Receivables from customers and other trade receivables	60	34
	15,500	17,394

The exposure to credit risk arising from off-balance sheet contingent liabilities is as follows:

In BGN '000	2018	2017
Unused amount of authorized loans	1	1,047
	1	1,047
Maximum credit risk exposure	15,501	18,441

Percentage of exposures subject to collateral arrangements:

In BGN '000

Type of credit exposure	Basic type of collateral	2018	2017
Loans and advance payments made	1. Mortgage of real estate 2. Registered pledges on movables 3. Registered pledge of receivables, guarantee provided by solvent third parties, promissory note	100 (up to 70% with COSME guarantee)	100 (up to 70% with COSME guarantee)
Financial lease	1. Own asset 2. Promissory note, guarantees, registration of the lease contract with the in the Central Pledge Register, etc.	100	100

3. Disclosure of financial risk management policy (continued)

3.1. Credit risk (continued)

Credit risk concentration

The Company's Management monitors the credit risk of concentration of financial assets on an ongoing basis, both by sector of the economy and by group of related parties.

Financial assets of the Company (financial lease, loans and receivables), classified by sector of the economy:

In BGN '000

Sectors	2018	%	2017	%
Agriculture, hunting, forestry and fishing	5,549	37.37%	6,764	39.66%
Processing industry	3,573	24.06%	2,793	16.38%
Construction	273	1.84%	380	2.23%
Trade, repair and maintenance of motor vehicles, motorcycles, personal and household goods	2,312	15.57%	3,053	17.90%
Hotels and restaurants	775	5.22%	1,049	6.15%
Transport, storage and communications	873	5.88%	1,126	6.60%
Administrative and support activities	253	1.70%	521	3.05%
Culture, sport and entertainment	405	2.73%	409	2.40%
Professional, scientific and technical activities	5	0.03%	23	0.13%
Financial and insurance activities	-	-	4	0.02%
Health and social work	272	1.83%	308	1.81%
Real estate operations	187	1.25%	187	1.10%
Production and distribution of electricity and heat energy and gas fuels	262	1.77%	389	2.28%
Other activities serving the community and the individuals	111	0.75%	49	0.29%
Total	14,850		17,055	

Quality of loans and receivables

The Company has internal rules and procedures for measuring the risk associated with each counterparty. The assessment is performed on the basis of a methodology covering the current financial information, estimated accounts, the targeted use of funds, the method in which the exposures are handled and information on the status of the accepted collateral. The receivables from the provided financing are classified in three risk groups depending on the results of the assessment. The accepted classification groups are as follows: **"Phase 1", "Phase 2" and "Phase 3"**. The Company classifies as "regular" (falling into Phase 1) all exposures for which there are no indicators of impairment; as "monitored" (falling into Phase 2) the exposures that are overdue for more than 30 days and/or for which there are indicators for recognizing a credit loss for the entire life of the asset; and as "non-performing" (falling into Phase 3) the exposures that are overdue for more than 90 days and/or for which there are indicators for recognizing a credit loss for the entire life of the asset.

The classification of risk exposures is within the competence of the Credit Committee and is performed on a monthly basis. In addition, every year financial information is required from the customers, which is analysed according to the internal methodology of the Risk Management Department.

All financing provided to clients is secured, with the exception of funding provided under the COSME program.

3. Disclosure of financial risk management policy (continued)

3.1. Credit risk (continued)

The collateral accepted for financial leases mainly comprise leased assets, personal guarantees and promissory notes. The usual practice of the Company is to require the lessees to provide an initial fee in the amount of at least 20% of the purchase price of the leased asset.

Value of the Company's portfolio of financial assets by type of financial assets:

In BGN '000	Financial lease receivables		Loans granted		Receivables from customers and other trade receivables		Total	
	As at 31/12/2018	As at 01/01/2018	As at 31/12/2018	As at 01/01/2018	As at 31/12/2018	As at 01/01/2018	As at 31/12/2018	As at 01/01/2018
Loans impaired on an individual basis								
------- Phase 2	225	124	2,901	1,157	30	-	3,157	1,281
------- Phase 3	561	450	2,649	785	406	434	3,616	1,669
Gross value	786	574	5,551	1,942	436	434	6,773	2,950
Impairment	(486)	(448)	(249)	(136)	(406)	(434)	(1,141)	(1,018)
Carrying amount	300	126	5,302	1,806	30	0	5,632	1,932
Overdue, but not impaired	124	5	3,111	662	2	-	3,237	667
Carrying amount	124	5	3,111	662	2	-	3,237	667
------- Phase 1	632	918	8,561	14,284	30	36	9,223	15,301
Gross value	632	918	8,561	14,284	30	36	9,223	15,301
Impairment	-	(1)	(5)	(15)	-	-	(5)	(16)
Carrying amount	632	917	8,556	14,269	30	36	9,218	15,222

In BGN '000	Financial lease receivables	Loans granted	Receivables from customers and other trade receivables	Total
	As at 31/12/2017	As at 31/12/2017	As at 31/12/2017	As at 31/12/2017
Loans impaired on an individual basis				
------- Phase 2	63	632	35	730
------- Phase 3	449	765	403	1,617
Gross value	512	1,397	438	2,347
Impairment	(446)	(92)	(435)	(973)
Carrying amount	66	1,305	3	1,374
Overdue, but not impaired	66	965	-	1,031
Carrying amount	66	965	-	1,031
-------- regular	981	14,829	32	15,842
Gross value	981	14,829	32	15,842
Impairment	(12)	(148)	(1)	(161)
Carrying amount	969	14,681	31	15,681

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

3.1. **Credit risk (continued)**

Average effective interest rates on financial assets:

	2018	2017
Lease	7.39%	7.70%
Loans	7.02%	7.21%

Receivables from financing provided in the form of financial lease, according to the type of leased asset:

In BGN '000	2018	%	2017	%
Property, plant and industrial equipment	489	52.53%	572	55.26%
Heavy- and light-duty vehicles	118	12.62%	124	12.03%
Computers and other electronic equipment	5	0.50%	8	0.75%
Other	320	34.35%	331	31.96%
	932		1,035	

Receivables on loans granted according to the type of collateral accepted.

All loans granted are secured by tangible fixed assets. The Company accepts basic collateral in the form of registered pledge of movable property (machinery and facilities, equipment, vehicles, materials, etc.), mortgage of real estate, bank guarantees, pledge of cash, pledge of securities, and additional collateral in the form of registered pledge of receivables, guarantees provided by solvent third parties, promissory notes, pledge of a commercial enterprise, other eligible collateral provided for in the applicable legislation. Under each loan agreement, the Company requires that the value of loan be covered in full by the value of the loan collateral.

3.2. **Market risk**

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

Interest rate risk

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

For the purpose of determining the interest rates on financing provided to customers by the end of year 2014, the Company has introduced and applies a methodology for determining a base interest rate linked to the price of the financial resources used for financing – return on equity, required margin of profit and expected loss from provided financing and maintenance price, which are reviewed on a quarterly basis.

3. Disclosure of financial risk management policy (continued)

3.2. Market risk (continued)

In 2015 the Company introduced a new Methodology for Determining the Annual Interest Rate on the Products of JOBS Micro Financing Institution EAD, which determined the reference interest rates used in the formation of the annual interest rate on the products provided by the Company in the form of financial lease and loans. Annual Interest Rate (AIR) on loans is the interest rate applicable on an annual basis to the amount of the utilized and outstanding portion of the loan. AIR may be fixed or floating. Fixed Interest Rate on the loan is a fixed amount valid for the entire term of the loan. Floating Interest Rate on loans and financial lease agreements is a variable formed as a sum of a reference index and a fixed margin. The margin and the period for determining the interest rate are individualized in the loan or lease agreements. The reference index is the three-month (3M) EURIBOR.

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

The Company's interest rate exposure and risk include the assets and liabilities of the Company at carrying amount according to the interest rate clauses set in the contracts and their sensitivity to the behaviour of interest rates.

The Company is exposed to a variety of market risks. Market risk is associated with the likelihood of future changes in the prevailing market conditions that would significantly affect the financial position of the Company.

3. Disclosure of financial risk management policy (continued)

3.2. Market risk (continued)

In BGN '000 *31 December 2018*	*With floating interest rate*	*With fixed interest rate*	*Interest free*	Total
Financial assets				
Cash	-	624	-	624
Deposits with banks	-	26	-	26
Financial lease receivables	932	-	-	932
Loans granted	13,412	446	-	13,858
Receivables from customers and other trade receivables	-	-	60	60
Total financial assets	14,344	1,096	60	15,500
Financial liabilities				
Bank loans	-	6,173	-	6,173
Payables to suppliers and other trade payables	-	-	136	136
Total financial liabilities	-	6,173	136	6,309
Total interest exposure	14,344	(5,077)	(76)	9,191

In BGN '000 *31 December 2017*	*With floating interest rate*	*With fixed interest rate*	*Interest free*	Total
Financial assets				
Cash	-	322	-	322
Deposits with banks	-	17	-	17
Financial lease receivables	1,035	-	-	1,035
Loans granted	15,142	844	-	15,986
Receivables from customers and other trade receivables	-	-	34	34
Total financial assets	16,177	1,183	34	17,394
Financial liabilities				
Bank loans	-	8,147	-	8,147
Payables to suppliers and other trade payables	-	-	179	179
Total financial liabilities	-	8,147	179	8,326
Total interest exposure	16,177	(6,964)	(145)	9,068

3. Disclosure of financial risk management policy (continued)

3.2. Market risk (continued)

Interest rate sensitivity and risk analysis

The table below presents the Company's financial instruments presented at carrying amount, categorized by the earlier of the two dates – the date of change in the interest rate under the contract or the maturity date.

In BGN '000	*Up to 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*1 to 5 years*	*Over 5 years*	*Non-interest-bearing*	*Total*
31 December 2018								
Financial assets								
Cash	624	-	-	-	-	-	-	**624**
Deposits with banks	-	-	26	-	-	-	-	**26**
Financial lease receivables	932	-	-	-	-	-	-	**932**
Loans granted	13,544	55	76	94	89	-	-	**13,858**
Receivables from customers and other trade receivables	-	-	-	-	-	-	60	**60**
Total financial assets	**15,100**	55	**102**	94	**89**	-	60	**15,500**
Financial liabilities								
Bank loans	-	740	-	733	-	4,700	-	**6,173**
Payables to suppliers and other trade payables	-	-	-	-	-	-	136	**136**
Total financial liabilities	-	740	-	733	-	**4,700**	**136**	**6,309**
Total interest exposure to sensitivity	**15,100**	**(685)**	**102**	**(639)**	**89**	**(4,700)**	**(76)**	**9,191**

3. Disclosure of financial risk management policy (continued)

3.2. Market risk (continued)

Interest rate sensitivity and risk analysis (continued)

In BGN '000	*Up to 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*1 to 5 years*	*Over 5 years*	*Non-interest-bearing*	*Total*
31 December 2017								
Financial assets								
Cash	322	-	-	-	-	-	-	322
Deposits with banks	-	-	17	-	-	-	-	17
Financial lease receivables	1,035	-	-	-	-	-	-	1,035
Loans granted	15,271	68	103	220	324	-	-	15,986
Receivables from customers and other trade receivables	-	-	-	-	-	-	34	34
Total financial assets	16,628	68	120	220	324	-	34	17,394
Financial liabilities								
Bank loans	-	747	-	733	6,667	-	-	8,147
Payables to suppliers and other trade payables	-	-	-	-	-	-	179	179
Total financial liabilities	-	747	-	733	6,667	-	179	8,326
Total interest exposure to sensitivity	16,628	(679)	120	(513)	(6,343)	-	(145)	9,068

Foreign currency risk

Foreign currency risk is the risk of the negative impact of fluctuations in the prevailing exchange rates on the financial position and cash flows of the Company as a result of open currency positions. The Company provides financing in BGN and EUR only. As the BGN is pegged to the Euro, no significant foreign currency risk has been identified for the Company.

3. Disclosure of financial risk management policy (continued)

3.2. Market risk (continued)

The following table summarizes the Company's exposure to foreign currency risk. It includes the financial instruments and contingent liabilities and commitments of the Company at carrying amount, categorized by type of currency.

In BGN '000

As at 31 December 2018	in EUR	in BGN	Total
Financial assets			
Cash	14	610	624
Deposits with banks	-	26	26
Financial lease receivables	-	932	932
Loans granted	4	13,854	13,858
Receivables from customers and other trade receivables	-	60	60
Total financial assets	18	15,482	15,500
Financial liabilities			
Bank loans	1,473	4,700	6,173
Payables to suppliers and other trade payables	-	136	136
Total financial liabilities	1,473	4,836	6,309
Net balance-sheet currency position	(1,455)	10,646	9,191
Contingent liabilities and commitments	-	1	1

In BGN '000

As at 31 December 2017	in EUR	in BGN	Total
Financial assets			
Cash	16	306	322
Deposits with banks	-	17	17
Financial lease receivables	-	1,035	1,035
Loans granted	20	15,966	15,986
Receivables from customers and other trade receivables	-	34	34
Total financial assets	36	17,358	17,394
Financial liabilities			
Bank loans	2,947	5,200	8,147
Payables to suppliers and other trade payables	-	179	179
Total financial liabilities	2,947	5,379	8,326
Net balance-sheet currency position	(2,911)	11,979	9,068
Contingent liabilities and commitments	-	1,047	1,047

3. Disclosure of financial risk management policy (continued)

3.3. Liquidity risk

Liquidity risk is the risk of the Company's inability to meet its current and potential payment obligations when they are due without incurring unacceptable losses.

In managing liquidity, the Company takes into account its available financial resources, forthcoming receipts from customers and expected receipts from financing, comparing them with the commitments related to the agreed transactions and forthcoming payments under agreed credit agreements. The compliance and the controlled non-compliance with maturities and interest rates on assets and liabilities is a major issue of the Company's liquidity management.

Values as a percentage of the ratio of liquid assets to the liabilities of the Company:

	2018	2017
	%	%
As at 31 December	219%	273%
Average for the period	246%	338%
Highest for the period	205%	209%
Lowest for the period		

Undiscounted cash flows by agreed maturity:

In BGN '000

As at 31 December 2018	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities						
Bank loans	-	740	733	-	4.700	6,173
Payables to suppliers and other trade payables	136	-	-	-	-	136
Total financial liabilities	136	740	733	-	4,700	6,309

In BGN '000

As at 31 December 2017	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities						
Bank loans	21	788	912	6.981	-	8,702
Payables to suppliers and other trade payables	179	-	-	-	-	179
Total financial liabilities	200	788	912	6,981	-	8,881

3. Disclosure of financial risk management policy (continued)

3.4. Equity management

The main goal of the Company in managing its equity is to maintain its level sufficient to develop the Company`s business and achieve the goals and volumes set upon the establishment of the Company – provision of options for financing micro and small enterprises, as well in accordance with the commitments taken under the concluded agreements. Pursuant to Ordinance No. 26 of the BNB, the minimum required capital for the business operations of the Company is BGN 1,000 thousand. The registered capital of the Company is BGN 7,643 thousand.

4. Fair value disclosure

The following table summarizes the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Fair value of financial assets and liabilities that are not measured at fair value but disclosure at fair value is requred.

31 December 2018		Carrying amount			Fair value			
In BGN '000	Note	Loans and Receivables	Other	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash	12	624	-	624	-	624	-	624
Deposits with banks	13	26	-	26	-	26	-	26
Loans granted	15	13,858	-	13,858	-	14,637	-	14,637
Receivables from customers and other trade receivables	16	60	-	60	-	60	-	60
		14,568	-	14,568	-	15,347	-	15,347
Financial liabilities not measured at fair value								
Bank loans	19	-	6,173	6,173	-	6,834	-	6,834
		-	6,173	6,173	-	6,834	-	6,834

Type of financial instrument	Fair value as at 31 December 2018	Fair value level	Measurement method	Significant unobservable inputs	Relations between key unobservable inputs and fair value
Loans granted	14,637	Level 2	Discounted cash flows Future cash flows are estimated on the basis of the interest rates applicable for new business for December 2016 published by BNB, without any adjustment.	Not applicable	Not applicable
Receivables from customers and other trade receivables	60	Level 2	Discounted cash flows Future cash flows are estimated on the basis of the interest rates applicable for new business for December 2016 published by BNB, without any adjustment.	Not applicable	Not applicable
Bank loans	6,834	Level 2	Discounted cash flows Future cash flows are estimated based on the yield on Bulgarian government securities as of December 2016, published by the BNB, without any adjustment.	Not applicable	Not applicable

4. Fair value disclosure (continued)

The following table summarizes the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Fair value of financial assets and liabilities that are not measured at fair value but disclosure at fair value is required.

31 December 2017

		Carrying amount			Fair value			
In BGN '000	Note	Loans and Receivables	Other	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash	12	322	-	322	-	322	-	322
Deposits with banks	13	17	-	17	-	17	-	17
Loans granted	15	15,986	-	15,986	-	17,554	-	17,554
Receivables from customers and other trade receivables	16	34	-	34	-	34	-	34
		16,359	-	16,359	-	17,927	-	17,927
Financial liabilities not measured at fair value								
Bank loans	19	-	8,147	8,147	-	8,470	-	8,470
		-	8,147	8,147	-	8,470	-	8,470

Type of financial instrument	Fair value as at 31 December 2017	Fair value level	Measurement method	Significant unobservable inputs	Relations between key unobservable inputs and fair value
Loans granted	17,554	Level 2	Discounted cash flows Future cash flows are estimated on the basis of the interest rates applicable for new business for December 2016 published by BNB, without any adjustment.	Not applicable	Not applicable
Receivables from customers and other trade receivables	34	Level 2	Discounted cash flows Future cash flows are estimated on the basis of the interest rates applicable for new business for December 2016 published by BNB, without any adjustment.	Not applicable	Not applicable
Bank loans	8,470	Level 2	Discounted cash flows Future cash flows are estimated based on the yield on Bulgarian government securities as of December 2016, published by the BNB, without any adjustment.	Not applicable	Not applicable

5. Net interest income

In BGN '000	2018	2017
Interest revenues		
Revenues from interests on loans	1,218	1,087
Revenues from loan penalties	102	119
Revenues from financial lease interests	85	94
Revenues from financial lease penalties	7	29
Interests on deposits, etc	-	-
	1,412	1,329
Interest expenses		
Expenses on interests on bank loans	(173)	(99)
	(173)	(99)
Net interest income	1,239	1,230
including		
Interest on individually impaired loans and leases	1,412	1,329

6. Net fee and commission expenses

In BGN '000	2018	2017
Fee and commission revenues		
Revenues from fees for registration with CAT, CTI, etc.	19	36
	19	36
Fee and commission expense		
Agency commissions	(56)	(46)
Bank charges	(2)	(3)
	(58)	(49)
Net fee and commission revenues/(expenses)	(39)	(13)

7. Other operating income

In BGN '000	2018	2017
Other revenues	53	10
	53	10

As at 31 December 2018, Other operating revenues comprise BGN 52 thousand of paid guarantees under loan agreements included in the guarantee portfolio and BGN 1 thousand of other income (for 2017: BGN 6 thousand of guarantees paid and BGN 3 thousand of legal fees awarded and BGN 1 thousand of other revenues).

8. Impairment of loans, leases and receivables

In BGN '000

	Financial lease		Loans granted		Receivables from customers and other trade receivables		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Balance as at 1 January	(458)	(474)	(240)	(267)	(436)	(436)	(1,134)	(1,177)
Effect of the initial application of IFRS 9	8	-	89	-	2	-	99	-
Impairment for the year:								
Accrued impairment	(48)	(11)	(266)	(187)	(3)	(2)	(317)	(200)
Recovered impairment	7	25	89	167	31	2	127	194
Written off impairment	5	2	74	47	-	-	79	49
Balance as at 31 December	(486)	(458)	(254)	(240)	(406)	(436)	(1,146)	(1,134)

9. General and administrative expenses

In BGN '000	2018	2017
Payments to staff and for social security contributions	491	561
Management expenses	275	198
Communications and IT services	50	51
Office maintenance and office equipment	27	24
Taxes and state fees	24	17
Audit, legal and consultancy services	9	8
Advertising and entertainment events	6	24
Hired services	16	14
Business trips	4	11
Rentals	26	6
	928	914

In BGN '000	2018	2017
The expenses on staff include:		
Salaries	447	471
Social security contributions	63	66
Amounts accrued on retirement benefits	(19)	24
	491	561

9. General and administrative expenses (continued)

As at 31 December 2018, the Company has 11 employees under labour contracts (for 2017: 14 employees).

Management expenses include remuneration, social security contributions, reimbursable leaves and retirement provision of the Company's Board of Directors.

10. Taxation

In BGN '000	2018	2017
Current tax expenses	(22)	(33)
Deferred taxes as a result of temporary differences	4	4
Total current tax expenses	(18)	(29)

In BGN '000	2018	2017
Accounting(loss)/profit	124	296
Tax according to the current tax rate (10% for 2018, 10% for 2017)	(12)	(29)
Effect of the application of IFRS 9, as of 1 January 2018	(10)	-
Other tax amendments	4	-
Total tax expenses	(18)	(29)
Effective tax rate	14.52%	10.01%

Deferred income tax balances refer to the following items in the statement of financial position

In BGN '000	Assets		Liabilities	
	2018	2017	2018	2017
Property, plant and equipment	-	-	-	-
Provisions for staff remuneration	(3)	(3)	-	-
Provisions for retirement benefit payables	(3)	(3)	-	-
Net tax assets/(liabilities)	(6)	(6)	-	-

10. Taxation (continued)

Amendments in temporary differences during the year are recognized in the statement of comprehensive income and in the statement of equity as follows:

In BGN '000

	2018	2017	Amendments in profit and loss
Property, plant and equipment	-	-	-
Provisions for staff remuneration	(3)	(3)	-
Provisions for retirement benefit payables	(3)	(3)	-
	(6)	(6)	-

The recognition of deferred tax assets takes into account the probability that individual differences may reverse in the future or in a subsequent period and the probability that the Company may generate taxable profit.

11. Cash and cash equivalents

In BGN '000

	2018	2017
Current accounts	624	322
Deposits with banks	26	17
Cash		
	650	339
Deposits on demand with banks with original maturity of up to 3 months	-	-
Cash and cash equivalents in the cash flow statement	650	322

12. Deposits with banks

In BGN '000

	2018	2017
Deposits with banks with original maturity exceeding 3 months	26	17
Total deposits with banks	26	17

The following table presents the parameters of bank deposits (in BGN thousand):

Bank	Amount of deposit - principal	Currency	Date of conclusion	Maturity date	Term	Interest	Carrying amount as at 31 December 2018
Bulgarian Development Bank AD	26	BGN	29/12/2018	29/06/2019	6 months	0.05%	26

13. Financial lease receivables

Net investment in financial lease is the gross investment in financial lease less the unrealized finance revenue and accrued impairment.

In BGN '000	2018	2017
Financial lease receivables, gross	1,577	1,705
Unearned finance revenue	(159)	(212)
Net minimum lease payments	1,418	1,493
Impairment	(486)	(458)
Financial lease receivables, net	932	1,053

Financial lease receivables are allocated as follows:

In BGN '000	2018	2017
With final loan repayment deadline of up to 1 year	34	41
With final loan repayment deadline of 1 to 5 years	1,384	1,452
Net minimum lease payments	1,418	1,493
Impairment	(486)	(458)
Financial lease receivables	932	1,035

As at the date of the financial statements, accrued non-maturing interest amounts to BGN 5 thousand (for 2017: BGN 7 thousand).

14. Loans granted

In BGN '000	2018	2017
With final loan repayment deadline of up to 1 year	2,493	1,475
With final loan repayment deadline of 1 to 5 years	4,697	8,309
With final deadline of over 5 years	6,922	6,443
Total loans granted	14,112	16,226
Impairment	(254)	(240)
Total loans granted after impairment	13,858	15,986

As at the date of the financial statements, accrued non-maturing interest amounts to BGN 70 thousand (for 2017: BGN 79 thousand).

15. Other trade receivables

In BGN '000	2018	2017
Receivables from Business Centers	466	470
Impairment	(406)	(436)
Total	60	34

16. Property, plant and equipment and intangible assets

In BGN '000	Equipment and computers	Fixtures and fittings	Transport means	Licence and software	Total
Carrying amount					
As at 1 January 2017	31	4	38	58	131
Acquired	-	-	-	1	1
End-of-life items	-	-	-	-	-
As at 31 December 2017	31	4	38	59	132
As at 1 January 2018	31	4	38	59	132
Acquired	1	2	-	5	8
End-of-life items	-	-	-	-	-
As at 31 December 2018	32	6	38	64	140
Depreciation accumulated					
As at 1 January 2017	(29)	(3)	(17)	(44)	(93)
Expenses on depreciation for the year	(2)	-	(6)	(3)	(11)
Depreciation of end-of-life items	-	-	-	-	-
As at 31 December 2017	(31)	(3)	(23)	(47)	(104)
As at 1 January 2018	(31)	(3)	(23)	(47)	(104)
Expenses on depreciation for the year	-	(1)	(6)	(4)	(11)
Depreciation of end-of-life items	-	-	-	-	-
As at 31 December 2018	(31)	(4)	(29)	(51)	(115)
Carrying amount					
As at 31 December 2018	1	2	9	13	25
As at 31 December 2017	-	2	15	12	28

At the end of 2018, fully depreciated assets still in use are with a total acquisition value of BGN 92 thousand (for 2017: BGN 83 thousand).

17. Assets held for sale

Assets held for sale are not used and are not planned to be used in the business operations of the Company. These assets have been put up for sale, with the aim and plans to be sold by the end of the upcoming calendar year.

In BGN '000	2018	2017
Assets held for sale at the beginning of the period	176	13
Acquired	-	165
Written off	-	(2)
Assets held for sale at the end of the period	176	176

In BGN '000	2018	2017
Impairment at the beginning of the period	-	-
Accrued for the year	(10)	-
Written-off during the year	6	-
Impairment at the end of the period	(4)	-

18. Other assets

In BGN '000	2018	2017
Other receivables	26	69
	26	69

Other receivables comprise deferred expenses in the amount of BGN 1 thousand, BGN 1 thousand receivables from customers and other receivables in the amount of BGN 24 thousand (for 2017: VAT to be refunded in the amount of BGN 46 thousand, deferred expenses in the amount of BGN 1 thousand, BGN 5 thousand of receivables from customers and other receivables in the amount of BGN 17 thousand).

19. Bank loans

In BGN '000

Bank creditor	Authorized amount	Currency	Utilized amount 2018	Utilized amount 2017	Unused amount	Carrying amount 2019	Carrying amount 2018
Bulgarian Development Bank AD	8,000	BGN	4,700	5,200	20,300	4,700	5,200
Bulgarian Development Bank AD	3,667	EUR	1,467	2,934	-	1,473	2,947
Total	11,667		6,167	8,134	20,300	6,173	8,147

19. Bank loans (continued)

The following table presents the main parameters of the loans received:

Loan	Date of conclusion	Deadline for repayment	Repayment scheme	Interest rate
Bulgarian Development Bank AD	15/4/2016	31/12/2025	Decreasing ceilings	1.95%
Bulgarian Development Bank AD	15/6/2016	29/9/2019	Per six months	1.80%

The following table summarizes the changes in liabilities arising from financial operations, including both changes related to cash flows and non-cash changes, and reconciles opening and closing balances in the statement of financial position of liabilities arising from financial operations for the year ended on 31 December 2018.

	1 January 2018	Incoming cash flows	Outgoing cash flows	Effects of changes in foreign exchange rates	Accruals using the effective interest rate method	31 December 2018
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Non-current interest-bearing loans and borrowings						
in BGN	5,200	1,200	1,810	-	110	4,700
in foreign currency (EUR)	2,947	-	1,514	-	40	1,473
Total liabilities from financial operations	8,147	1,200	3,324	-	150	6,173

20. Payables to suppliers and other payables

In BGN '000	2018	2017
Customers by advances and other payables to customers	55	50
Payables to suppliers	13	15
Payables to staff	24	60
Current tax payables	-	12
Other payables	44	42
Total	136	179

The payables to staff include: accruals on reimbursable leaves of employees and the associated social security contributions and accrued provisions for retirement, including under management and control contracts as at 31 December 2018 and 31 December 2017.

Other liabilities include: BGN 26 thousand for good management guarantees of the members of the Board of Directors, social security liabilities of BGN 12 thousand, BGN 5 thousand for VAT to be paid and BGN 1 thousand for other liabilities (in 2017: BGN 17 thousand for good management guarantees of the members of the Board of Directors, social security liabilities of BGN 23 thousand and BGN 2 thousand for VAT to be paid).

21. Share capital

The registered and fully paid-in share capital as at 31 December 2017 amounts to BGN 7,643 thousand. The shares are with a nominal value of BGN 100 each, and as at 31 December 2018 the amount of the share capital is BGN 7,643 thousand as well. As at 31 December 2018, the share capital is 100% owned by Bulgarian Development Bank AD.

On 27 April 2018, the Management Board of the Company's Sole Shareholder decided to pay a dividend in the amount of BGN 121 thousand to Bulgarian Development Bank AD.

22. Transactions with related parties and companies

The accounts with related parties in the statement of financial position are:

Assets

Company / person	*Type of account*	2018	2017
Bulgarian Development Bank AD	Cash in current accounts and deposits with original term of up to 3 months	623	321
Bulgarian Development Bank AD	Deposits with original term of over 3 months	26	17
Total		649	338

Liabilities

Company / person	*Type of account*	2018	2017
Bulgarian Development Bank AD	Bank loans	6,173	8,147
National Guarantee Fund EAD	Other liabilities	6	5
Key management personnel	Other liabilities	26	17
Key management personnel	Unused leaves and retirement benefits for management	8	15
Total		6,213	8,184

Expenses

Company / person	*Type of account*	2018	2017
Bulgarian Development Bank AD	Fee and commission expenses	(2)	(3)
Bulgarian Development Bank AD	Interest expenses	(150)	(88)
National Guarantee Fund EAD	Interest expenses	(23)	(11)
Bulgarian Development Bank AD	Administrative expenses	(27)	(1)
Key management personnel	Management expenses	(275)	(198)
Total		(477)	(301)

Revenues

Company / person	*Type of account*	2018	2017
Bulgarian Development Bank AD	Interest revenues	-	-
Bulgarian Development Bank AD	Other revenues	-	-
Total		-	-

22. Transactions with related parties and companies (continued)

Contingent liabilities and commitments with related parties:

Company / person	*Type*	2018	2017
Bulgarian Development Bank AD	Bank guarantee received	1	1
Total		1	1

23. Events after the date of the statements

There are no events that occurred after the reporting date that would require additional disclosures in the annual report as at 31 December 2018.

I, the undersigned Ginka Yordanova Velkova certify the true translation from Bulgarian into English of the document attached – Annual Financial Statements. The translation consists of 64 pages.

Translator: ....
Ginka Yordanova Velkova