TSA

ТИ ЕС ЕЙ ЕООД

Translation from Bulgarian

BDB MICRO FINANCING EAD (FORMER NAME: JOBS MICRO FINANCING INSTITUTION EAD)

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

31 December 2020

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BDB MICRO FINANCING 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 2020:

- Panayot Ivov Filipov;
- Ivana Borisova Tsaneva;
- Angelina Georgieva Angelova;
- Iliya Radkov Komitov.

The Board of Directors is with the following composition as at 29 September 2021:

- Vladimir Rashkov Georgiev;
- Ivana Borisova Tsaneva;
- Boyan Stefanov Byanov;
- Iliya Radkov Komitov

Seat and registered office

1 Dyakon Ignatiy Str., Sofia

Auditor

Deloitte Audit OOD
103 Aleksandar Stamboliyski Blvd.
Sofia Tower
1303 Sofia, Bulgaria

ANNUAL MANAGEMENT REPORT
FOR 2020

MANAGEMENT REPORT
OF BDB MICRO FINANCING EAD FOR 2020

General information on the Company's structure and management

BDB MICRO FINANCING EAD ("the Company") was renamed to BDB MICRO FINANCING EAD on 12 April 2021. The former name of the Company before that date was JOBS Micro Financing Institution EAD, a single-member joint stock company registered with the Commercial Register and the Register of Non-Profit Legal Entities 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 EAD ("the Bank", "BDB EAD"). The Company`s Sole Shareholder has a two-tier management structure. The Supervisory Board (SB) of the Bank is composed of Stamen Stamenov Yanev (Member of the Supervisory Board), Valentin Lyubomirov Mihov (Chairperson of the Supervisory Board), Vasil Atanasov Shtonov (Member of the Supervisory Board).

The Company's Board of Directors is with the following composition as at 31 December 2020:

- Panayot Ivov Filipov.
- Ivana Borisova Tsaneva;
- Angelina Georgieva Angelova;
- Iliya Radkov Komitov.

As at the date of this report the Board of Directors of the Company consists of four members, namely:

Vladimir Rashkov Georgiev – Chairperson of the Board of Directors;
Ivana Borisova Tsaneva – Deputy Chairperson of the Board of Directors and Executive Director;
Boyan Stefanov Byanov – Member of the Board of Directors;
Iliya Radkov Komitov – Member of the Board of Directors.

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 at the report date, i.e. 31 December 2020, as follows:

1. Panayot Ivov Filipov is Executive Director and a member of the Management Board of Bulgarian Development Bank AD and Chairperson of the Board of Directors of BDB Factoring EAD, UIC: 205566082;

2. Ivana Borisova Tsaneva has no participation in other companies or cooperatives pursuant to Art. 247(2)(4) of the Commerce Act;
3. Angelina Georgieva Angelova is the Manager of AFE EOOD, UIC: 204261633, and the Sole Shareholder of Code Broudkasting Group Ltd., UIC: 205276652;
4. Iliya Radkov Komitov has participations in other companies or cooperatives in BRAND BOYS OOD, UIC: 202994314, in SENMON EOOD, UIC: 202994314.

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 at the report date, as follows:

1. Vladimir Rashkov Georgiev is Executive Director and a member of the Management Board of Bulgarian Development Bank AD and Chairperson of the Board of Directors of BDB MICRO FINANCING EAD, UIC: 205566082;
2. Ivana Borisova Tsaneva has no participation in other companies or cooperatives pursuant to Art. 247(2)(4) of the Commerce Act;
3. Boyan Stefanov Byanov has no participation in other companies or cooperatives pursuant to Art. 247(2)(4) of the Commerce Act;
4. Iliya Radkov Komitov has participations in other companies or cooperatives: in BRAND BOYS OOD, UIC: 202994314, in SENMON EOOD, UIC: 202994314.

As at 31 December 2020, 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
BDB MICRO FINANCING EAD has no subsidiaries.

Activity review
In 2020 financing was provided to end customers under 191 loan and lease contracts in the amount of BGN 14,143 thousand.

As at 31 December 2020, the active loan and lease portfolio of the Company amounts to BGN 24,132 thousand presented by amortized value and consists of 465 loan and lease transactions. The company reports receivables from 12 associations (11 business centers and 1 non-profit association) amounting to BGN 16 thousand after impairment.

The Company's assets as at 31 December 2020 amount to BGN 25,088 thousand. Their structure is: cash in the amount of BGN 505 thousand, receivables from banks in the amount of BGN 26 thousand, receivables from non-profit associations after impairment in the amount of BGN 16 thousand, net investment in financial lease in the amount of BGN 712 thousand, and receivables on loans to customers after impairment in the amount of BGN 23,420 thousand. As at 31 December 2020, the Company reports fixed tangible and intangible assets with a carrying amount of BGN 11 thousand, assets held for sale in the amount of BGN 31 thousand, investment properties in the amount of 299 thousand, deferred tax assets of BGN 7 thousand and other assets of BGN 30 thousand as well as assets with right of use in the amount of BGN 31 thousand.

The Company uses external financing in the form of a revolving credit line facility provided by Bulgarian Development Bank (BDB) EAD 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 9,000 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.

The liabilities of the Company at the end of year 2020 amount to BGN 16,271 thousand and consist of BGN 16,000 thousand residual amount under revolving credit line facility agreement with BDB EAD, with no residual amount under the loan agreement with BDB EAD for indirect micro financing with the support of the European Investment Fund and the European Progress Microfinance Facility of the European Union, other liabilities of BGN 226 thousand, lease liabilities in the amount of 31 thousand and deferred tax liabilities of BGN 14 thousand.

The equity of BDB MICRO FINANCING EAD amounts to BGN 6,817 thousand formed by share capital in the amount of BGN 7,643 thousand, reserves in the amount of BGN 1,741 thousand, retained earnings for 2019 in the amount of BGN 52 thousand and loss for 2020 in the amount of BGN 619 thousand.

The reported financial result for year 2020 is loss before taxes in the amount of BGN 619 thousand.

The total revenues of the Company in 2020 amount to BGN 1,283 thousand, including interest revenues of BGN 1,133 thousand, which is 89% of total revenues.

As at 31 December 2020, the number of staff employed under labour contracts amounts to 16 employees (11 employees for the same period in year 2019).

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 BDB MICRO FINANCING 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 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 605 thousand.

Significant events occurred after the annual accounting closing

The events occurred after the reporting date that would require additional disclosures in the annual report as at 31 December 2020 are disclosed in Note 25 to the financial statements.

Future development and commitment

The Management of BDB MICRO FINANCING EAD is committed to the future sustainable development of the business and the growth of the Company's assets.

Signed	*Signed*
Vladimir Georgiev	Ivana Tsaneva
Chairperson of BoD	Executive Director

Affixed the stamp of BDB MICRO FINANCING EAD, Sofia, Bulgarian Development Bank Group

Date: 29 September 2021

INDEPENDENT AUDITOR'S REPORT AND ANNUAL FINANCIAL STATEMENTS 31 DECEMBER 2020

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Sole Shareholder of BDB Micro Financing EAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the enclosed financial statements of BDB Micro Financing EAD (the "Company"), which comprise the statement of the financial position as at 31 December 2020 and 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, including summary of the significant accounting policies and other explanatory information.

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 2020, 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 International Code of Ethics for Professional Accountants (including the International Standards of Independence) 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.

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

The Company's Board of Directors ("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 fair presentation of these financial statements in accordance with the IFRSs applicable in 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.

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 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.

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:

- The information included in the Management Report of the Company for the financial year for which the financial statements have been prepared is in line with the financial statements.
- The Management Report was prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Deloitte Audit OOD
Affixed the official stamp of Deloitte Audit OOD, audit company, reg. No. 033, Sofia

Signed
Rositsa Boteva
Manager
Registered Auditor, responsible for the audit

103 Al. Stamboliyski Blvd.
1303 Sofia, Bulgaria

30 September 2021

BDB MICRO FINANCING EAD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

in BGN '000	Note	As at 31/12/2020	As at 31/12/2019
Assets			
Cash	11	505	949
Receivables/Deposits with banks	12	26	26
Assets held for sale	18	31	51
Investment properties	16	299	299
Financial lease receivables	13	712	699
Loans granted	14	23,420	12,372
Other trade receivables	15	16	21
Property, plant and equipment and intangible assets	16	11	14
Assets with right of use	17	31	27
Deferred tax assets	10	7	6
Receivables on excess corporate tax		-	7
Other assets	19	30	9
Total assets		25,088	14,480
Liabilities			
Bank loans	20	16,000	4,900
Payables to suppliers and other payables	22	226	102
Lease liabilities	21	31	27
Deferred tax liabilities	10	14	16
Total liabilities		16,271	5,045
Equity			
Share capital	23	7,643	7,643
Retained earnings from past periods		52	52
Accumulated loss		(619)	-
Reserves		1,741	1,740
Total equity		8,817	9,435
Total liabilities and equity		25,088	14,480

Notes from page 5 to page 46 form an integral part of these Financial Statements. These Financial Statements were approved to be issued by the Board of Directors of BDB MICRO FINANCING EAD on 29 September 2021.

Signed	*Signed*	*Signed*
Vladimir Georgiev	Ivana Tsaneva	Kaloyan Dilov
Chairperson of BoD	Executive Director	Chief Accountant and Compiler

Affixed the stamp of BDB MICRO FINANCING EAD, Sofia, Bulgarian Development Bank Group

Signed
Rositsa Boteva
Registered Auditor, responsible for the audit
Date: 30 September 2021
Affixed the official stamp of Deloitte Audit OOD, audit company, reg. No. 033, Sofia

TSA

BDB MICRO FINANCING EAD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

in BGN '000	Note	2020	2019
Interest revenues	5	1,133	969
Interest expenses	5	(248)	(112)
Net interest income	5	885	857
Fee and commission revenues	6	65	10
Fee and commission expenses	6	(31)	(24)
Net fee and commission revenues/(expenses)	6	34	(14)
Other operating income	7	85	154
Operating income		1,004	997
General and administrative expenses	9	(1,493)	(866)
Depreciation expenses	16, 17	(35)	(36)
Expenses on impairment of loans, leases and receivables	8	(95)	(36)
(Loss)/Profit before taxes		(619)	59
Expenses on profit taxes	10	-	(7)
(Loss)/Profit after taxes		(619)	52
Other comprehensive income		-	-
Total comprehensive income for the year		(619)	52

Notes from page 5 to page 46 form an integral part of these Financial Statements. These Financial Statements were approved to be issued by the Board of Directors of BDB MICRO FINANCING EAD on 29 September 2021.

Signed	*Signed*	*Signed*
Vladimir Georgiev	Ivana Tsaneva	Kaloyan Dilov
Chairperson of BoD	Executive Director	Chief Accountant and Compiler

Affixed the stamp of BDB MICRO FINANCING EAD, Sofia, Bulgarian Development Bank Group

Signed
Rositsa Boteva
Registered Auditor, responsible for the audit
Date: 30 September 2021
Affixed the official stamp of Deloitte Audit OOD, audit company, reg. No. 033, Sofia

BDB MICRO FINANCING EAD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

In BGN '000	*Note*	Share capital	Statutory reserves	Additional reserves	Retained earnings / accumulated loss	Total
Balance as at 1 January 2019		7,643	538	1,046	202	9,429
Comprehensive income for the period						
Profit for the year		-	-	-	52	52
Total comprehensive income for the period		-	-	-	52	52
Transfer between reserves based on shareholder's decision		-	11	146	(157)	(0)
Dividends to the shareholder		-	-	-	(45)	(45)
Total transactions with the shareholder		-	11	146	(202)	(45)
Balance as at 31 December 2019	23	7,643	549	1,192	52	9,436
Balance as at 1 January 2020		7,643	549	1,192	52	9,436
Comprehensive income for the period						
Loss for the year		-	-	-	(619)	(619)
Total comprehensive income for the period		-	-	-	(619)	(619)
Transfer between reserves based on shareholder's decision		-	-	-	-	-
Dividends to the shareholder		-	-	-	-	-
Total transactions with the shareholder		-	-	-	-	-
Balance as at 31 December 2020	23	7,643	549	1,192	(567)	8,817

Notes from page 5 to page 46 form an integral part of these Financial Statements. These Financial Statements were approved to be issued by the Board of Directors of BDB MICRO FINANCING EAD on 29 September 2021.

Signed
Vladimir Georgiev, Chairperson of the BoD

Signed
Ivana Tsaneva, Executive Director

Signed
Kaloyan Dilov, Chief Accountant and Compiler

Affixed the stamp of BDB MICRO FINANCING EAD, Sofia. Bulgarian Development Bank Group

Signed
Rositsa Boteva, Registered Auditor, responsible for the audit
Date: 30 September 2021
Affixed the official stamp of Deloitte Audit OOD, audit company, reg. No. 033, Sofia

BDB MICRO FINANCING EAD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

in BGN '000

	Note	2020	2019
Operations			
(Loss) / Profit for the year		(619)	52
Adjustments for:			
Revaluation of Investment Property		-	(154)
Expenses on impairment of loans, leases and receivables	8	95	36
Depreciation expenses	16, 17	35	36
Profit Tax expenses	10	-	7
Other non-monetary amendments		(7)	3
		(496)	(20)
Amendment in:			
- financial lease receivables	13	(13)	189
- loans granted	14	(11,130)	1,514
- other trade receivables	15	(7)	20
- assets held for sale	19	21	17
- other assets		(15)	(27)
- other liabilities	22	124	(27)
Net cash flow (used in)/from operations		(11,516)	1,666
Income taxes paid		-	-
Net cash flow (used in)/from operations		(11,516)	1,666
Investment operations			
(Purchase)/Sale of property, plant, equipment and intangible assets	16	-	-
Cash flow from investment operations		-	-
Financial operations			
Amounts received on long-term borrowings	20	11,100	-
Amounts paid on long-term borrowings		-	(1,273)
Lease payments	20	(28)	(24)
Dividend paid to shareholders		-	(44)
Cash flows from/(used in) financial operations		11,072	(1,341)
Net (decrease)/increase in cash and cash equivalents		(444)	325
Cash and cash equivalents at the beginning of the period	11	949	624
Cash and cash equivalents at the end of the period	11	505	949
Interest received		-	-
Interest paid		247	112

Notes from page 5 to page 46 form an integral part of these Financial Statements. These Financial Statements were approved to be issued by the Board of Directors of BDB MICRO FINANCING EAD on 29 September 2021.

Signed	*Signed*	*Signed*
Vladimir Georgiev	Ivana Tsaneva	Kaloyan Dilov
Chairperson of BoD	Executive Director	Chief Accountant and Compiler

Affixed the stamp of BDB MICRO FINANCING EAD, Sofia, Bulgarian Development Bank Group

Signed
Rositsa Boteva
Registered Auditor, responsible for the audit
Date: 30 September 2021
Affixed the official stamp of Deloitte Audit OOD, audit company, reg. No. 033, Sofia

1. Corporate information

BDB MICRO FINANCING EAD ("the Company") was renamed to BDB MICRO FINANCING EAD on 12 April 2021. The former name of the Company before that date was JOBS Micro Financing Institution EAD, a single-member joint stock company registered with the Commercial Register and the Register of Non-Profit Legal Entities on 14 January 2011, having its seat and registered office at 1 Dyakon Ignatiy Str., Sofia. As at 31 December 2020, 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 BDB MICRO FINANCING 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 EAD. The representative of the Company's Sole Shareholder is the Management Board of Bulgarian Development Bank EAD.

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 2020:

- Panayot Ivov Filipov;
- Ivana Borisova Tsaneva;
- Angelina Georgieva Angelova;
- Iliya Radkov Komitov.

As at the date of the preparation of the financial statements, the Board of Directors consists of:
Vladimir Rashkov Georgiev – Chairperson of the Board of Directors;
Ivana Borisova Tsaneva – Deputy Chairperson of the Board of Directors and Executive Director;
Boyan Stefanov Byanov – Member of the Board of Directors;
Iliya Radkov Komitov – Member of the Board of Directors.

As at 31 December 2020, the Company has no open branches (in 2019: no open branches).

As at 31 December 2020, the Company employs 16 employees under labour contracts (in 2019: 11 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 BDB MICRO FINANCING EAD on 29 September 2021.

2.1. Basis of preparation (continued)

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

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

Going concern principle

The Company's business operation in 2020 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. Accounting policies

Standards and clarifications

The accounting policies of the Company are consistent with those applied in the previous reporting period.

In 2020 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.

Initial application of new amendments to existing standards that have become effective in the current period

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU have become effective for the current accounting period:

- **Amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Materiality – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendment to IFRS 3 Business Combinations** – Definition of Business adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- **Amendment in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures** – Interest Rate Benchmark Reform, adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 16 Leases** – Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective no later than 1 June 2020 for financial years beginning on or after 1 January 2020);
- **Amendments to the Conceptual Framework References in IFRS** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to the existing standards has not led to significant changes in the financial statements of the Company.

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2.2. Accounting policies (continued)

Standards and clarifications (continued)

Standards and amendments to existing standards issued by IASB and adopted by the EU that have not yet entered into force

As at the date of approval of these financial statements, the following new standards are issued by IASB and adopted by the EU but not yet entered into force:

- **Amendment to IFRS 4 Insurance Contracts – Deferral of Temporary Exemption of IFRS 9 Application**, adopted by the EU on 16 December 2020 (the expiry date of the temporary exemption of IFRS 9 application was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023);
- **Amendment in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases** – Interest Rate Benchmark Reform - Phase 2, adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

New standards and amendments of existing standards issued by the IASB that have not yet been adopted by the EU

At present, the IFRSs, as adopted by the EU, do not significantly differ from those adopted by the IASB, except for the following new standards, amendments to existing standards and new interpretations not yet approved by the EU at the date of the approval of these financial statements (the dates of entry into force specified below refer to the complete IFRSs);

- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after 1 January 2016) – The European Commission has decided not to initiate the process for the adoption of this interim standard and await the final standard;
- **IFRS 17 Insurance Contracts**, including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1 Presentation of Financial Statements:** Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023);
- **Amendment to IAS 16 Property, Plant and Equipment** – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- **Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** – Onerous Contracts Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- **Amendment to IFRS 3 Business Combinations** – Conceptual Framework References with Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022);
- **Amendment 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 and subsequent amendments (the effective date is postponed for an indefinite period until the end of the project for assessing the equity method);
- **Amendments to various standards due to Improvements to IFRSs (2018-2020 cycle)**, resulting from the IFRS annual improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to remove inconsistencies and to clarify wording (the amendments to IFRS 1, IFRS 9 and IAS 41 become effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 is for illustrative purposes only and therefore no effective date is specified).
- **Amendment to IAS 1 Presentation of Financial Statements and Guidelines NO.2 for IFRS Application:** Disclosure of Accounting Policies (effective for annual periods beginning on or after 12 February 2021);

2.2. Accounting policies (continued)

Standards and clarifications (continued)

- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:** Definition of Accounting Estimates (effective for annual periods beginning on or after 12 February 2021).

The Company expects that the adoption of these new standards, amendments to existing standards and new clarifications will have no material effect on the Company's financial statements in the period of initial application.

The hedge accounting regarding the portfolio of financial assets and liabilities whose principles have not been yet adopted by the EU is still unregulated.

At the discretion of the Company, the application of hedge accounting for portfolios of financial assets and liabilities under IAS 39 **Financial Instruments** - Recognition and Measurement, will have no material effect on the financial statements, if applied as of the accounting date.

2.3. 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.

2.3. Significant accounting estimates, assumptions and indications (continued)

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 Company's lending provisions and rules apply.

Measurement of investment property

In determining the fair value of investment property, opinions and valuations of licensed independent appraisers were used, which the Management considered reasonable and adequate for the Bank. The valuations were made using different valuation approaches such as method of replacement cost, method of capitalization of earnings, method of market comparison, and for each method a weighting is determined to reach the final fair value of the investment property at the end of the reporting period.

2.4. 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. 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.

2.4. Summary of significant accounting policies (continued)

Fair value of financial assets and liabilities (continued)

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;

Investment properties

Investment property is initially measured at acquisition cost, and transaction costs are included in the initial valuation. Upon the initial recognition, investment property is reported using the fair value model. The profit or loss arising from the change in the fair value of investment property is included in the profit or loss for the period in which it arises. The fair value of investment property is determined based on the valuation of an independent appraiser.

The rental income from investment property is presented in other operating income, and the operating expenses directly or indirectly related to the generated rental income are presented in other operating expenses. Investment property is written off upon sale or permanent decommissioning, and no future benefits are expected from its sale. The profit or loss on writing off investment property is recognized in profit or loss in the period in which they arise.

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

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2.4. Summary of significant accounting policies (continued)

Financial assets (continued)

- 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.

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.

2.4. Summary of significant accounting policies (continued)

Financial assets (continued)

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 cash, bank deposits, financial lease receivables, loans provided and trade receivables.

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.

2.4. Summary of significant accounting policies (continued)

Financial assets (continued)

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.

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.

2.4. Summary of significant accounting policies (continued)

Financial assets (continued)

In the presence of objective information that a customer is a related party and forms a group with another customer of the Company, the Company's lending provisions and rules apply.

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. 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.

2.4. Summary of significant accounting policies (continued)

Financial assets (continued)

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 IFRS 16. The expected credit losses on leased receivables are discounted using the same discount rate used to measure lease receivables in compliance with IFRS 16.

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, bank overdrafts, trade payables (including lease payables).

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. 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 statement of the comprehensive income.

This category refers mainly to interest-bearing loans and borrowings. Further information is presented in Note 20.

2.4. Summary of significant accounting policies (continued)

Financial liabilities (continued)

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 statement of the comprehensive income.

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.

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:

	2020	2019
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.

2.4. Summary of significant accounting policies (continued)

Property, machinery, plant and equipment (continued)

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 2019: 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.

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.

2.4. Summary of significant accounting policies (continued)

Lease

The Company as a lessor

Lease contracts in which the Company is a lessor are classified as financial leases or operating leases. Where the lease transfers substantially all the risks and rewards of the use of the asset to the lessee, the contract is classified as a financial lease. All other lease contracts are classified as operating leases.

At the starting date of the lease, the Company recognizes the assets held under a financial lease contract in its statement of financial position and presents them as a receivable equal to the net investment in the lease contract.

The Company uses the interest rate set out in the lease contract to determine the amount of the net investment. The interest rate set out in the lease contract is determined so that the initial direct costs are automatically included in the net investment.

The revenues from financial leases are distributed during the accounting periods so that they reflect a constant periodic rate of return on the net investment of the Company.

Any amendment to a lease contract is measured and reported in compliance with the requirements of IFRS 16 Leases.

The initial date of filing a lease contract in the Company's portfolio is the date of providing the asset to be used by the lessee by signing an asset handover record. The item Assets of the statement of financial position records a receivable under financial lease on the basis of the effective principal. Interest is recognized as monthly income using the effective interest method.

The Company applies the requirements for write-off and impairment of financial assets in compliance with IFRS 9 Financial Instruments.

An asset seized under a terminated contract is accounted for as an asset for sale and it is subject to subsequent realization – direct sale or a new lease contract. It is not registered as a tangible fixed asset unless it is to be offered under an operating lease contract. Assets held for the purposes of operating leases are recognized as property, plant and equipment in the statement of financial position of the Company /lessor/.

The Company as a lessee

The Company assesses whether a contract is or contains elements of a lease at the its start.

The Company recognizes an asset with right of use and a corresponding lease liability in respect of all lease agreements under which it is a lessee, except for short-term lease contracts (contracts with a term of 12 months or less) and contracts for low-value assets. For these lease contracts, lease payments are recognized as an operating expense using the straight-line method over the term of the lease contract.

Initially, the lease liability is measured at the present value of the lease payments, discounted at the interest rate applicable for the lease. If this interest rate cannot be determined, the Company uses its differential interest rate.

2.4. Summary of significant accounting policies (continued)

Lease (continued)

Lease payments involved in the measurement of the lease liability include:

- Fixed lease payments (including substantively fixed payments), less any lease incentive receivables:
- Variable lease payments that depend on an index or interest rate, initially measured using the index or interest rate at the starting date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The cost of exercising the options to purchase, if it is largely certain that the lessee will exercise the options: and
- Payment of penalties for termination of the lease contract, if the term of the lease reflects the exercise of the option for termination of the lease contract.

The lease liability is presented on a separate line in the statement of financial position.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and adjusts the related asset with right to use accordingly) when:

- The lease term has changed or there is a significant event or change in the circumstances that results in a change in the valuation of the exercise of a option for purchase, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- Lease payments change due to changes in index or percentage or change in the expected payment at the guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the change in the lease payments is due to a change in the floating interest rate, in which case a revised discount rate is used).
- The lease contract is amended and the lease change is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the amended lease contract by discounting the revised lease payments using the revised discount rate at the actual date of the amendment.

The Company did not make such adjustments during the period under review.

Assets with right of use include the initial measurement of the relevant lease liability, lease payments made on or before the lease commencement date, less any lease incentives received and any initial direct costs. Subsequently, they are measured at cost less the accumulated depreciation and impairment losses.

When the Company incurs a liability on dismantling and removing a leased asset, restoring the site where this asset is located or restoring the underlying asset to the condition required under the terms and conditions of the lease contract, a provision is recognized and measured in accordance with IAS 37. To the extent that the expenses relate to an asset with right of use, the expenses are included in the relevant asset with right of use, unless these expenses are incurred for the production of inventories.

2.4. Summary of significant accounting policies (continued)

Lease (continued)

Assets with right of use are depreciated over the lease term or the useful life of the underlying asset, whichever is shorter. If the lease contract transfers the title over the underlying asset or the acquisition cost of the asset with right of use and this reflects the Company's expectation to exercise an option for purchase, the relevant asset is depreciated over the useful life of the underlying asset. The depreciation starts from the start date of the lease contract.

The assets with right of use are presented on a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether an asset with right of use is impaired and reports any impairment losses established in the statement of comprehensive income.

The variable rents that do not depend on an index or interest rate are not included in the measurement of the lease liability and the asset with right of use. The related payments are recognized as an expense in the period in which the event or condition triggering these payments occurs and are included in the statement of comprehensive income.

As a practically appropriate measure, IFRS 16 allows the lessee not to separate the non-lease components and instead to consider each lease and its related non-lease components as a single arrangement. The Company did not use this practically appropriate measure. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company distributes the remuneration in the contract to each lease component based on the relative independent price of the lease component and the total independent price of the non-lease components.

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 2020	31 December 2019
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.

2.4. 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 BDB MICRO FINANCING 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.

2.4. Summary of significant accounting policies (continued)

Taxes

BDB MICRO FINANCING 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).

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).

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.

2.4. Summary of significant accounting policies (continued)

Assets held for sale (continued)

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.

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 (including lease expenses).

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 BDB MICRO FINANCING 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 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.

2.4. Summary of significant accounting policies (continued)

Fees and commissions (continued)

The Company applies the five-step model under IFRS 15 with respect to revenue arising from contracts with customers regardless of the type of transaction or industry, requiring the Company (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.

The fee and commission revenues of JOBS Micro Financing Institution EAD for year 2020 are as follows:

Fee type	2020
Fee for consideration of documents	8
Fee for deletion of registered collateral	1
Renegotiation fee	2
Fee for transfer of ownership	-
Other fees	44
Total revenues from contracts with customers	65

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.

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;

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3. Disclosure of financial risk management policy (continued)

Risk management structure (continued)

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.

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.

3. Disclosure of financial risk management policy (continued)

3.1. Credit risk (continued)

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

Financial assets	2020	2019
Cash	505	949
Deposits with banks	26	26
Financial lease receivables	712	699
Loans granted	23,420	12,376
Receivables from customers and other trade receivables	16	21
	24,679	14,071

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

In BGN '000

	2020	2019
Unused amount of authorized loans	634	430
	634	430
Maximum credit risk exposure	25,313	14,501

Percentage of exposures subject to collateral arrangements:

In BGN '000

Type of credit exposure	Basic type of collateral	2020	2019
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	2020	%	2019	%
Agriculture, hunting, forestry and fishing	4,803	19.52%	3,862	33.31%
Processing industry	4,618	19.07%	2,956	22.57%
Construction	1,458	5.99%	686	5.24%
Trade, repair and maintenance of motor vehicles, motorcycles, personal and household goods	5,628	22.57%	1,489	13.75%
Hotels and restaurants	2,110	8.40%	984	7.52%
Transport, storage and communications	1,232	5.55%	538	4.11%
Administrative and support activities	668	2.65%	83	0.63%
Culture, sport and entertainment	625	2.49%	507	3.87%
Professional, scientific and technical activities	190	0.75%	2	0.01%
Financial and insurance activities	49	0.19%	-	-
Health and social work	855	3.48%	239	1.82%
Real estate operations	252	0.99%	154	1.18%
Production and distribution of electricity and heat energy and gas fuels	183	0.72%	220	1.71%
Education	99	0.39%	-	-
Other activities serving the community and the individuals	331	3.16%	1,351	15.66%
Water supply; hydro services, waste management	476	1.88%	-	-
Creation and dissemination of information	555	2.20%	-	-
Total	24,132	100%	13,071	100%

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.

3. Disclosure of financial risk management policy (continued)

3.1. Credit risk (continued)

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.

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 31/12/2020	**As at 31/12/2019**	**As at 31/12/2020**	**As at 31/12/2019**	**As at 31/12/2020**	**As at 31/12/2019**	**As at 31/12/2020**	**As at 31/12/2019**
Loans impaired on an individual basis								
------- Phase 2	68	146	2,756	1,701	20	29	2,844	1,876
------- Phase 3	631	583	4,738	4,303	443	438	5,812	5,324
Gross value	699	729	7,494	6,004	463	467	8,656	7,200
Impairment	(521)	(503)	(273)	(220)	(447)	(445)	(1,241)	(1,168)
Carrying amount	178	226	7,221	5,784	16	22	7,415	6,032
Overdue, but not impaired	24	19	11,704	7,729	-	-	11,728	7,748
Carrying amount	24	19	11,704	7,729	-	-	11,728	7,748
------- Phase 1	535	467	16,230	6,600	-	-	16,765	7,067
Gross value	535	467	16,230	6,600	-	-	16,765	7,067
Impairment	(1)	-	(31)	(2)	-	-	(32)	(2)
Carrying amount	534	467	16,199	6,598	-	-	16,733	7,065

Average effective interest rates on financial assets:

	2020	2019
Lease	6.76%	6.71%
Loans	6.41%	6.74%

3. Disclosure of financial risk management policy (continued)

3.1. Credit risk (continued)

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

In BGN '000	2020	%	2019	%
Property, plant and industrial equipment	177	26.07%	166	23.75%
Heavy- and light-duty vehicles	37	5.39%	46	6.58%
Other agricultural equipment	91	13.36%	49	7.01
Other	407	55.18%	438	62.66%
	712		699	

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.
In 2015 the Company introduced a new Methodology for Determining the Annual Interest Rate on the Products of BDB MICRO FINANCING 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.

3. Disclosure of financial risk management policy (continued)

3.2. Market risk (continued)

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.

Interest rate risk (continued)

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.

In BGN '000 *31 December 2020*	*With floating interest rates*	*With fixed interest rates*	*Interest free*	Total
Financial assets				
Cash	-	505	-	505
Deposits with banks	-	26	-	26
Financial lease receivables	712	-	-	712
Loans granted	22,974	446	-	23,420
Receivables from customers and other trade receivables	-	-	16	16
Total financial assets	23,686	977	16	24,679
Financial liabilities				
Bank loans	-	16,000	-	16,000
Payables to suppliers and other trade payables, including lease liabilities	-	-	226	226
Total financial liabilities	-	16,000	226	16,226
Total interest exposure	23,686	(15,023)	(210)	8,453

In BGN '000 *31 December 2019*	*With floating interest rates*	*With fixed interest rates*	*Interest free*	Total
Financial assets				
Cash	-	949	-	949
Deposits with banks	-	26	-	26
Financial lease receivables	699	-	-	699
Loans granted	11,930	446	-	12,376
Receivables from customers and other trade receivables	-	-	21	21
Total financial assets	12,629	1,421	21	14,071

3. Disclosure of financial risk management policy (continued)

3.2. Market risk (continued)

Interest rate risk (continued)

In BGN '000 *31 December 2019*	*With floating interest rates*	*With fixed interest rates*	*Interest free*	Total
Financial liabilities				
Bank loans	-	4,900	-	4,900
Payables to suppliers and other trade payables	-	-	102	102
Total financial liabilities	-	4,900	102	5,002
Total interest exposure	12,629	(3,479)	(81)	9,069

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 2020								
Financial assets								
Cash	505	-	-	-	-	-	-	505
Deposits with banks	-	-	26	-	-	-	-	26
Financial lease receivables	469	-	24	45	174	-	-	712
Loans granted	17,093	3,602	807	513	1,405	-	-	23,420
Receivables from customers and other trade receivables	-	-	-	-	-	-	16	16
Total financial assets	18,067	3,602	857	558	1,579	-	16	24,679
Financial liabilities								
Bank loans	-	-	-	-	-	16,000	-	16,000
Payables to suppliers and other trade payables	-	-	-	-	-	-	226	226
Total financial liabilities	-	-	-	-	-	16,000	226	16,226
Total interest exposure to sensitivity	18,067	3,067	857	558	1,579	(16,000)	(210)	8,453

3. Disclosure of financial risk management policy (continued)

3.2. Market risk (continued)

Interest rate 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 2019								
Financial assets								
Cash	949	-	-	-	-	-	-	949
Deposits with banks	-	-	26	-	-	-	-	26
Financial lease receivables	699	-	-	-	-	-	-	699
Loans granted	12,271	42	-	-	63	-	-	12,376
Receivables from customers and other trade receivables	-	-	-	-	-	-	21	21
Total financial assets	**13,919**	**42**	**26**	**-**	**63**	**-**	**21**	**14,071**
Financial liabilities								
Bank loans	-	-	-	-	-	4,900	-	4,900
Payables to suppliers and other trade payables	-	-	-	-	-	-	102	102
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**4,900**	**102**	**5,002**
Total interest exposure to sensitivity	**13,919**	**42**	**26**	**-**	**63**	**(4,900)**	**(81)**	**9,069**

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.

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.

3. Disclosure of financial risk management policy (continued)

3.2. Market risk (continued)

Foreign currency risk (continued)

In BGN '000

As at 31 December 2020	in EUR	in BGN	Total
Financial assets			
Cash	11	494	505
Deposits with banks	-	26	26
Financial lease receivables	-	712	712
Loans granted	-	23,420	23,420
Receivables from customers and other trade receivables	-	16	16
Total financial assets	11	24,668	24,679
Financial liabilities			
Bank loans	-	16,000	16,000
Payables to suppliers and other trade payables	-	226	226
Total financial liabilities	-	16,226	16,226
Net balance-sheet currency position	11	8,442	8,453
Contingent liabilities and commitments	-	643	643

In BGN '000

As at 31 December 2019	in EUR	in BGN	Total
Financial assets			
Cash	14	935	949
Deposits with banks	-	26	26
Financial lease receivables	-	699	699
Loans granted	-	12,376	12,376
Receivables from customers and other trade receivables	-	21	21
Total financial assets	14	14,057	14,071
Financial liabilities			
Bank loans	-	4,900	4,900
Payables to suppliers and other trade payables	-	102	102
Total financial liabilities	-	5,002	5,002
Net balance-sheet currency position	14	9,055	9,069
Contingent liabilities and commitments	-	634-	429-

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:

	2020	2019
	%	%
As at 31 December		
Average for the period	196%	287%
Highest for the period	279%	324%
Lowest for the period	152%	254%

Undiscounted cash flows by agreed maturity:

In BGN '000

As at 31 December 2020	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Financial liabilities						
Bank loans	-	-	-	-	16,000	16,000
Payables to suppliers and other trade payables	226	-	-	-	-	226
Total financial liabilities	**226**	-	-	-	**16,000**	**16,226**
Liabilities on Financial Lease				**31**		**31**

In BGN '000

As at 31 December 2019	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Financial liabilities						
Bank loans	-	-	-	-	4,900	4,900
Payables to suppliers and other trade payables	102	-	-	-	-	2
Total financial liabilities	**109**	-	-	-	**4,900**	**5,002**

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.

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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:

31 December 2020		Carrying amount			Fair value			
In BGN '000	Note	Assets accounted for at depreciated value	Liabilities accounted for at depreciated value	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash	11	505	-	505	-	505	-	505
Deposits with banks	12	26	-	26	-	26	-	26
Loans granted	14	23,420	-	23,420	-	23,420	-	23,420
Receivables from customers and other trade receivables	15	16	-	16	-	16	-	16
		23,967	-	23,967	-	23,967	-	23,967
Financial liabilities not measured at fair value								
Bank loans	20	-	16,000	16,000	-	16,000	-	16,000
		-	16,000	16,000	-	16,000	-	16,000

Type of financial instrument	Fair value as at 31 December 2020	Fair value level	Measurement method	Significant unobservable inputs	Relations between key unobservable inputs and fair value
Loans granted	23,420	Level 2	Discounted cash flows Future cash flows are estimated on the basis of the interest rates applicable for new business for December 2020 published by BNB, without any adjustment.	Not applicable	Not applicable
Receivables from customers and other trade receivables	16	Level 2	Discounted cash flows Future cash flows are estimated on the basis of the interest rates applicable for new business for December 2020 published by BNB, without any adjustment.	Not applicable	Not applicable
Bank loans	16,000	Level 2	Discounted cash flows Future cash flows are estimated based on the yield on Bulgarian government securities as of December 2020, published by the BNB, without any adjustment.	Not applicable	Not applicable

4. Fair value disclosure (continued)

31 December 2019

		Carrying amount			Fair value			
In BGN '000	Note	Assets accounted for at depreciated value	Liabilities accounted for at depreciated value	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash	11	949	-	949	-	949	-	949
Deposits with banks	12	26	-	26	-	26	-	26
Loans granted	14	12,376	-	12,376	-	14,267	-	14,267
Receivables from customers and other trade receivables	15	21	-	21	-	21	-	21
		13,372	-	13,372	-	15,263	-	15,263
Financial liabilities not measured at fair value								
Bank loans	20	-	4,900	4,900	-	4,900	-	4,900
		-	4,900	4,900	-	4,900	-	4,900

Type of financial instrument	Fair value as at 31 December 2019	Fair value level	Measurement method	Significant unobservable inputs	Relations between key unobservable inputs and fair value
Loans granted	14,267	Level 2	Discounted cash flows Future cash flows are estimated on the basis of the interest rates applicable for new business for December 2019 published by BNB, without any adjustment.	Not applicable	Not applicable
Receivables from customers and other trade receivables	21	Level 2	Discounted cash flows Future cash flows are estimated on the basis of the interest rates applicable for new business for December 2019 published by BNB, without any adjustment.	Not applicable	Not applicable
Bank loans	4,900	Level 2	Discounted cash flows Future cash flows are estimated based on the yield on Bulgarian government securities as of December 2019, published by the BNB, without any adjustment.	Not applicable	Not applicable

5. Net interest income

In BGN '000	2020	2019
Interest revenues		
Revenues from interests on loans	928	787
Revenues from loan penalties	159	123
Revenues from financial lease interests	4	51
Revenues from financial lease penalties	41	8
Revenue from other fees	1	-
	1,133	969
Interest expenses		
Expenses on interests on leases	(28)	(1)
Expenses on interests on bank loans	(220)	(111)
	(248)	(112)
Net interest income	885	857
including		
Interest on individually impaired loans and leases	1,133	969

6. Net fee and commission revenues/(expenses)

In BGN '000	2020	2019
Fee and commission revenues		
Revenues from fees for registration with CAT. CTI. etc.	65	10
	65	10
Fee and commission expense		
Agency commissions	(27)	(22)
Bank charges	(4)	(2)
	(31)	(24)
Net fee and commission revenues/(expenses)	34	(14)

7. Other operating income

In BGN '000	2020	2019
Other revenues	85	154
	85	154

As at 31 December 2020, Other operating revenues comprise BGN 84 thousand of paid guarantees under loan agreements included in the guarantee portfolio and BGN 1 thousand of other income (for 2019: BGN 153 thousand of guarantees paid 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance as at 1 January	(508)	(486)	(282)	(254)	(388)	(406)	(1,178)	(1,146)
Effect of the remeasuring of financial assets	-	4	-	-	-	-	-	4
Impairment for the year:								
Accrued impairment	(4)	(108)	(107)	(125)	(4)	58	(115)	(175)
Recovered impairment	4	14	12	97	4	28	20	139
Written off impairment	-	-	-	-	-	-	-	-
Balance as at 31 December	(508)	(576)	(377)	(282)	(388)	(320)	(1,273)	(1,178)

9. General and administrative expenses

In BGN '000	2020	2019
Payments to staff and for social security contributions	1,269	732
Management expenses	50	11
Communications and IT services	3	45
Office maintenance and office equipment	30	19
Taxes and state fees	28	8
Audit, legal and consultancy services	19	5
Advertising and entertainment events	11	3
Hired services	79	38
Business trips	3	5
Rentals	1	-
	1,493	866

In BGN '000	2020	2019
The expenses on staff include:		
Salaries	1,175	643
Social security contributions	94	63
Amounts accrued on retirement benefits	-	26
	1,269	732

9. General and administrative expenses (continued)

As at 31 December 2020, the Company has 16 employees under labour contracts (for 2019: 11 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	2020	2019
Current tax expenses	-	(6)
Deferred taxes as a result of temporary differences	-	(1)
Total current tax expenses	-	(7)

In BGN '000	2020	2019
Accounting(loss)/profit	(619)	59
Tax according to the current tax rate (10% for 2020, 10% for 2019)	-	(6)
Other tax amendments	-	(1)
Total tax expenses	-	(7)
Effective tax rate	0.00%	11.86%

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

In BGN '000	Assets		Liabilities	
	2020	2019	2020	2019
Property, plant and equipment	-	-	-	-
Provisions for staff remuneration	4	3	-	-
Provisions for retirement benefit payables	3	3	-	-
Amendments from subsequent valuations of assets and liabilities	-	-	(14)	(15)
Net tax assets/(liabilities)	7	6	(14)	(15)

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	2020	2019	**Amendments in profit and loss 2020 2019**
Property, plant and equipment	-	-	-
Provisions for staff remuneration	-	-	-
Provisions for retirement benefit payables	-	-	-
Subsequent measurement from temporary difference	(1)	(1)	-
	(1)	(1)	-

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	2020	2019
Current accounts	505	923
Deposits with banks	-	26
Cash	505	949
Cash and cash equivalents in the cash flow statement	505	949

12. Deposits with banks

In BGN '000	2020	2019
Deposits with banks with original maturity exceeding 3 months	26	26
Total deposits with banks	**26**	**26**

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 rate	Carrying amount as at 31 December 2020
Bulgarian Development Bank AD	26	BGN	29/12/2020	29/06/2021	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	2020	2019
Financial lease receivables, gross	1,370	1,388
Unearned finance revenue	(150)	(113)
Net minimum lease payments	**1,220**	**1,275**
Impairment	(508)	(576)
Financial lease receivables, net	712	699

Financial lease receivables are allocated as follows:

In BGN '000	2020	2019
With final loan repayment deadline of up to 1 year	32	23
With final loan repayment deadline of 1 to 5 years	1,118	1,252
Net minimum lease payments	**1,220**	**1,275**
Impairment	(508)	(576)
Financial lease receivables	712	699

As at the date of the financial statements, accrued non-maturing interest amounts to BGN 4 thousand (for 2019: BGN 8 thousand).

13. Financial lease receivables (continued)

In BGN '000	As at 31 December 2020
Amounts to be received on financial lease contracts:	
Year 1	32
Year 2	414
Year 3	305
Year 4	243
Year 5	240
Over 5 years	-
	1,234
Undiscounted lease payments	-
Non-guaranteed residual values	-
	-
Less: deferred financial revenue	
Current value of minimum lease payments to be received	1,234
Adjustment for impairment losses	(522)
Net investment in lease contracts	712

14. Loans granted

In BGN '000	2020	2019
With final loan repayment deadline of up to 1 year	6,596	1,551
With final loan repayment deadline of 1 to 5 years	14,561	4,240
With final deadline of over 5 years	2,640	6,863
Total loans granted	**23,797**	**12,554**
Impairment	(377)	(282)
Total loans granted after impairment	**23,420**	**12,372**

As at the date of the financial statements, accrued non-maturing interest amounts to BGN 64 thousand (for 2019: BGN 77 thousand).

15. Other trade receivables

In BGN '000	2020	2019
Receivables from Business Centers	463	466
Impairment	(447)	(445)
Total	16	21

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 2019	32	6	38	64	140
Acquired	-	-	-	-	-
End-of-life items	-	-	-	-	-
As at 31 December 2019	32	6	38	64	140
As of 1 January 2020	32	6	38	64	140
Acquired	-	4	-	-	4
End-of-life items	-	-	-	-	-
As at 31 December 2020	32	10	38	64	144
Depreciation accumulated					
As at 1 January 2019	(31)	(4)	(29)	(51)	(115)
Expenses on depreciation for the year	-	(1)	(6)	(4)	(11)
Depreciation of end-of-life items	-	-	-	-	-
As at 31 December 2019	(31)	(5)	(35)	(55)	(126)
As at 1 January 2020	(31)	(5)	(35)	(55)	(126)
Expenses on depreciation for the year	(1)	-	(2)	(4)	(7)
Depreciation of end-of-life items	-	-	-	-	-
As at 31 December 2020	(32)	(5)	(37)	(59)	(133)
Carrying amount					
As at 31 December 2020	-	5	1	5	11
As at 31 December 2019	1	1	3	9	14

At the end of 2020, fully depreciated assets still in use are with a total acquisition value of BGN 90 thousand (for 2019: BGN 92 thousand).

Investment properties

By Decision of the Board of Directors No.18 of 13 December 2019 the Company bought a building in Zone X Razgrad, which is not used in the operations and is not rented out. The investment property is measures at fair value, which as at 31 December 2020 is BGN 299 thousand.

17. Assets with right of use

For the period ended 31 December 2020, an office rented and a vehicle (2020) under a lease contract was reported as an asset with right of use.

In BGN '000	Transport means	Real estate	Total as at 31 December 2020
Acquisition value	34	25	59
Depreciation accumulated	(3)	(25)	(28)
Net carrying amount	31	-	31

For 2019, no asset with right of use was reported.

18. 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	2020	2019
Assets held for sale at the beginning of the period	51	172
Acquired	-	24
Written off	-	(145)
Assets held for sale at the end of the period	51	51

In BGN '000	2020	2019
Impairment at the beginning of the period	(4)	-
Accrued for the year	(16)	(10)
Written-off during the year	-	6
Impairment at the end of the period	(20)	(4)

19. Other assets

In BGN '000	2020	2019
Other receivables	30	9
	30	9

Other receivables comprise receivables from overpaid corporate tax in the amount of BGN 8 thousand, BGN 6 thousand for deferred expenses and BGN 16 thousand for other assets (for 2019: Other receivables comprise deferred expenses in the amount of BGN 3 thousand and other receivables in the amount of BGN 6 thousand).

20. Bank loans

In BGN '000

Bank creditor	Authorized amount	Currency	Utilized amount 2020	Utilized amount 2019	Unused amount	Carrying amount 2020	Carrying amount 2019
Bulgarian Development Bank AD	25,000	BGN	16,000	4,900	9,000	16,000	4,900
Total	**25,000**		**16,000**	**4,900**	**9,000**	**16,000**	**4,900**

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	10/06/2020	20/06/2030	Decreasing ceilings	1.50%
Bulgarian Development Bank AD	03/12/2020	20/06/2030	Decreasing ceilings	1.50%

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 2020.

In BGN '000

	1 January 2020	Incoming cash flows	Outgoing cash flows	Effects of changes in foreign exchange rates	Accruals using the effective interest rate method	31 December 2020
Non-current interest-bearing loans and borrowings	4,900	16,000	5,140	-	240	16,000
Total liabilities from financial operations	**4,900**	**16,000**	**5,140**	-	**240**	**16,000**

21. Liabilities on Financial Lease

In BGN '000	As at 31 December 2020	As at 31 December 2019
Rental for the office	-	27
Rent of transport means	31	-
Total	**31**	**27**

22. Payables to suppliers and other payables

In BGN '000	2020	2019
Customers by advances and other payables to customers	27	37
Payables to suppliers	102	1
Payables to staff	27	31
Current tax payables	27	-
Other payables	43	33
Total	226	102

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 2020 and 31 December 2019.

Other liabilities include: BGN 32 thousand accruals on reimbursable leaves, liabilities to suppliers of BGN 4 thousand, BGN 2 thousand VAT to be paid and BGN 5 thousand other liabilities (for 2019: BGN 26 thousand for good management guarantees of the members of the Board of Directors, social security liabilities of BGN 1 thousand and BGN 5,000 for VAT to be paid and BGN 1,000 for other liabilities).

23. Share capital

The registered and fully paid-in share capital as at 31 December 2020 amounts to BGN 7,643 thousand. The shares are with a nominal value of BGN 100 each, and as at 31 December 2019 the amount of the share capital is BGN 7,643 thousand as well. As at 31 December 2020, the share capital is 100% owned by Bulgarian Development Bank EAD.

The Management Board of the Sole Shareholder of the Company has not decided to pay a dividend to Bulgarian Development Bank EAD due to the reported loss.

24. Transactions with related parties and companies

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

In BGN '000

Assets

Company / person	*Type of account*	2020	2019
Bulgarian Development Bank EAD	Cash in current accounts and deposits with original term of up to 3 months	505	949
Bulgarian Development Bank EAD	Deposits with original term of over 3 months	26	26
Total		531	975

Liabilities

Company / person	*Type of account*	2020	2018
Bulgarian Development Bank EAD	Bank loans	16,000	4,900
National Guarantee Fund EAD	Other liabilities	6	6
Key management personnel	Other liabilities	26	26
Key management personnel	Unused leaves and retirement benefits for management	-	31
Total		16,032	4,963

24. Transactions with related parties and companies (continued)

In BGN '000

Expenses

Company / person	*Type of account*	2020	2019
Bulgarian Development Bank EAD	Fee and commission expenses	(4)	(2)
Bulgarian Development Bank EAD	Interest expenses	(206)	(88)
National Guarantee Fund EAD	Interest expenses	(41)	(24)
Bulgarian Development Bank EAD	Administrative expenses	(5)	(27)
Key management personnel	Management expenses	(605)	(299)
Total		(861)	(464)

Revenues

Company / person	*Type of account*	2020	2019
Bulgarian Development Bank EAD	Interest revenues	-	-
Bulgarian Development Bank EAD	Other revenues	-	-
Total		-	-

Contingent liabilities and commitments with related parties:

Company / person	*Type*	2020	2019
Bulgarian Development Bank EAD	Bank guarantee received	1	1
Total		1	1

25. Events after the date of the statements

A process was launched to change the internal rules and procedures of the Company in view to the change of the name and their submission to BNB in connection with the supervision, as well as in connection with changes in the Sole Shareholder of the Company and the Board of Directors.

No adjusting events or significant non-adjusting events occurred between the date of the financial statements and the date of their approval.

I, the undersigned Ginka Yordanova Velkova certify the true translation from Bulgarian into English of the document attached. The translation consists of 59 pages.

Translator: ....
Ginka Yordanova Velkova