Translation from Bulgarian

JOBS MICRO FINANCING INSTITUTION EAD

ANNUAL REPORT OF

THE MANAGEMENT

REPORT OF THE INDEPENDENT

AUDITOR AND

ANNUAL FINANCIAL STATEMENTS

31 December 2016

CONTENTS

GENERAL INFORMATION

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

The Board of Directors as at 31 December 2016 consists of:

- Bilian Lyubomirov Balev;

- Iliya Vasilev Kirchev;

- Kostadin Bozhikov Munev;

Headquarters and management address

1, Dyakon Ignatiy St., Sofia

Auditor

Ernst & Young Audit Ltd.

Polygraphy Office Center

47A Tsarigradsko shose Blvd, fl. 4

Sofia 1124

MANAGEMENT AND ACTIVITY REPORT

OF JOBS MICRO FINANCING INSTITUTION EAD FOR 2016

General information on the structure and management of the Company

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

On March 5, 2015, the Management Board of Bulgarian Development Bank AD (MB of BDB AD) annulled a decision of 31.10.2013 regarding the transformation of JOBS MICRO FINANCING INSTITUTION EAD through a merger into Bulgarian Development Bank AD.

Bodies of the Company:

1. Sole owner of capital

2. Board of Directors (BD)

The sole owner of the Company's capital is Bulgarian Development Bank AD. The sole owner of the Company's capital has a two-tier governance structure. The Supervisory Board is composed of Atanas Katzarchev (Chairman of the SB), Kiril Ananiev (Deputy Chairman of the SB) and Dimitar Dimitrov (Member of the SB). The Board of Directors of Bulgarian Development Bank AD is composed of: Anguel Kirilov Guekov - Chairman of the Management Board and Executive officer, Bilian Lyubomirov Balev -

Deputy Chairman of the Management Board and Executive officer, Iliya Vasilev Kirchev - Executive officer and Member of the Management Board.

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

Bilian Lyubomirov Balev - Chairman of the Board of Directors;

Iliya Vasilev Kirchev - Deputy Chairman of the Board of Directors;

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

In 2016 and at the date of this report no changes were made to the composition of the Board of Directors of the Company.

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

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

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

The members of the Board of Directors of the Company do not participate in the capital of other companies as unlimited liability partners and do not own more than 25 per cent of the capital of another company.

The members of the Board of Directors of the Company participate in the management of other companies as follows:

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

Iliya Vasilev Kirchev is Executive Director and member of the Board of Directors of Bulgarian Development Bank AD. Mr. Kirchev is a member of the management body of the following non-profit entities: Academy 2007 Foundation and "Dr. Hristo Adzharov 2010" Community Center - Plovdiv.

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

As at 31.12.2016, the registered capital of the Company is 7,643,000 /seven million six hundred forty-three thousand/ leva and is distributed into 76,430 / seventy-six thousand four hundred and thirty/ shares with par value of 100 /one hundred / BGN each. The shares are ordinary, materialized, registered and indivisible, each share entitling to one vote. The capital of the Company is fully paid up.

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

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

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

Branches

The Company has no registered branches.

Subsidiaries

JOBS MICRO FINANCING INSTITUTION EAD has no subsidiaries.

Activity overview

In 2016 103 credit and leasing contracts were concluded and financing was granted to final customers to the amount of BGN 6,892 thousand. In addition, 17 lease contracts, amounting to BGN 180 thousand, were also transferred by Non-Profit entities through assignment agreements 17.

As of December 31, 2016, the active loan and leasing portfolio of the Company amounted to BGN 12,218 thousand, presented based on the amortized debt before impairment and consists of 337 credit and leasing transactions. The Company also has receivables from 13 Non-Profit entities, amounting to BGN 484,000 before impairment.

In its decision of April 2016, the Board of Directors of the company approved a change in Jobs MFI EAD rules and procedures concerning the inclusion of a lease of agricultural land in the range of products of the company with a grant amount of up to BGN 300 thousand and in October 2016 the maximum amount of the financing provided in the form of a financial leasing for movables was increased from EUR 25 thousand to BGN 100 thousand.

On 12.09.2016, JOBS MICRO FINANCING INSTITUTION EAD negotiated a guarantee line in favor of the Bulgarian micro, small and medium enterprises, provided by the National Guarantee Fund EAD and under the Financial Agreement for Performance of Guarantee Activities under the Guarantee Schemes under the Rural Development Program for the period 2007 – 2013, concluded between the Ministry of Agriculture and Food and the National Guarantee Fund EAD.

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

The assets of the company as at 31.12.2016 amount to BGN 12,920 thousand. Their structure is: cash in the amount of 1,291 thousand BGN, receivables from banks - 13 thousand BGN, receivables from Non-Profit entities after impairment amounting to BGN 48 thousand, net investment in finance leases of BGN 704 thousand and receivables on loans granted to customers after impairment amounting to BGN 10,773 thousand. As of 31.12.2016, the Company owns tangible and intangible assets with carrying amount of BGN 38 thousand, assets held for sale amounting to BGN 13 thousand, assets under deferred taxes representing BGN 2 thousand and other assets of BGN 38 thousand.

The Company uses external financing in the form of a credit line from BDB AD as a target loan resource for further financing (on-lending) by crediting or leasing assets under the terms of financial leasing to Final Beneficiaries, micro, small and medium-sized enterprises within the meaning of the small and medium-sized enterprises act, based on parameters of the sub-deals predetermined by the Bank with an agreed amount of 5,000,000 BGN and a residual amount available for utilization of BGN 3,300,000 and a credit agreement under the Bulgarian Development Bank AD program for indirect micro financing with the support of the European Investment Fund and the European Progress Microfinance Facility, with a contractual amount of EUR 1,875 thousand.

The Company's liabilities at the end of 2016 amounted to BGN 3,771 thousand and consisted of BGN 3,670 thousand utilized under a credit agreement with BDB AD for indirect microfinance with the support of the European Investment Fund and the European Progress Microfinance Facility and 101 thousand BGN other liabilities.

The equity of JOBS MICRO FINANCING INSTITUTION EAD amounts to BGN 9,149 thousand, formed from share capital of BGN 7,643 thousand, reserves of BGN 1,352 thousand and a current profit of BGN 154 thousand.

The reported financial result for 2016 is a pre-tax profit of BGN 171 thousand.

The total revenues of the company in 2016 amounted to 1,078 thousand BGN, and the interest income was 948 thousand BGN, which is 88% of the total revenues.

As of 31.12.2016, the number of staff employed under a labor contract is 14 persons.

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

1. credit risk

2. liquidity risk

3. market risk

- currency risk

- interest rate risk

Credit risk

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

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

Liquidity risk

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

Currency risk

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

Interest rate risk

For the purpose of determining the interest rates on customer lending by the end of 2014, the Company has introduced and applied a methodology for determining a base interest rate that is tied to the cost of the financial resource used for financing, - return on equity, required profit rate and expected loss from the provided funding and maintenance costs that are reviewed quarterly. In 2015, the Company also introduced a new methodology for setting the annual interest rate on the products of JOBS Micro financing Institution EAD, which determines the reference interest rates used to form the annual interest rate on the products provided by the Company in the form of finance leases and loans. The annual interest rate (AIR) of the loan is the interest rate applicable annually to the amount of the loan utilized and not repaid. AIR can be fixed or floating. A fixed interest rate on the loan is a fixed amount valid for the entire period of the loan. Floating interest rate on loans and finance lease contracts is a variable amount, formed as a sum of the reference index and a flat-rate surcharge. The surcharge and the period of determining the interest rate are individualized in the credit or leasing contracts. The reference index is the three-month (3M) EURIBOR or three-month (3M) SOFIBOR. The management believes that the interest rate policy leads to minimization of this risk.

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

The gross remunerations received by the Board of Directors of the Company during the year amounted to BGN 159,251.

Significant events occurring after the annual accounting closing

No major events occurred after the year's closing.

Future development and commitment

The management of JOBS MICRO FINANCING INSTITUTION EAD commits to provide stable future development of the activity and growth of the company assets.

(Signature) Bilian Balev Chairman of BD	(Signature) Iliya Kirchev Deputy-Chairman of BD	(Signature) Kostadin Munev BD member

Date: 14.03.2017

Round seal of JOBS MICRO FINANCING INSTITUTION EAD, Sofia

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Independent Auditor’s Report

To the sole shareholder

of " Jobs Micro financing Institution" EAD

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Jobs Micro financing Institution EAD ("the Company"), including a statement of financial position as at 31 December 2016, income statement, statement of changes in equity and cash flow statement for the year ended on that date, as well as explanatory notes to the financial statements that also contain generalized disclosure of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

Basis for expression of our opinion

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

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

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

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

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

We have nothing to report in this respect.

Responsibilities of the management and those charged with the governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the financial reporting process of the Company.

Responsibilities of the auditor to audit the financial statements

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

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

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

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

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

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

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

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

We also provide to those charged with the company governance a statement that we have complied with all the applicable ethical requirements in relation to independence, and that we will communicate with them all relationships and other matters that could reasonably be considered relevant to our independence, and, where applicable, the associated safeguards.

Report on Other Legal and Regulatory Requirements

Additional questions set out by the Accountancy Act for reporting purposes

In addition to our responsibilities and reporting under the ISA, described in the "Further information other than the financial statements and the auditor's report" section, we have also, with respect to the activity report, implemented the procedures added to those required by the ISA, pursuant to the Guidelines of the professional organization of certified accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA) issued on 29 November 2016 /endorsed by its Management Board on 29 November 2016. These procedures concern the verification of the existence and verification of the form and content of such other information in order to assist us in formulating an opinion as to whether the other information includes the disclosures and reports provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

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

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

a) The information included in the activity report for the financial year to which the financial statements relate, is consistent with the financial statements.

b) The activity report is prepared in compliance with the requirements of Chapter Seven of the Accountancy Act.

Audit Company Ernst & Young Audit OOD:

(Signature)

Nikolay Garnev

Manager and

Registered auditor, responsible for the audit

15 March 2017

Sofia, Bulgaria

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

JOBS MICRO FINANCING INSTITUTION EAD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

In thousand BGN

Assets	**Note**	**As at 31.12. 2016**	**As at 31.12.2015**
Cash	11	1,291	927
Deposits in banks	12	13	17
Assets kept for sale	17	13	8
Receivables under a financial leasing	13	704	982
Loans provided	14	10,773	7,026
Other trade receivables	15	48	96
Properties, machines and facilities, intangible assets	16	38	39
Deferred tax assets	10	2	10
Other assets	18	38	20
Total assets		**12,920**	**9,125**

Liabilities			
Bank loans	19	3,670	-
Liabilities to suppliers and other liabilities	20	101	**87**
Total liabilities		**3,771**	**87**

Equity			
Share capital	21	7,643	7,643
Retained profits		154	94
Reserves		1,352	1,301
Total equity		**9,149**	**9,038**
Total liabilities and equity		**12,920**	**9,125**

Rectangular seal: Financial statements, for which we have issued an audit report dated 15.03.2017, Ernst & Young Audit Ltd. Manager and registered auditor: (Signature)

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

The attached notes from page 10 to 48 are an integral part of these financial statements.

BIlian Balev	Kostadin Munev	Petko Marinov
Chairman of the BD	CEO	Accountant General
(Signature)	(Signature)	(Signature)

Round seal: JOBS MICRO FINANCING INSTITUTION EAD, Sofia

JOBS MICRO FINANCING INSTITUTION EAD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDING ON 31 DECEMBER 2016

In thousand BGN	Note	31.12.2016	31.12.2015
Interest income	5	948	654
Interest costs	5	(15)	-
Net interest income	5	933	654
Fees and commissions income	6	25	54
Fees and commissions costs	6	(49)	(60)
Net Fees and commissions costs	6	(24)	(6)
Other operating income	7	105	27
Operating income		1,014	675
Total administrative costs	9	(790)	(599)
Amortization costs	16	(15)	(19)
Income (costs) from/ for depreciation of loans, leasing and receivables	8	(38)	47
Profit before tax		171	104
Costs for income tax	10	(17)	(10)
Profit after taxation		154	94
Other comprehensive income		-	-
Total comprehensive income for the year		154	94

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BIlian Balev	Kostadin Munev	Petko Marinov
Chairman of the BD	CEO	Accountant General
(Signature)	(Signature)	(Signature)

Round seal: JOBS MICRO FINANCING INSTITUTION EAD, Sofia

JOBS MICRO FINANCING INSTITUTION EAD

STATEMENT OF CHANGES IN EQUITY, FOR THE YEAR ENDING 31 DECEMBER 2016

In thousand BGN	***Note***	**Share capital**	**Statutory Reserves**	**Additional Reserves**	**Retained profit**	**Total**
Balance as at 1 January 2015		7,643	479	786	77	**8,985**
Comprehensive income for the period					94	**94**
Total comprehensive income for the period					94	**94**
Deals with the shareholder reported in Equity						
Transfer between reserves based on a decision of the shareholder			8	28	(36)	
Dividends to the shareholder		-	-	-	(41)	**(41)**
Total deals with the shareholder		_	**8**	**28**	**(77)**	**(41)**
Balance as at 31 December 2015	21	**7,643**	**487**	**814**	**94**	**9,038**

In thousand BGN	***Note***	**Share capital**	**Statutory Reserves**	**Additional reserves**	**Retained profit**	**Total**
Balance as at 1 January 2016		7,643	487	814	94	**9,038**
Comprehensive income for the period						
Profit for the year		-	-	-	154	**154**
Total comprehensive					154	**154**

income for the period						
Deals with the shareholder reported in equity						
Transfer between reserves based on a decision of the shareholder			9	42	(51)	
Dividends to the shareholder		**-**	**-**	**-**	(43)	**(43)**
Total deals with the shareholder			9	**42**	(94)	**(43)**
Balance as at 31 December	21	**7,643**	**496**	**856**	**154**	**9,149**

Rectangular seal: Financial statements, for which we have issued an audit report dated 15.03.2017, Ernst & Young Audit Ltd. Manager and registered auditor: (Signature)

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Bilian Balev	Kostadin Munev	Petko Marinov
Chairman of the BD	CEO	Accountant General
(Signature)	(Signature)	(Signature)

Round seal: JOBS MICRO FINANCING INSTITUTION EAD, Sofia

JOBS MICRO FINANCING INSTITUTION EAD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDING ON 31 DECEMBER 2016

STATEMENT OF THE FINANCIAL POSITION

AS AT 31 DECEMBER 2016

In thousand BGN	**Note**	**31.12.2016**	**31.12.2015**
Operating activities			
Profit for the year		154	94
Adjustments for:	8	38	(47)
Depreciation costs	16	15	19
Income tax costs	10	17	11
Other non-monetary changes		(2)	-
		222	**77**
Changes in:			
- receivables arising from bank deposits	12	(13)	2,940
- receivables under a financial lease	13	112	522
- loans granted	14	(3,748)	(4,824)
- other trade receivables	15	201	100
- assets kept for sale	17	(5)	4
- other assets	18	(18)	5
- other liabilities	20	(14)	(1)
Net cash flow from operating activities		**(3,263)**	**0,177)**
Paid income taxes		**(4)**	-
Net cash flow from operating activities		**(3,267)**	**(1,177)**
Investments			
(Purchase)/sale of real estate, machines and facilities and intangible assets	16	(14)	(31)
Cash flow from investments		**(14)**	(31)
Financing activities			
Received/(paid) amounts under short-term attracted funds	19	3,670	-
Dividends paid to shareholders		(43)	(41)
Cash from financial activities		**3,627**	**(41)**
Net (decrease)/ increase of cash and cash equivalents		**347**	**2,193**
Cash and cash equivalents in the beginning of the period	**11**	**944**	**(2,193)**

Cash and cash equivalents in the end of the period	**11**	**1,291**	**944**
Interest received		889	602
Interest paid		(12)	-

Rectangular seal: Financial statements, for which we have issued an audit report dated 15.03.2017, Ernst & Young Audit Ltd. Manager and registered auditor: (Signature)

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

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Bilian Balev Chairman of the BD (Signature)	Kostadin Munev CEO (Signature)	Petko Marinov Accountant General (Signature)

Round seal: JOBS MICRO FINANCING INSTITUTION EAD, Sofia

JOBS MICRO FINANCING INSTITUTION EAD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. Corporate information

JOBS MICRO FINANCING INSTITUTION EAD (the Company) was incorporated on 23.12.2010 as a sole-owned joint-stock company, 100% shareholding of Bulgarian Development Bank AD. The registered address of the Company is: 1, Dyakon Ignatiy St., Sofia. As of 31.12.2016 the registered and paid-in share capital is BGN 7,643,000, divided into 76,430 registered shares with a par value of BGN 100 each.

The subject of activity of JOBS MICRO FINANCING INSTITUTION EAD includes:

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

The management bodies of the Company are:

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

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

On March 5, 2015, the Management Board of Bulgarian Development Bank AD revoked the decision of 31.10.2013 to transform the JOBS MICRO FINANCING INSTITUTION EAD through a merger into Bulgarian Development Bank AD. As a result of this reassessment, the relations between Bulgarian Development Bank AD and the micro-enterprises will be developed through the JOBS MICRO FINANCING INSTITUTION EAD as a separate specialized subsidiary.

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

As at 31 December 2016 the Board of Directors is composed of:

- Bilian Lyubomirov Balev;
- Iliya Vasilev Kirchev;
- Kostadin Bozhikov Munev;

The first Board of Directors was elected for a three-year term. The second Board of Directors was elected for a term of five years and it expires on 14.01.2019.

As at 31.12.2016, the Company has not opened any branches (2015: no branches).

As of December 31, 2016, the Company has 14 employees under a labor contract (2015: 13 employees).

2.1. Basis for preparation

Compliance Statement

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRSs adopted by the EU"). The IFRS reporting framework, adopted by the EU, is essentially the defined national accounting basis IAS, adopted by the EU, regulated by the Accountancy Act and defined in paragraph 8 of its Additional Provisions.

The financial statement was approved for publication by the Board of Directors of JOBS MICRO FINANCING INSTITUTION EAD on 14.03.2017.

2.1 Basis for preparation (continued)

Compliance (continued)

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

• Trading tools and other instruments that are measured at fair value through profit or loss, provided that the fair value can be measured properly.

• Available-for-sale instruments that are measured at fair value, provided that the fair value can be measured appropriately.

• Assets held for sale that are measured at fair value, provided that the fair value can be measured properly.

Going Concern

The activity of the Company in 2016 is characterized by microfinancing. Upon preparing the financial statements, the Management has analyzed the Company's ability to continue its business, as well as the market situation. The company expects to continue to consolidate its position on the Bulgarian market and to realize a positive financial result in the future. The financial statements are prepared in accordance with the going concern principle.

2.2 Changes in Accounting Policies and Disclosures

New and amended standards and clarifications

The accounting policies of the Company are consistent with those applied in the previous reporting period except for the following amended IFRSs adopted as of 1 January 2016:

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendments) - Explained allowable depreciation methods

The amendments clarify the principle of IAS 16 and IAS 38 that revenue reflects the economic benefits accruing from the operation of the business (of which the asset is a part) as a whole, rather than the economic benefits solely from the use of the asset. As a result, the depreciation of property, plant and equipment and intangible assets in the income base is unacceptable. The adoption of the amendments did not have an impact on the financial position or performance of the Company.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendments) - Perennial crops

Pursuant to the amendments, perennial crops are within the scope of IAS 16 and are valued in accordance with the requirements of IAS 16, i.e. according to the accounting policy adopted on the basis of the cost of acquisition or based on the revaluation model in the subsequent measurement. Agricultural production of perennial crops (eg. fruit of fruit trees) remains within the scope of IAS 41. Government grants for perennial crops are accounted for under IAS 20 Accounting for Government Grants and Disclosure of Government Aid, instead of IAS 41. The adoption of the amendments did not impact the financial position or performance of the Company.

IAS 19 Employee Benefits (Amendment) - Employee Benefits

The amendment concerns the contributions by employees or third parties to defined benefit pension plans. Its purpose is to simplify the accounting of contributions that are independent of the length of service, such as employee contributions, which are calculated as a fixed percentage of wages. The adoption of the amendment did not have any impact on the Company's financial position or results.

2.2 Changes in the Accounting Policies and Disclosures (continued)

IFRS 11 Joint Ventures (Amendment): Accounting of the acquisition of a shareholding in a joint venture

Guidance has been added for the reporting of the acquisition of interest in a joint venture that is a business within the meaning of IFRS. The company did not possess any shareholding falling in the scope of this amendment.

IFRS 10, IFRS 12 and IAS 28: Investment Firms: Applying the Exemption from the Preparation of Consolidated Financial Statements (Amendments)

The amendments clarify that the exemption from presentation of consolidated financial statements applies to a parent company, that is a subsidiary of an investment firm which evaluates all subsidiaries at fair value. Also, the amendments specify that only a subsidiary which does not itself qualify as an investment firm and provides services to support the business of an investment firm in the group, is subject to consolidation. All other subsidiaries of an investment firm are measured at fair value. Amendments to IAS 28 Investments in Associates and Joint Ventures allow an investor applying the equity method to retain fair value measurement in respect of its subsidiaries. The adoption of the amendments did not have an impact on the financial position or performance of the Company.

IAS 1 Presentation of Financial Statements: Disclosures (Amendments)

The amendments relate to encouraging the companies to exercise professional judgment in the choice of information to be disclosed and how it is presented, and to clarify the existing requirements of IAS 1. The amendments relate to the materiality, consistency of the notes, interim amounts and breakdowns, accounting policies and presentation of components of the other comprehensive income related to investments, accounted for using the equity method. The amendments in IAS 1 do not affect the financial position or results of the Company's operations, but only their presentation in the financial statements.

IAS 27 Separate Financial Statements (Amendment)

The amendment allows the use of the equity method in accounting for investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. Since the Company does not report any investments in subsidiaries, jointly controlled entities and associates, the amendment has no impact on its financial position and operating results.

Annual improvements in IFRS-Cycle 2010-2012

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

• IFRS 2 Share-based Benefits - The definitions of 'vesting conditions' and 'market conditions' have been changed. Definitions of "performance condition" and "service provision for a certain period" have been added;

• IFRS 3 Business Combinations - explanations are provided regarding the reporting of contingent considerations in relation to a business combination;

• IFRS 8 Operating Segments - Additional disclosures are required for the management's estimates made in respect of the grouping of operating segments and clarifications are given on the reconclliyation of the total amount of segment assets with the total assets of the reporting entity;

• IFRS 13 Fair Value Measurement - specifies the interaction with IFRS 9 in respect of short-term receivables and payables;

2.2 Changes in Accounting Policies and Disclosures (continued)

Annual improvements in IFRS - Cycle 2010-2012 (continued)

• IAS 16 Property, Plant and Equipment - The amendment requires, in the case of a revaluation of a fixed tangible asset, its reporting value to be adjusted appropriately according to the revalued carrying amount, until the cumulative depreciation is calculated as the difference between the reporting amount and the carrying amount of the asset, after deduction of accumulated impairment losses;

• IAS 24 Related-Party Disclosures - It is clarified that a management company that provides key management personnel to the reporting entity, is considered a related party. Accordingly, it is necessary to disclose the remuneration / outstanding obligation for the management services;

• IAS 38 Intangible Assets - the same as in IAS 16 above.

The adoption of the aforementioned amendments to the standards has no effect on the current financial statements of the Company.

Annual improvements in IFRS - Cycle 2012-2014

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

• IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - it is clarified that a change in the form of disposal of the asset (sale or distribution to owners) is not considered a new asset disposal plan, but is a continuation of the original plan;

• IFRS 7 Financial Instruments: Disclosures - examples are given of continued involvement in a financial asset and the disclosures required in a condensed interim financial report;

• IAS 19 Employee Benefits - explanations are given regarding the parameters determining the discount rate for the calculation of long-term payables.

• IAS 34 Interim Financial Reporting - it is clarified that the required disclosures have to be contained either in the interim financial statements or, by reference, may be traced to other interim information (such as a management report) that should be provided at the disposal of the users at the same time and under the same conditions.

The adoption of the aforementioned amendments to the standards has no effect on the current financial statements of the Company.

2.3 Significant accounting estimates and assumptions

Functional currency and reporting currency

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

Comparable data

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

Use of estimates and judgments

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

2.3 Significant accounting judgements, estimates and assumptions (continued)

Use of estimates and judgments (continued)

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

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

The receivables under credit agreements and finance lease contracts (presented in the statement of financial position as finance lease receivables) are reviewed for impairment on the basis of the Company's policy. The amounts for impairment losses that the Company pays for specific exposures are calculated based on the most reliable estimate of the management of the present value of future cash flows.

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

Fair value of financial assets and liabilities

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

Hierarchy of fair value

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

• Level 1 - Level 1 input data are quoted (not adjusted) instruments prices on active markets for identical financial instruments;

• Level 2 - level 2 input data are inputs for an asset or liability, other than the quoted prices included in level 1, that are directly or indirectly available for observation. This category includes instruments valued using: quoted prices of similar assets or liabilities on active markets; quoted prices of identical or similar assets or liabilities on markets that are not considered active; other appraisal techniques where all significant inputs are directly or indirectly available for observation using market data;

2.3 Significant accounting judgements, estimates and assumptions

(continued)

Fair value of financial assets and liabilities (continued)

Hierarchy of fair value (continued)

• Level 3 - Level 3 input data are unobservable input data for an asset or liability. This category includes all instruments, where the valuation technique does not include observable input data and unobservable input data have a significant impact on the instrument valuation. This category includes instruments that are valued on the basis of quoted prices of similar instruments, where significant unobservable adjustments or assumptions are required to reflect the differences between instruments;

Financial instruments

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

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset have expired or the Company transfers the rights to receive the contracted cash flows from the financial asset as part of a transaction, whereby a significant portion of all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset, that is created or retained by the Company, is recognized as a separate asset or liability.

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

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

Loans and receivables

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

Financial lease receivables

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

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

2.3 Significant accounting judgements, estimates and assumptions (continued)

Financial lease receivables (continued)

Minimum lease payments

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

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

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

• the beginning of the lease contract is the earliest of the two dates - the date of the lease agreement or the engagement of the parties to the principal terms of the lease contract.

• the commencement of the lease term is the date, from which the lessee can exercise its right to use the leased asset. This is also the date on which the Company initially recognized the leasing receivable.

Initial and consecutive evaluation

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

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

Impairment of financial assets

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

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

2.3 Significant accounting judgements, estimates and assumptions (continued)

Impairment of financial assets (continued)

Financial assets measured at amortized cost

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

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

In assessing the collective impairment level, the Company uses the historical trends of default probability, recovery time and the amount of losses incurred, adjusted by the management's judgment as to whether the current economic and credit conditions are such that the actual losses are likely to be greater or lower than those predicted on the basis of the historical trends.

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

2.4 Summary of the Significant Accounting Policies

Property, Plant and Equipment

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

Initial evaluation

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

Subsequent evaluation

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

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

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Depreciation method

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

	2016	2015
Buildings	50 years	50 years
Equipment and computers	5 years	5 years
Transport vehicles	5 years	5 years

Industrial inventory	6.7 years	6.7 years

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

Subsequent costs

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

Intangible assets

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

The Company applies a straight-line method of depreciation of intangible assets over a useful life of 5 years. (2015: 5 years).

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

Impairment of non-financial assets

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

Impairment of non-financial assets (continued)

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

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

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

Foreign Currency Transactions

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

Type of currency	31 December 2016	31 December 2015
Euro	1.95583	1.95583

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

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

Provisions

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Short-term earnings

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

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

Long-term retirement benefits

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

Severance income

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

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

Taxes

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

2.4 Summary of the Significant Accounting Policies (continued)

Taxes (continued)

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

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

Deferred tax receivables are accounted for all temporary differences to be deducted, to the extent that it is probable that taxable profit will be present, from which the appropriate deductions for deferred tax receivables will be made. This does not apply to cases where they arise from the initial recognition of an asset or liability in a transaction that has no impact on the accounting or tax profit (tax loss) at the date of the transaction.

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

Cash and cash equivalents

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

Assets held for sale

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

The assets in this qualifying group are not depreciated.

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

2.4 Summary of the Significant Accounting Policies (continued)

Interest income and expense

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

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

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

The foregone financial income (interest) represents the difference between the gross and the net investment in the lease agreement, the gross investment in the lease agreement being the sum of the minimum lease payments and the unguaranteed residual value, accrued for the lessor. Interest income on lease transactions (financial income) is allocated over the lease term and is recognized based on a fixed periodic rate of return on the lessor's net investment.

Fees and commissions

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

The other fee and commission income under the “JOBS MICRO FINANCING INSTITUTION EAD Fees and Commissions Tariff” is recognized upon the performance of the relevant services.

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

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

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

IFRS 9 Financial Instruments: Classification and Valuation

IFRS 9 enters into force for the annual periods beginning on or after 1 January 2018, while allowing its earlier application. The final version of IFRS 9 Financial Instruments covers all phases of the IFRS 9 draft and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous IFRS 9 amendments. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Company is expected to analyze and evaluate the effects of this standard on its future financial position and performance.

2.5 Published standards which are not yet in force and have not been adopted earlier (continued)

IFRS 15 Revenue from contracts with customers

The standard enters into force for the annual periods beginning on or after 1 January 2018, while allowing earlier application. IFRS 15 introduces a five-step model that is applicable to the revenue from contracts with clients (with few exceptions), regardless of the type of transaction or activity. The standard will also apply to the recognition and measurement of profits and losses on the disposal of certain non-financial assets, arising from non-regular activities (such as the sale of property, plant and equipment or intangible assets). More detailed disclosures will be required, including breakdowns of the total revenue, information on individual performance obligations, changes in the reported assets and liabilities balances under contracts with clients, as well as key judgments and estimates. The Company will analyze and evaluate the effects of the adoption of this standard on its financial position or performance.

IFRS 15 Revenue from contracts with customers (Interpretation)

The Interpretations shall enter into force for the annual periods beginning on or after 1 January 2018, while allowing their earlier application. The purpose of the interpretations is to clarify the intentions in the development of IFRS 15 with respect to the recognition of the identifiable performance obligations, the amendment to the "separately identifiable" principle, the analysis of sales arrangements to determine whether the company acts as a principal or as a principal agent, as well as the application of the control principle, new licensing requirements by providing additional guidelines for intellectual property and copyright reporting. The clarifications also provide further practical guidance on the application of a full retrospective approach and a modified retrospective approach to the transition to IFRS 15. The clarifications have not yet been adopted by the EU. The Company will analyze and assess the effects of adopting these clarifications on its financial position or performance.

IFRS 16 Leasing

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

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

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

2.5 Published standards which have not yet come in force and have not been adopted earlier (continued)

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

The amendments shall enter into force for the annual periods beginning on or after 1 January 2017, while allowing their earlier application. The amendments clarify the accounting for deferred tax assets for unrealized losses in order to overcome the differences that occur in the practice upon the application of IAS 12 in respect of: deductible temporary differences arising on the revaluation of debt instruments measured at fair value; recovering assets with value greater than their book value; the existence of probable future taxable profits; combined with regards to individual assessment. The amendments have not yet been adopted by the EU. They are not expected to have an impact on the Company's future financial statements.

IAS 7 Statement of Cash Flows (Amendments) - Disclosure Initiative

The amendments shall enter into force for the annual periods beginning on or after 1 January 2017, while allowing their earlier application. The purpose of these amendments is to allow the users of the financial statements to assess the changes in liabilities arising from a financial activity. The amendments require disclosures that allow investors to assess the changes in the liabilities arising from financial activities, including changes arising from cash flows and non-monetary changes. The amendments have not yet been adopted by the EU. They are not expected to have an impact on the Company's future financial statements.

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

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

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

The amendments enter into force for the annual periods beginning on or after 1 January 2018. The purpose of the amendments is to overcome the discrepancy between the dates of entry into force of IFRS 9 and of the expected new insurance standard IFRS 17 Insurance Contracts. Entities that issue insurance contracts will still be able to adopt IFRS 9 on 1 January 2018. The amendment introduces two alternative approaches - a temporary release approach and an overlapping approach. The temporary exemption allows companies to postpone the date of adoption of IFRS 9. The overlapping approach allows companies that apply IFRS 9 from 2018 to eliminate from the profit or loss the effect arising from some accounting discrepancies that may result from the application of IFRS 9 before IFRS 17. The amendments have not yet been adopted by the EU. They are not expected to have an impact on the Company's future financial statements.

IFRIC 22 Reporting of transactions and prepayments in foreign currency transactions

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

2.5 Published standards not yet in force and not yet adopted (continued)

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

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

Annual Improvements in IFRS - Cycle 2014-2016

In the 2014-2016 cycle of the IFRS Annual Improvements Draft, the IASB has published amendments related to three standards that will become effective for the annual periods beginning on or after January 1, 2017 / January 1, 2018. Summary of the amendments to the relevant standards are presented herein below:

• IFRS 1 First-time Adoption of the International Financial Reporting Standards - deletion of short-term exemptions from the requirements for first-time adopters of the standards (effective for the annual periods beginning on or after 1 January 2018);

• IFRS 12 Disclosure of Interests in Other Entities - explaining the scope of the disclosure requirement in IFRS 12 (effective for the annual periods beginning on or after 1 January 2017); and

• IAS 28 Investments in Associates and Joint Ventures - Valuation of an entity in which it is invested at fair value (effective for the annual periods beginning on or after 1 January 2018).

The annual improvements to IFRS - Cycle 2014-2016 have not yet been adopted by the EU. The Company will analyze and assess the effect of the amendments on its future financial statements.

3. Disclosure of the financial risk management policy

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

Risk Management Structure

The main units responsible for direct risk management are:

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

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

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

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

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

Measurement and management of major risks

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

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

3.1 Credit risk

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

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

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

3.1. Credit risk (continued)

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

Maximum exposure to credit risk

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

In thousand BGN	2016	2015
Financial asset		
Cash	**1,291**	**927**
Bank deposits	**13**	**17**
Financial lease receivables	**704**	**982**
Granted loans	**10,773**	**7,026**
Receivables from customers and other trade receivables	**48**	**96**
	12,829	9,048

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

In thousand BGN	2016	2015
Unutilized authorized loans	**794**	**340**
	794	**340**
Maximum credit risk exposure	**13,623**	**9,388**

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

In thousand BGN

Type of credit exposure	Major collateral type	2016	2015
Credits and advance	1. Real estate mortgage 2. Special pledge on movable property 3. Receivables pledge, surety by third solvent parties, promissory note	100	100
Financial lease	1. Own assets 2. Promissory note, surety, registration of the Lease agreement in the SPR, etc.	100	100

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

3.1. Credit risk (continued)

Credit risk – concentration

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

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

In thousand BGN

Sectors	**2016**	%	**2015**	%
Agriculture, hunting, forestry and fisheries	4,719	40.95%	3,000	37.02%
Mining industry	-	-	12	0.15%
Processing industry	1,743	15.12%	1,435	17.71%
Construction	663	5.75%	197	2.43%
Trade, repair and maintenance of motor vehicles and motorcycles, of personal and household goods	1,260	10.93%	1,378	17.00%
Hotels and restaurants	916	7.95%	597	7.37%
Transport, storage and communications	956	8.29%	905	11.16%
Administrative and support activities	577	5.00%	131	1.62%
Culture, sport and entertainment	487	4.23%	172	2.12%
Professional activities and scientific research	35	0.30%	46	0.57%
Financial and insurance activities	17	0.15%	43	0.53%
Human healthcare and social work	17	0.15%	-	-
Real estate operations	45	0.39%	-	-
Other activities serving the public and individuals	90	0.78%	188	2.32%
Total	**11,525**		**8,104**	

Loans and receivables quality

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

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

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

3.1. Credit risk (continued)

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

In thousand BGN	Receivables under a financial lease		Loans provided		Receivables from clients and other trade receivables		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Depreciated on an individual basis								
Observed	12	9	17	16	32	33	**61**	**58**
Non-performing	462	282	433	460	403	584	**1,298**	**1,326**
Gross value	**474**	**291**	**450**	**476**	**435**	**617**	**1,359**	**1,384**
Depreciation	(464)	(283)	(149)	(105)	(435)	(588)	**(1,048)**	**(976)**
Book value	**10**	**8**	**301**	**371**	**-**	**29**	**311**	**408**
Depreciated on the basis of								
regular	703	**999**	10,590	6,816	50	**69**	**11,343**	**7,884**
Gross value	**703**	**999**	**10,590**	**6,816**	**50**	**69**	**11,343**	**7,884**
Depreciation	(9)	**(25)**	(118)	(161)	(2)	(2)	**(129)**	**(188)**
Book value	**694**	**974**	**10,472**	**6,655**	**48**	**67**	**11,214**	**7,696**

Average effective interest rate on financial assets:

	2016	2015
Lease	10.08%	13.53%
Loans	8.03%	8.57%

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

In thousand BGN	**2016**	%	**2015**	%
Machines, facilities and industrial equipment	405	57.52%	593	60.33%
Freight and light commercial vehicles	92	13.06%	247	25.11%
Computers and other electronics	10	1.42%	12	1.26%

Cars		-	5	0.53%
Other	197	27.98%	125	12.77%
	704		**982**	

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

3.1. Credit risk (continued)

Loans receivable according to type of accepted collateral:

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

3.2. Market risk

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

Interest rate risk

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

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

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

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

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

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

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

3.2. Market risk (continued)

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

In thousand BGN 31 December 2015	with floating interest %	with fixed interest %	non-interest bearing	total
Financial assets				
Cash	-	**927**	-	**927**
Bank deposits	-	17	-	**17**
Financial lease receivables	982	-	-	**982**
Granted loans	4,399	2,627	-	**7,026**
Receivables from customers and other trade receivables	-	-	96	**96**
Total financial assets	**5,381**	**3,571**	**96**	**9,048**

Financial liabilities				
Bank loans	-	-	-	-
Liabilities to suppliers and other trade liabilities	-	-	87	**87**
Total financial liabilities	“	-	**87**	**87**
Total interest rate exposure	**5,381**	**3,571**	**9**	**8,961**

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

3.2. Market risk (continued)

Analysis of the interest sensitivity and risk

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

In thousand BGN *31 December 2016*	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	**Total**
Financial assets								
Cash	1,291							**1,291**
Bank deposits	-	-	13	"	-	"		**13**
Receivables under a financial								
Lease	704				-	-		**704**
Granted loans	9,370	85	128	268	922		-	**10,773**
Receivables from customers and other								
Trade receivables	-	-	-	-	-	-	48	**48**
Total financial assets	**11,365**	**85**	**141**	**268**	**922**	-	**48**	**12,829**
Financial liabilities								
Bank loans	-	3		733	2,934	-	-	**3,670**
Liabilities to suppliers and other trade								

Liabilities	-	-	-	-	-	-	101	**101**
Total financial liabilities		**3**		**733**	**2,934**		**101**	**3,771**
Total interest rate exposure to sensitivity	**11,365**	**82**	**141**	**(465)**	**(2,012)**	_	**(53)**	**9,058**

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

3.2. Market Risk (continued)

Analysis of the interest rate sensitivity and risk (continued)

In thousand BGN ***31 December 2015***	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing
Financial assets							
Cash	**927**	-	-	-	-	-	**927**
Bank deposits	**17**	-	-	-	-	-	**17**
Financial lease receivables	**982**	=	_		_	_	**982**
Granted loans	**4,511**	**156**	202	363	**1,794**	-	**7,026**
Receivables from customers and other trade receivables			.	.	.	**96**	96
Total financial assets	**6,437**	**156**	**202**	**363**	**1,794**	**96**	**9,048**
Financial liabilities							
Bank loans	-	-	-	-	-		-
Liabilities to suppliers and other trade liabilities						**87**	**87**
Total financial liabilities	-	-	-	**-**	-	**87**	**87**
Total interest rate exposure To sensitivity	**6,437**	**156**	**202**	**363**	**1,794**	**9**	**8,961**

Currency risk

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

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

3.2. Market risk (continued)

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

In thousand BGN

As at 31 December 2016	in EUR	In BGN	Total
Financial assets			
Cash	**20**	**1,271**	1,291
Bank deposits	-	**13**	13
Financial lease receivables	-	**704**	704
Granted loans	**136**	**10,637**	10,773
Receivables from customers and other trade receivables	-	**48**	48
Total financial assets	156	12,673	12,829
Financial liabilities			
Bank loans	**3,670**	-	3,670
Liabilities to suppliers and other trade liabilities	_	**101**	101
Total financial liabilities	3,670	101	3,771
Net balance - sheet currency position	(3,514)	12,572	9,058
Contingent liabilities and commitments	-	794	794

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

3.2. Market risk (continued)

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

3.2. Market Risk (continued)

As at 31 December 2015	**IN EUR**	**In BGN**	**Total**
Financial assets			
Cash	86	841	**927**
Bank deposits	-	17	**17**
Financial lease receivables	-	982	**982**
Granted loans	134	6,892	**7,026**
Receivables from customers and other trade receivables	-	96	**96**
Total financial assets	**220**	**8,828**	**9,048**
Financial liabilities			

Bank loans		**-**	**-**
Liabilities to suppliers and other trade liabilities	_	87	**87**
Total financial liabilities	_	**87**	**87**
Net balance - sheet currency position	**220**	**8,741**	**8,961**
Contingent liabilities and commitments	-	**340**	**340**

3.3. Liquidity risk

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

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

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

	2016	**2015**
	%	%
As at 31 December		
Mean value for the period	237%	3736%
Highest for the period	784%	6846%
Lowest for the period	34%	1085%

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

3.3. Liquidity Risk (continued)

Undiscounted cash flows by contractual due date:

In thousand BGN

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

Total financial liabilities	**107**	**13**	**783**	**3,049**	-	**3,952**

In thousand BGN

As at 31 December 2015	**Within 1 month**	**1-3 months**	**3-12 Months**	**1-5 years**	**More than 5 years**	**Total**
Financial liabilities						
Liabilities to suppliers and other trade liabilities	**87**			.		**87**
Total financial liabilities	**87**	-	-	-	-	**87**

As at December 31, 2015 the financial liabilities have terms within 1 month from the date of the statement of financial position and their undiscounted value is equal to the book value.

3.4. Equity Management

The main objective of the company in the process of equity management is to maintain its level within limits, sufficient for further development of the business and attainment of the objectives and volumes set out upon its establishment – provision of funding opportunities for micro and small enterprises and in compliance with the commitments under the concluded agreements. Pursuant to Ordinance No. 26 of BNB, the minimum required capital for the activity performed by the company is 1000 thousand BGN. The registered capital of the company is 7643 thousand BGN.

4. Application of estimates

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

31 December 2016		Book value			Fair Value			
	Note	Loans and receivables	Other	Total	Level 1	Level 2	Level 3	Total
Financial assets which are not stated at fair value								
Cash	12	1,291	-	1,291	-	1,291		**1,291**
Bank deposits	13	13	-	13	-	13		**13**
Granted loans	15	10,773	-	10,773		12,087		**12,087**

Receivables from customers and other trade receivables	16	48		48	~	473	**473**
		12,125	-	**12,125**	-	**13,864**	**13,864**
Financial liabilities, which are not stated at fair value							
Bank loans	19	-	3,670	3,670	-	3,824	**3,824**
		-	**3,670**	**3,670**	-	**3,824**	**3,824**

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

Type of financial instrument	**Fair value as at 31.12.2016**	**Level of fair value**	**Assessment technique**	**Significant non-observable income data**	**Interconnection between key non-observable incoming data and fair value**
Loans granted	12,087	Level 2	Discounted cash flows Future cash flows are assessed based on the published interest rates by new business for December 2016 by BNB, without making adjustments thereto	not applicable	not applicable
Receivables from customers and other trade receivables	473	Level 2	Discounted cash flows Future cash flows are assessed based on the published interest rates by new business for December 2016 by BNB, without making adjustments thereto	not applicable	not applicable
Bank loans	3,824	Level 2	Discounted cash flows Future cash flows are assessed based on the published interest rates by new business for December 2016 by BNB, without making adjustments thereto	not applicable	not applicable

4. Application of estimates (continued)

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

31 December 2015 In thousand BGN Financial assets which are not stated at fair value	Book value Note	Loans and receivables	Other	Total	Fair value Level 1	Level 2	Level 3	**Total**
Cash	12	927	-	927		927		**927**
Bank deposits	13	17	-	17	-	17		**17**
Granted loans	15	7,026		7,026	-	7,986		**7,986**
Receivables from customers and other trade receivables	16	96		96		651		**651**
		8,066	-	**8,066**	-	**9,581**		**9,581**

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

Type of financial instrument	**Fair value as at 31.12.2015**	**Level of fair value**	**Assessment technique**	**Significant non-observable income data**	**Interconnection between key non-observable incoming data and fair value**
Loans granted	7,986	Level 2	Discounted cash flows Future cash flows are assessed based on the published interest rates by new business for December 2015 by BNB, without making adjustments thereto	not applicable	not applicable
Receivables from customers and other trade receivables	651	Level 2	Discounted cash flows Future cash flows are assessed based on the published interest rates by new business for December 2015 by BNB, without making adjustments thereto	not applicable	not applicable

5. Net interest income

In thousand BGN	**2016**	**2015**
Interest income		
Income from interest under loans	750	397
Income from loan default	48	29
Income from financial lease interest	107	171
Income from financial lease default	43	29
Interest on deposits and others	-	28
	948	**654**
Interest costs		
Costs for interest under bank loans	(15)	-
	(15)	-
Net interest income	**933**	**654**
including		
Interest under individually depreciated loans and leasing	-	-

6. Net costs for fees and commissions

In thousand BGN	**2016**	**2015**
Income from fees and commissions		
Income from registration fees at the CAT, CTI and other	25	54
Costs for fees and commissions	**25**	**54**
Agency commissions	(47)	(57)
Bank fees	(2)	(3)
	(49)	(60)
Net costs for fees and commissions	(24)	(6)

7. Other operating income

In thousand BGN	**2016**	**2015**
Other income	105	27
	105	**27**

As at December 31, 2016, the other operating income consists of BGN 92 thousand paid guarantees under loan agreements, included in a guarantee portfolio, BGN 3 thousand income from the realization of seized leased assets, BGN 2 thousand income from revaluated seized leased asset, BGN 2 thousand awarded legal advisor fee and BGN 6 thousand other income (2015: BGN 18 thousand income from renting the company offices in Burgas, Pleven and Plovdiv, provided for use to the BDB AD, BGN 4 thousand income from realization of seized leased assets, BGN 2 thousand income from a recognized seized leased asset, BGN 1 thousand awarded legal advisor fee and BGN 2 thousand other income).

8. Loan, leasing and receivables depreciation

	Financial lease		**Loans granted**		**Receivables from customer and other trade receivables**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Balance as at 1 January	**(308)**	**(345)**	**(266)**	**(303)**	**(590)**	**(587)**	**(1,164)**	**(1,235)**
Depreciation for the year:								
Accrued depreciation	(208)	(10)	(147)	(249)	(29)	(33)	**(384)**	**(292)**
Restored depreciation	24	44	139	266	183	29	**346**	**339**
Written off depreciation	18	3	7	20		1	**25**	**24**
Balance as at 31 December	**(474)**	**(308)**	**(267)**	**(266)**	**(436)**	**(590)**	**(1,177)**	**(1,164)**

9. General and administrative costs

In thousand BGN	2016	2015
Staff remuneration and social security	459	317
Management costs	164	129
Communications and IT services	51	47
office and office equipment maintenance	32	29
Taxes and State Fees	18	10
Audit, legal and advisory services	8	8
Advertising and representative events	17	10
Hired services	13	10
Business trips	9	7
Rent	19	32
	790	599

In thousand BGN	2016	2015

Staff costs include:

Salaries	404	273
Social security contributions	55	44
	459	317

9. General and administrative costs (continued)

As at 31.12.2016 the company employs 14 people (2015 – 13).

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

10. Taxation

In thousand BGN	**2016**	**2015**
Costs for current taxes	9	_
Deferred tax expense as a result of temporary differences	**8**	**11**
Total current tax expense	**17**	**11**
In thousand BGN	**2016**	**2015**
Accounting profit	**171**	**104**
Tax at current tax rate (10% for 2016, 10% for 2015)	**(17)**	(Ю)
Other tax changes	-	**(1)**
Total tax expenses	**(17)**	**(11)**
Effective tax rate	**10.48%**	**11.3%**

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

In thousand BGN	Assets		Liabilities	
	2016	**2015**	**2016**	**2015**
Property and equipment	-	-	-	-
Provisions for staff remuneration	**(2)**	**(1)**	-	“
Effect of a recognized asset on tax loss	-	**(9)**	-	

Net tax (assets) / liabilities	**(2)**	**(10)**	-	-

10. Taxation (continued)

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

In thousand BGN	**2016**	**2015**	**Changes in the profit and loss**
Property and equipment	_	_	-
Provisions for staff remuneration	(2)	**(1)**	**(1)**
Effect of a recognized asset on tax loss	-	(9)	**9**
	(2)	**(10)**	**8**

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

11. Cash and equivalents

In thousand BGN	**2016**	**2015**
Current accounts	1,291	927
Bank deposits	13	-
Cash	**1,304**	**927**
Bank deposits at sight and with original maturity of up to 3 months	-	17
Cash and cash equivalents in the cash flow statement	**1,291**	**944**

12. Bank deposits

In thousand BGN	**2016**	**2015**
Bank deposits with original maturity over 3 months	13	-
Bank deposits with original maturity up to 3 months	-	17
Total bank deposits	**13**	**17**

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

Bank	Deposit amount – principal	Currency	Date of conclusion	Maturity date	Term	Book value as at 31.12.2016
Bulgarian Development Bank AD	13	BGN	11.11.2016	10.05.2017	6 months	13

13. Receivables under financial leases

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

In thousand BGN	2016	2015
Financial lease receivables, gross	1,325	1,451
Unrealized financial income	(147)	(161)
Net minimum lease payments	1,178	1,290
Depreciation	(474)	(308)
Financial lease receivables, net	704	982

Financial lease receivables are distributed as follows:

In thousand BGN	2016	2015
With a repayment deadline of up to 1 year	185	450
With a repayment deadline of 1 year to 5 years	993	840
Net minimum lease payments	1,178	1,290
Depreciation	(474)	(308)
Financial lease receivables	704	982

As at the date of the financial statements, the interest accrued is 5 thousand BGN (2015: 8 thousand BGN)

14. Granted loans

In thousand BGN	2016	2015
With a repayment deadline of up to 1 year	940	2,544
With a repayment deadline of 1 year to 5 years	5,862	4,081

With a deadline over 5 years	4,238	667
Total granted loans	11,040	7,292
Depreciation	(267)	(266)
Total granted loans after depreciation	10,773	7,026

As at the date of the financial statement, the interest accrued amount to 61 thousand BGN (2015: 37 thousand BGN)

15. Other trade receivables

In thousand BGN	2016	2015
Receivables from Business centers	484	686
Depreciation	(436)	(590)
Total	48	96

16. Properties, machines and equipment, intangible assets

In thousand BGN	**Equipment and Computers**	**Industrial inventories**	**Transport vehicles**	**License and Software**	**Total**
Reported value					
As at 1 January	31	4	**7**	44	**86**
Acquired		-	31	-	**31**
Decommissioned	-	-	-	-	-
As at 31 December 2015	**31**	**4**	**38**	**44**	**117**
As at I January 2016	31	4	38	44	**117**
Acquired				14	**14**
Decommissioned	-	-	-	-	-
As at 31 December 2016	**31**	**4**	**38**	**58**	**131**
Accumulated depreciation					
As at 1 January 2015	(20)	(2)	**(7)**	(30)	**(59)**
Depreciation costs for the Year	(6)	**(1)**	(3)	(9)	**(19)**
Depreciation of decommissioned	-	-	-	-	-

As at 31 December 2015	**(26)**	**(3)**	**(10)**	**(39)**	**(78)**
As at 1 January 2016	(26)	(3)	(10)	(39)	**(78)**
Costs for depreciation for the					
Year	(3)	-	**(7)**	(5)	**(15)**
Depreciation of decommissioned	-	-	-	-	-
As at 31 December 2016	**(29)**	**(3)**	**(17)**	**(44)**	**(93)**
Book value					
As at 31 December 2016	**2**	**1**	**21**	**14**	**38**
As at 31 December 2015	**5**	**1**	**28**	**5**	**39**

At the end of 2016 and 2015, fully depreciated assets which are still in use include 2 cars with a total acquisition value of BGN 7800.

17. Assets held for sale

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

In thousand BGN	**2016**	**2015**
Assets held for sale in the beginning of the period	8	12
Acquired	7	3
Written off	(2)	(7)
Assets held for sale in the end of the period	13	8

In thousand BGN	2016	2015

Depreciation in the beginning of the period		-
Accrued throughout the year	3	
Written off throughout the year	(3)	-
Depreciation in the end of the period	-	-

18. Other assets

In thousand BGN	**2016**	**2015**
Other receivables	38	20
	38	20

Other receivables constitute VAT to be refunded, amounting to 12 thousand BGN, prepayments to the amount of BGN 8 thousand, deferred costs of BGN 6 thousand, BGN 2 thousand receivables from customers in relation to an assignment agreement and other receivables of BGN 10 thousand (2015: deferred costs of BGN 14 thousand, BGN 2 thousand receivables from customers in relation to an assignment agreement and other receivables of BGN 4 thousand).

19. Bank loans

In thousand BGN	**Authorized**		**Utilized amount**		**Unutilized**	**Book value**	
Lending bank	**Amount**	**Currency**	**2016**	**2015**	**amount**	**2016**	**2015**
Bulgarian Development Bank AD	5,000	BGN	-	-	3,300	-	-
Bulgarian Development Bank AD	3,667	EUR	3,667	-	-	3,670	-
Total	**8,667**		**3,667**	-	**3,300**	**3,670**	**-**

19. Bank loans (continued)

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

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

20. Obligations to suppliers and other obligations

In thousand BGN	2016	2015
Customers under advance payments and other liabilities to customers	23	24
Liabilities to suppliers	22	**7**
Staff liabilities	18	15
Other liabilities	38	41
Total	**101**	**87**

The staff liabilities include: accruals for paid leave and social security contributions thereon for the employees, including under management and control agreements as at 31 December 2016 and 31 December 2015.

The other obligations include BGN 13 thousand, constituting management guarantees by the members of the Board of Directors, social security liabilities of BGN 19 thousand and BGN 5 thousand corporate tax and BGN 1 thousand other liabilities (2015: BGN 17 thousand, constituting management guarantee by the members of the Board of Directors, social security liabilities of BGN 16 thousand and BGN 8 thousand VAT for payment to the budget).

21. Share capital

The registered and fully paid capital as at 31 December 2015 amounts to 7 643 thousand BGN. The shares have a nominal value of BGN 100 each and as at 31.12.2016 the value of the main capital is also BGN 7643 thousand. As at 31 December 2016 the share capital is 100% property of the Bulgarian Development Bank AD.

On 15.03.2016 the MB of the sole shareholder took a decision for payment of dividends of BGN 42 thousand to the Bulgarian Development Bank AD.

22. Deals with related parties and companies

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

Assets

Company/ person	***Type of balance***	2016	2015

Bulgarian Development Bank AD	Cash in current accounts and deposits wiht an original term of up to 3 months	1,289	942
Bulgarian Development Bank AD	deposits wiht an original term of above 3 months	13	-
Total		1,302	942

Liabilities

Company/ person	***Type of balance***	2016	2015
Bulgarian Development Bank AD	Bank loans	3,670	-
Key managerial staff	Other liabilities	13	17
Key managerial staff	Unused leave of the management	6	5
Total		3,689	22

Costs

Company/ person	***Type of balance***	2016	2015
Bulgarian Development Bank AD	Costs for fees and commissions	(6)	(2)
Bulgarian Development Bank AD	Interest costs	(15)	-
Bulgarian Development Bank AD	Administrative costs	(13)	(8)
Key managerial staff	Management costs	(164)	(129)
Total		(198)	(139)

Income

Company/ person	***Type of balance***	2016	2015
Bulgarian Development Bank AD	Interest income	-	1
Bulgarian Development Bank AD	Other income	-	33
Total		-	**34**

Contingent liabilities and commitments to related parties:

Company/ person	***Type***	2016	2015
Bulgarian Development Bank AD	Bank guarantee obtained	1	**1**
Total		**1**	**1**

23. Events after the reporting date

There are no events after the reporting date which require adjustments or additional disclosures in the financial statements as at 31 December 2016 and as at 31 December 2015.

I, the undersigned, Asya Todorova Mihaylova, do hereby certify that this is a true and correct translation I made from Bulgarian into English of the document "ANNUAL REPORT OF THE MANAGEMENT, REPORT OF THE INDEPENDENT AUDITOR AND ANNUAL FINANCIAL STATEMENTS - 31 December 2016" attached hereto. The translation contains 63 pages.

Sworn translator:

Asya Todorova Mihaylova