ANNUAL REPORT

2011

PROFI CREDIT Bulgaria EOOD

BASIC ECONOMICS FACTS OF PROFI CREDIT BULGARIA EOOD.

	2011	2010	2009	
Брой предоствени заеми	10 797	8 958	7 921	Number of loans provided
Номинална стойност на предоставените заеми (в хил. лв.)*	41 745	30 298	18 320	Nominal value of loans provided (in TBGN)*
Общо платени заеми (в хил. лв.)	13 694	10 884	8 540	Disbursed in total (in TBGN)
Заем за служители - дял в общата продукция	100%	100%	100%	Credit for employees - share in total production
Бизнес кредити - дял в общата продукция	0%	0%	0%	Loans for businessmen - share in total production
Човешки ресурси				**Human Resources**
Общ брой кредитни експерти	631	622	441	Number of external credit advisors
Общ брой инкасатори	80	75	88	Number of external collectors
Общ брой служители	106	96	98	Number of employees
Финансови показатели (в хил. лв.)				**Financial Indicators (in TBGN)**
Общо активи	29 567	22 411	17 277	Total assets
Вземания по предоставени заеми на клиенти	28 763	21 791	15 819	Receivables from provided loans to clients
Общо приходи	15 675	10 993	7 673	Total revenues
Общо разходи	19 024	17 063	12 416	Total costs
Печалба/загуба преди днъци	-3 349	-6 070	-4 743	Profit/Loss before taxation
Отсрочен данък	5	4	0	Deferred tax
Нетна печалба/загуба	-3 344	-6 066	-4 743	Profit/Loss after taxation

* nominal value of provided loans consists of disbursed amount and future interest revenue

CONTENTS

1. THE PROFIREAL GROUP

The Profireal Group is a transnational financial group which operates on the financial markets of Central and Eastern Europe. It is one of the most prominent providers of loans and credits in the Czech Republic, Slovakia, Poland, and Bulgaria. The PROFIREAL Group consists of two divisions. The companies belonging in the PROFI CREDIT division operate in the area of financial loans and credits, while the companies falling under the PROFIDEBT Division deal with the purchase and recovery of receivables.

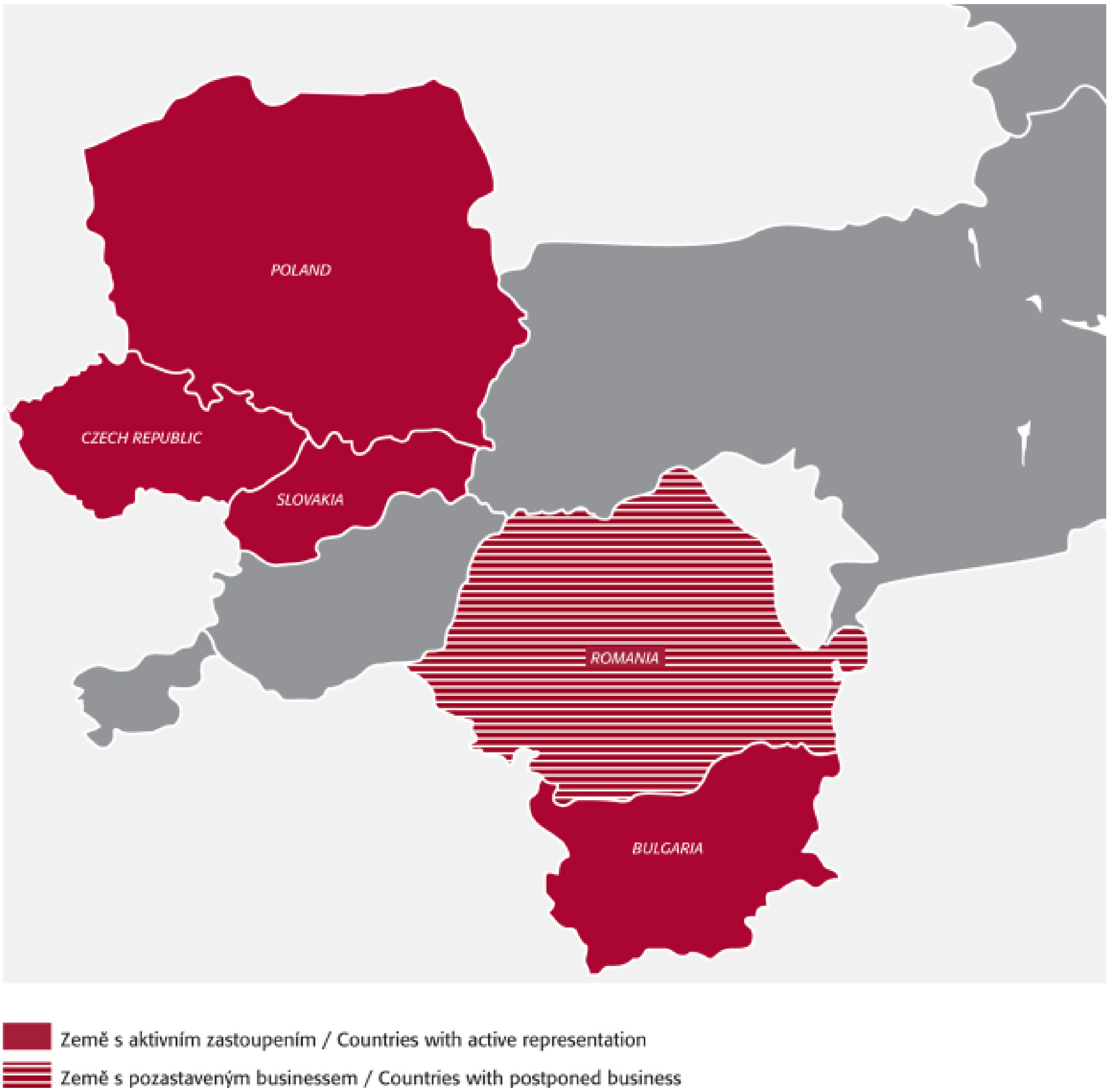
PROFIREAL Group SE with registered office in the Netherlands is the parent company of the group. The group has been providing financial loans and credits since the year 2000, when it started this project in the Czech Republic and Slovakia. It has been dealing with claim recovery and purchase of receivables since the year 2005, when, again, the Czech Republic and Slovakia were the first countries to see the start of the new division.

Throughout it's time in business, PROFI CREDIT has provided almost 600 000 loans and credits. The strongest position belongs to the division in the Czech Republic, which also achieves the highest profitability. The share of the Czech Republic of the total volume of provided loans and credits is 54 %.

In year 2011 a growth of 16,5 % was achieved in the nominal value of provided loans to customers. The growth achieved was supported by the results in Profi Credit Poland that reported 66% growth of production and Profi Credit Bulgaria with a growth of almost 38% as compared to year 2010. The nominal value of provided loans and credits throughout the year by division Profi Credit exceeded the amount of 150 million €.

One of the main priorities for all companies of PROFIREAL Group is also the quality of the client's portfolio. The group operationally reacts to economic states in particular countries and adapts its business, mainly risk management to actual situation.

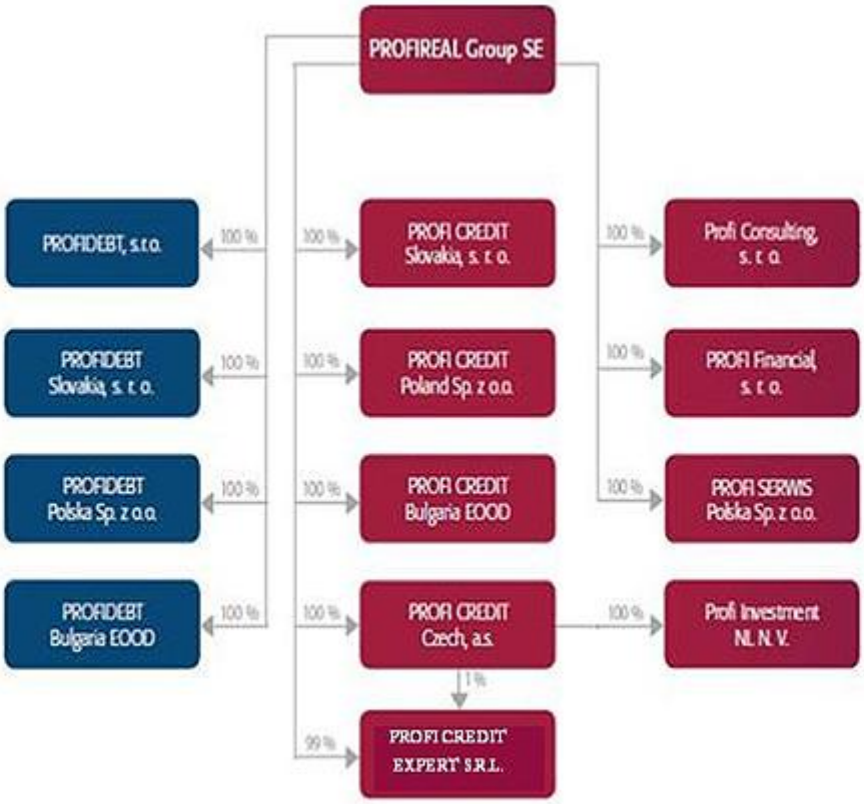
PROFIREAL Group focuses on countries of Central and Eastern Europe.



Division PROFIDEBT took its chance in time of recovering economy and purchased debts in amount 70 millions € in 2011. Banks and financial institutions which represent the target client group, increasingly often use the services of external specialists and entrust them with the recovery of their claims. The sale of the claims has also become a standard instrument. Therefore, it is probable that, in an intra-annual comparison, the growth of this sector will be within several tenths of percents for the next few years.

The goal of PROFIREAL Group is to stabilize the current activities and permanently adjust them to the economic situation in the individual countries. The main emphasis will be placed on quality risk management, on the optimization of all processes inside the individual group companies, cost savings, and maintaining the shares in the market segment.

PROFIREAL Group Structure



2. LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Ladies and Gentlemen,

Dear Partners,

Year 2011 was a special year for PROFI CREDIT Bulgaria – the company celebrated its 5th-year anniversary reckoned from the start of its business on the territory of the Republic of Bulgaria.

Since November 1, 2006 when we granted the first loan we have covered a long way – opening branch offices, employing staff and assistants, expanding our product portfolio, always actuated by one goal – to meet our customers' needs to the highest degree.

Year 2011 was a hard one, but it proved successful for us. PROFI CREDIT Bulgaria in year 2011 achieved an awareness of 39,5% as of October, thus taking the 4th place among the Non-Banking Financial Institutions.

Since the establishment of the company the NV of the loans provided to customers has exceeded BGN 116 and throughout the year we succeeded not only in increasing our team, but also in expanding our territorial coverage over 26 new settlements.

Regardless of the financial crisis influence throughout year 2011 PROFI CREDIT Bulgaria followed its main motto, and namely to grant "Tailor-made money", or in other words – loans in full conformity to our customers' means and needs.

The excellent results as a consequence of our five-year experience on the Bulgarian market and of the knowledge accumulated make us full of optimism and confidence regardless of the clear notion that the coming year shall be a complex one from an economic point of view.

I assure you that we shall continue our work in order to strengthen further the trust in You and to achieve a long-term steady growth investing all our efforts to keep your trust and our strong market positions throughout the coming year.

Николай Колев
Изпълнителен Директор - ПРОФИ КРЕДИТ България ЕООД

3. CHARACTERISTICS OF PROFI CREDIT BULGARIA

3.1. Company Bodies

PETR VRBA – STATUTORY EXECUTIVE

Graduated from Pardubice University, Czech Republic, specializing in Management, Marketing and Logistics. Immediately after graduating, Mr. Vrba joined the Profireal group at management level. He subsequently grew to a member of the Board of Directors and was appointed as a Chief Executive Officer of Development Section in April 2006. At this position, he is responsible for all daughter companies specialized in providing loans.

DAVID CHOUR – STATUTORY EXECUTIVE

After completing grammar school in Chrudim, he graduated from the Economic - Administrative Faculty at the University Pardubice, Czech Republic. He has worked in the company since 2000 when he started to work as a financial analyst. In 2001 he became the head of the receivables department and later on - the economic manager of the company. He is currently a chief executive officer, head of Administration sector and member of the Board of Directors of the mother company PROFIREAL Group SE.

NIKOLAY KOLEV – STATUTORY EXECUTIVE

Nikolay Kolev started his career as Trade Representative for Promobile Bulgaria. By virtue of his abilities and knowledge acquired during his studies at the New Bulgarian University, he reached the position of Trade Director. He later gained experience as the Trade Director and Business Developer and New Markets Director at the Actavis Group. He confirmed his management experience as Director of Alen Mak AD. He has been the CEO of Profireal Bulgaria EOOD since 7th August 2006.

ZDRAVKO RAICHEV – STATUTORY EXECUTIVE

Zdravko Raichev has been an employee of PROFI CREDIT Bulgaria since 2006. Zdravko Raichev started his career in the company at the position of Director Sales Development Department. In 2009 he took the position of Sales Director and since September 2010 occupied the position Director of Claims Collection. Since November 2010, as a result of his dedicated work in PROFI CREDIT Bulgaria, he was appointed to the Board of Directors of PROFI CREDIT Bulgaria Ltd. Before joining the company he had manager experience in international trade and services companies.

3.2. Company Profile

PROFI CREDIT Bulgaria EOOD was registered on 19th April 2006 as a private limited company under Trade Law regulations by the name Profireal Bulgaria EOOD. Main activity is to provide loans to individuals, who are Bulgarian citizens with permanent income.

The trade activity of PROFI CREDIT Bulgaria EOOD is divided into four regions – EAST, WEST, NORTH and SOUTH. The company headquarters is located in Sofia.

PROFI CREDIT Bulgaria EOOD started its trade activities in the second half of 2006 simultaneously in Varna and Pleven regions, as a result the first loan was granted on 1st November 2006. In year 2007 the expansion continued, in February the company started activities in Blagoevgrad region, later also in Bourgas and Plovdiv regions. The opening of the Sofia branch completed the company strategy that is based on the full coverage of the country.

In 2007, in connection with the changes in EU legislation and the implementation of the obligatory legal organizational form of the companies with international activities, Profireal Group was transformed into a European company holding structure. Profireal Group SE, located in the Netherlands, became the mother company of the financial group. Following the new company identity, Profireal Bulgaria EOOD changed its name to PROFI CREDIT Bulgaria EOOD on 15th February 2008. This change in the name is applicable for all daughter companies in the holding structure.

In year 2010 the company restructured its network organizing its business activities in four regions – East, West, North and South. The head office of PROFI CREDIT Bulgaria is located in the city of Sofia.

Apart from its regional offices, PROFI CREDIT Bulgaria EOOD operated on the territory of the country also with its district offices in most of the major cities – Sofia, Varna, Pleven, Blagoevgrad, Plovdiv, Bourgas, Shumen, Dobrich, Silistra, Rousse, Veliko Turnovo, Gabrovo, Troyan, Vratsa, Kyustendil, Pernik, Petrich, Stara Zagora, Sliven, Yambol, Haskovo and Pazardzhik. In year 2011 the company has teams in more than 40 cities all over the country.

As a part of the PROFIREAL Group, PROFI CREDIT Bulgaria is a dynamically growing company. It has been establishing its professional network of credit experts with success all over the country. The company's motto is „Tailor-Made Money" and a great emphasis is put on an individual approach to the customer. Based on face-to-face meetings in a place and time suitable for the client, the specific conditions of every single credit are defined.

3.3. Product Offer

PROFI CREDIT Bulgaria offers its customers non-target consumer loans for physical individuals. The company offers three product groups on the market – PROFI CREDIT Favourite, PROFI Made and PROFI CREDIT Energy, aiming at various client groups.

The product group PROFI CREDIT Favourite provides consumer revolving non-target loans for physical individuals of full legal age, with proven permanent income, including pensioners. Only income taken as basis for determining the social security installment is accepted. The product group includes two products: PROFI CREDIT Favourite and PROFI CREDIT Favourite VIP. The product PROFI CREDIT Favourite provides loans ranging from BGN 500 to BGN 5000. The product PROFI CREDIT Favourite VIP gives an opportunity for clients providing additional security (a joint debtor) to benefit from its lower price and obtain a higher loan amount of up to BGN 8 000. The repayment time is from 12 to 48 months.

The product group PROFI Made provides consumer revolving non-target loans to physical individuals of full legal age with unproven permanent income, including pensioners. Apart from insurance income, any additional income is taken into consideration. The product group includes two products: PROFI Made and PROFI Made VIP. The product PROFI Made ranges from BGN 500 to BGN 3 000. The product PROFI Made VIP gives an opportunity for clients providing additional security (a joint debtor) to benefit from the lower price and obtain a higher loan amount of up to BGN 5 000. The repayment time is from 12 to 48 months.

The product group PROFI CREDIT Energy provides fast and small consumer non-target loans for physical individuals of full legal age with proven permanent income, including pensioners. The target customers of the product group are persons with insurance income and pensions below the average for the country. The product group includes two products – PROFI CREDIT Energy and PROFI CREDIT Energy MAX. The product PROFI CREDIT Energy is from BGN 100 to BGN 350 and the product PROFI CREDIT Energy MAX provides customers with the possibility to get BGN 400 to BGN 500. Both types of products are granted for 6, 8, 10 and 12 months.

The company transfers the loans to the bank account indicated by the customer. Repayment is performed monthly and the clients of the company are entitled to choose the maturity date depending on their abilities. The customer chooses the method of repayment of the loan to PROFI CREDIT Bulgaria. The following options permitted by the law are available: cash deposit, cash transfer, credit transfer, periodical payment or direct debit.

The main product groups of the company PROFI CREDIT Favourite and PROFI Made provide the customers with an opportunity of a single time deferment of up to 3 subsequent monthly installments. Thus, the company clients are insured against the reverses of fortune, such as continuous disease or loss of job. These product groups also have a “Revolving” clause which means automatic renewal of the loan without the need of another application. Any correct payer to PROFI CREDIT Bulgaria may benefit from the “Revolving” option. For example, if a loan is granted for a period of 18 months, at the 12th paid installment the client may use the already paid amount until that time under the same conditions and without changes in the maturity date or installment.

For the major product groups of the company – PROFI CREDIT Favourite and PROFI Made an additional “refinancing” option is provided enabling clients to obtain a loan for settlement their liability to another creditor. This option was very well received by the customers and the products included in it took a serious part in the company product portfolio.

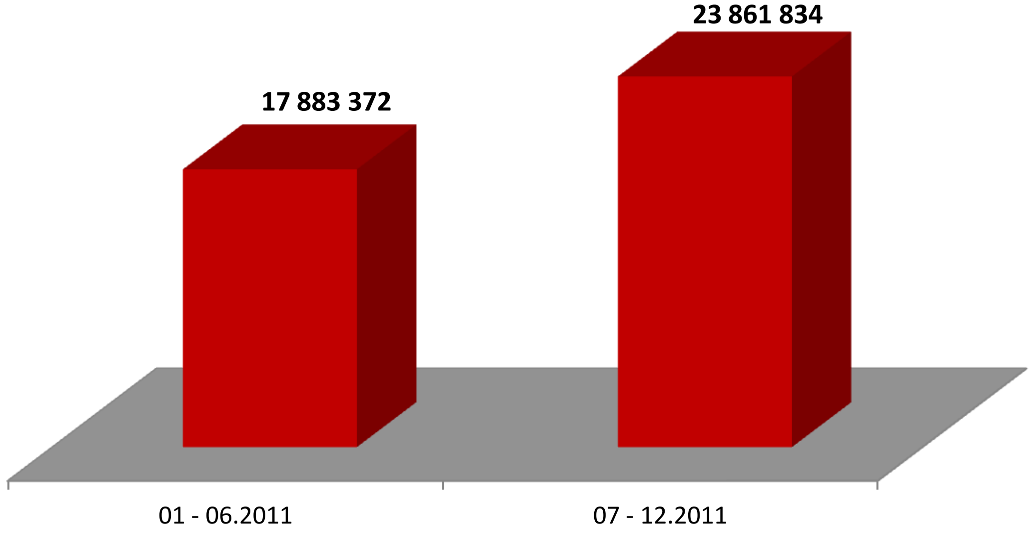
PROFI CREDIT Bulgaria observes the principle of responsible crediting and provides loans in compliance with the clients' abilities to repay them. In case the loan cannot be approved for the total required amount, the application is not rejected but is reduced. Thus, the company preserves its motto "Your money".

Lead by the desire to ensure comfort and convenience to its clients, the company has developed a one-stage procedure of crediting which distinguishes it from other financial institutions and is highly appreciated by customers. When filling in the application documents, the client signs a contract and in case of approval, the money is transferred to the client without the need of additional visits to the company office or filling in/signing additional documents.

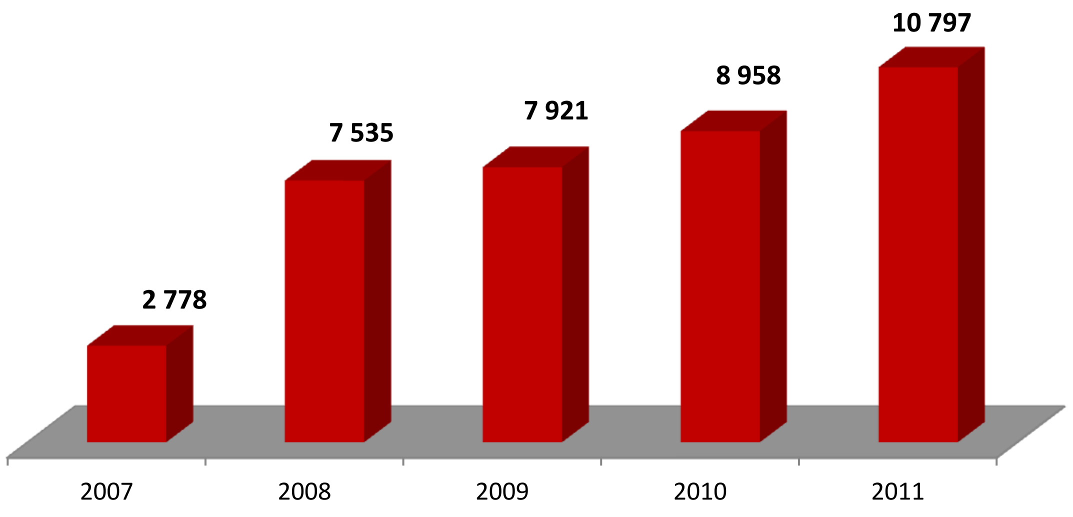
3.4. Business Results

In year 2011 PROFI CREDIT Bulgaria granted 9 974 loans amounting to BGN 40 628 378 and 820 revolvings to the amount of BGN 1 116 828. In 2011 PROFI CREDIT Bulgaria granted 9 974 loans at the amount of BGN 40 628 378 and 823 revolving loans at the amount of BGN 1 116 828. Despite the policy for credit risk management, throughout the year their number increased by 20,50% compared with the year 2010 and reached 10 797, provided that 57% of them were granted in the second half of the year.

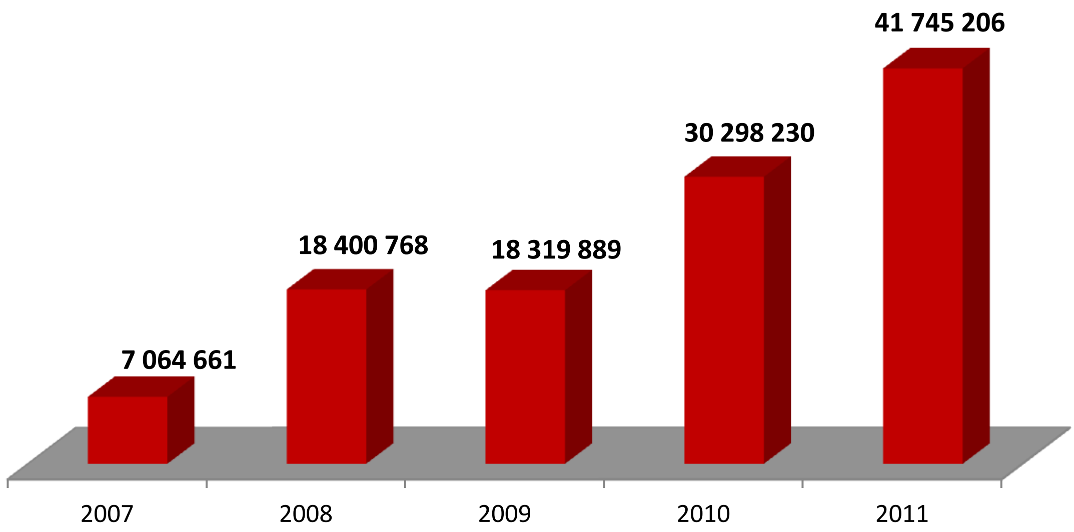
THE VOLUME OF LOANS GRANTED IN BOTH THE FIRST AND SECOND HALF OF 2011 (in BGN)



NUMBER OF LOANS GRANTED IN 2007 – 2011



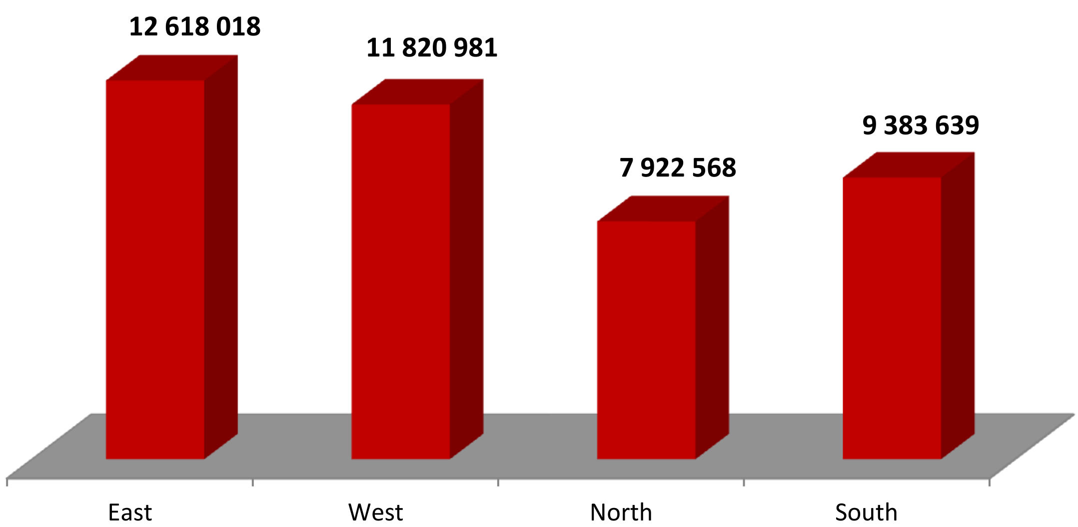
VOLUME OF LOANS GRANTED IN 2007 – 2011 (in BGN)



From the beginning of its activity to the end of 2011, PROFI CREDIT Bulgaria granted loans at nominal value exceeding BGN 116 million and the clients who trusted the company are close to 38 000.

The East region had the largest volume of sales in year 2011 granting 30% of all loans throughout the year, followed by the West region (28%), the South region (22%) and the North region (20%).

VOLUME OF LOANS GRANTED IN 2011 BY REGIONS



In order to strengthen its positions and to increase its business results in 2011 the expansion of the Sales network of PROFI CREDIT Bulgaria continued. Thanks to development of the project Team Managers the Company's services now are offered in 64 points of sale, covering more than 75% of active population of the country.

3.5. Business Network

PROFI CREDIT Bulgaria offers its products and serves its customers through a direct sales network. The main part of this network is mobile Credit Advisors.

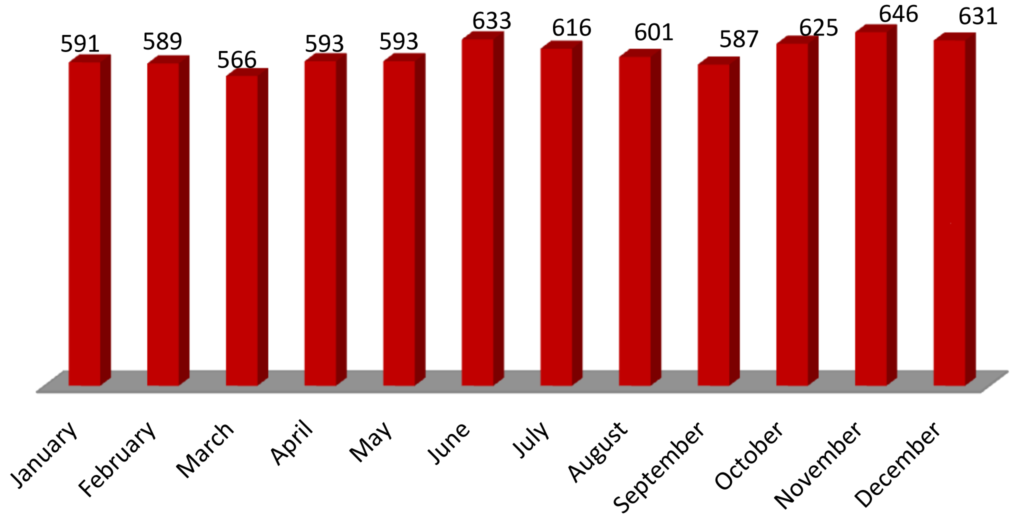
The Credit Advisors operate on the basis of a collaboration agreement and the amount of their commissions depends on the quantity of the sales. The Credit Advisors in PROFI CREDIT Bulgaria receive one of the highest commissions on the financial market. An additional motivation for the Credit Advisors and for the entire commercial network is the specialized trainings, competitions and conferences conducted on an annual basis.

The Credit Advisors maintain direct contacts with the potential clients. The quality of attendance is one of the major advantages of the company and therefore the good work done by the business network is the key to success of the whole company.

As a foundation of the sales process the Credit Advisors are financial consultants to hel the customer choose the best credit option suiting his/her individual needs and abilities.

In year 2011 - the fifth year of its development, the company not only has reached, but also kept a record number of Credit Advisors – average number of Credit Advisors per month in 2011 grows up with 28% compared to 2010. As a result from this PROFI CREDIT Bulgaria managed to achieve record sales and reached the highest average number of active Credit Advisors (with 1 contract at least) per month – 352 or increase with more than 25% on yearly basis

NUMBER OF CREDIT ADVISORS BY MONTHS IN 2011



Apart from their exceptional selling skills, the Credit Advisors have proved to be experts in servicing already granted loans. As a result of the permanent contact between the Credit Advisors and the clients, the collectability of the granted loans was maintained within the planned limits.

As in the previous years, in 2011 PROFI CREDIT Bulgaria continued to provide additional stimulus to the Sales network.

After the analyzed and proven effect of the initiatives on the motivation of the Credit Advisors, in 2011 several initiatives took place. For the first time in 2011 PROFI CREDIT Bulgaria gave as first prize on one of its initiatives a brand new vehicle to a Credit Adivsor.

The intra-company internet portal – E-Gate developed in 2007 was successfully promoted and important news and articles were published there which sustained the awareness and motivation of the employees and collaborators of the company. The main aim of the portal is to provide access to updated information regarding employees and collaborators through different reports. Apart from that, with the increase in the attractiveness of the portal, the section E-Shop was created which aimed at motivating and stimulating the Sales network by means of diverse branded materials and gifts.

3.6. Employees

PROFI CREDIT Bulgaria – our employees are our main power. It is not easy to establish a successful company and keep it successful. Such companies are created by individuals who make the right decisions at the right time and under the right circumstances.

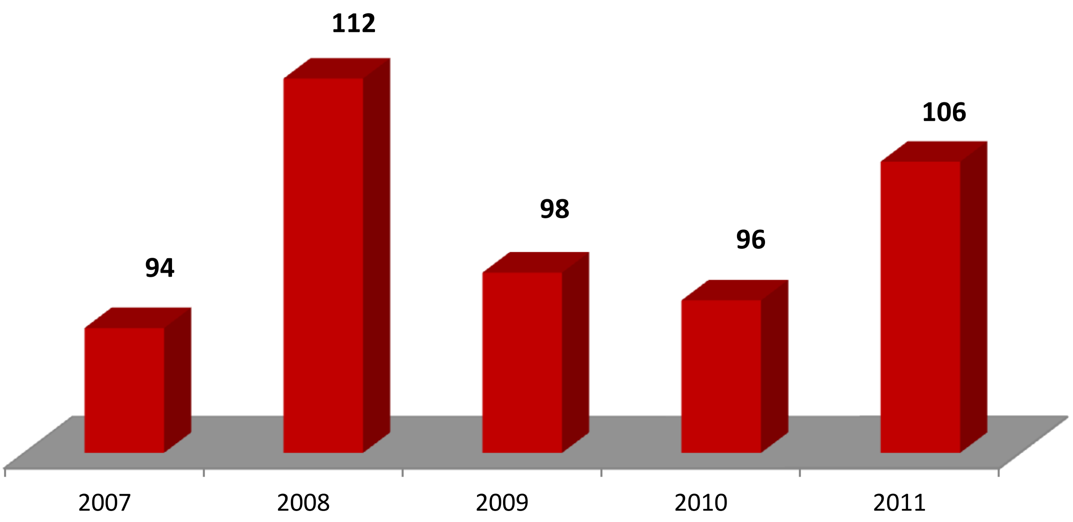
The Human Resources policy of PROFI CREDIT Bulgaria is directed towards development of employees for the purpose of full use of the talent/skills of our team. The quality of our products and services has been driven by the employees' professionalism and accuracy. The company believes that the personal ethics is the basis for the long-term and successful existence of the company. That is why, in his/her everyday activities each employee and official of the company adheres to, actively supports and is managed by the ethical code and the common norms and bears ethical liability for his/her activities.

Guided by the principle of selection of the best employees, the company adopts a balanced approach of evaluation by searching for compliance between personal characteristics and position requirements, as well as between the individual and the company culture.

In order to use the talent, power and creativity of our employees to a maximum degree, we have established working environment stimulating productivity, cooperation and solidarity.

At the end of 2011, the company had 106 employees, 65 of them are based at the Headquarters of the company and 41 – in the Sales and Collection networks.

NUMBER OF EMPLOYEES IN 2007 - 2011



For the purpose of executing its progressive plans, the company relies on people with suitable education, proven skills and experience. The requirements towards the higher and medium management staff in the company are set very high. The management consists of trained specialists with considerable knowledge and education in Business, Finance, Marketing, Management, Economics, Psychology, Public and Linguistic Sciences, as well as knowledge of foreign languages (English, German, Russian, Spanish and Czech). Our team is experienced in managing projects from different business areas, which ensures a broader view and creative thinking when adopting strategic decisions pertaining to the company development.

We ensure safe occupational environment for our employees and invest in the on-going improvement of their skills and abilities.

From a strategic business perspective, the goal of recruiting is not to simply hire people into the organization, but to reliably and efficiently place and retain the right people in the right roles to effectively support a company's business strategies. The recruitment procedure of the company includes a review of the applications, a specialized interview, work and analysis on case studies, monitoring of the professional and individual characteristics of the applicants, including communication skills, motivation, degree of independence and reliability, team work and adaptation, management potential as well as provision of references.

PROFI CREDIT Bulgaria is a company with broad perspectives both inside and outside the company. For the purpose of their implementation, we provide our employees with the opportunity for in-house career development. The company invests serious human and financial resource in its team and after appointment each employee undergoes a series of training sessions. The training programme includes: Training at the workplace, specialized training workshops, in-house trainings for development and improvement of special working skills, skills for work with customers, etc.

With the internship programme that was launched in year 2007 PROFI CREDIT Bulgaria gave young and ambitious specialists the chance to work in the company team and to gain professional experience in the field of finance.

In order to be able to function, a company needs two types of capital: financial and human. In order to be successful and competitive in today's dynamic market, people count on something more – they can create or destruct the best business strategy; they can be the leading or destructive force of the adoption of new technologies. The people are the "raw" resource which preconditions the successful business. Due to that reason it is a priority for PROFI CREDIT Bulgaria to invest in its employees.

4. REPORT OF THE BOARD OF DIRECTORS

4.1. General Information

PROFI CREDIT BULGARIA EOOD ("the Company") is a sole-owner limited liability company established on April 19, 2006, registered under Company File No. 4083 / 2006 at the Sofia City Court, with a seat and management address: Sofia, 49 Bulgaria Blvd., bl. 53E, entr. E, 1404 Sofia, Identification Code 175074752.

The Company specialises in providing consumer loans to individuals.

The principle legislation under which the Company operates is the Commercial Act, Credit Institution Act and the Ordinance No 26 dated 23.04.2009 of the Bulgarian National Bank for financial institutions.

With an order of the Bulgarian National Bank deputy director dated 05.02.2010 PROFI CREDIT Bulgaria EOOD is registered in the financial institution register pursuant to Art. 3, Para 2 of the Credit Institution Act.

The registered capital of the Company is BGN 250 000.

4.2. Review of the Activity

GENERAL OVERVIEW

The Company provides loans to clients through its sales network for direct selling. The business of the Company is split in four main regions: East, West, North and South. Direct sales and client’s servicing is performed by external collaborators – credit advisors.

2011 was the most successful year since the foundation of the Company in terms of provided loans to clients with 10 797 loans disbursed to clients compared to 8 958 loans in 2010. The net amount of loans paid to clients in 2011 is BGN 13 694 thousand compared to BGN 10 884 thousand in 2010 or 25.82% year growth. The nominal value (paid out principle to client plus contractual remuneration for the entire loan term) of disbursed loans in 2011 amounted to BGN 41 745 thousand compared to BGN 30 298 thousand or 37.78% year growth.

As of December 31, 2011 the Sales network consists: 4 Regional offices, 25 Area offices with 30 Area managers, 34 Team managers and 631 Credit advisors.

In 2011 continued the process of expanding the Sales network by appointing new Team managers and credit experts in the smaller cities. The Team managers are external collaborators for the Company who manage the Credit advisors teams in the smaller cities, where the Company doesn't have its own offices and employees.

Collection network represents a basic unit in the process of receivables collection in judicial phase. As of December 31, 2011 the number of External collectors is 80.

The head office of the Company is located in Sofia. The staff in the head office performs strategic planning and performance management, risk evaluation and analysis, approval of credit applications, collection processes management, staff and external collaborators training, human resources management, marketing, development and maintenance of information technologies, etc.

The Company receives financial and technical support by the Parent company PROFIREAL GROUP SE, The Netherlands.

As of December 2011 the average number of employees is 106 (2010: 96).

FINANCIAL RESULTS

PROFI CREDIT Bulgaria realised a net loss at amount of BGN 3,344 thousand for the year 2011. Comparing to the previous year the realized net loss decreased by 44.87% (2010: loss at amount of BGN 6,066 thousand).

Net interest income

Net interest income increased by BGN 1,795 thousand or 45.11% - from BGN 3,979 thousand in 2010 to BGN 5,774 thousand in 2011. Net interest income mainly depends on the amount of the interest bearing assets, as receivables from loans to clients and also from the volume of the interest bearing liabilities, as loans from banks, other received loans as well as the difference between the interest rates of the interest bearing assets and liabilities.

Interest expenses for the reporting year amounted to BGN 7,794 thousand (2010: BGN 5,812 thousand). Borrowed funds are used mainly by the Company to finance its activity related to granting of loans, as well as to finance the operating and other expenses, which resulted in high interest expenses for the period. The increase of interest expenses is due to the increase in other received loans and full repayment of bank loans at the end of 2010.

Interest income for the period amounted to BGN 13,568 thousand (2010: BGN 9,791 thousand). The significant increase of interest income is due to realized growth in loan portfolio of the Company in 2011.

Impairment losses

Impairment losses amount to BGN 4,158 thousand (2010: BGN 4,222 thousand) or 1.52% drop compared to 2010.

As of December 31, 2011 the credit quality remained relatively stable, as loans overdue more than 60 days amounted to BGN 18,949 thousand or 46.80% of the gross loan portfolio before impairment, in comparison to BGN 13,413 thousand or 45.67% of the gross loan portfolio at the end of the previous reporting period.

Although the positive indications for recovery of the leading global economics as well as the Bulgarian economy, the recovery is still fragile and many economic sectors still meet difficulties.

Despite being less likely, it is possible that quality of the loan portfolio to keep deteriorating, which would result in further growth in impairment losses on loans. The Company's portfolio entirely comprises of unsecured consumer loans.

Notes 5 and 12 to the annual financial statements present more detailed information about the impairment losses and the quality of the loan portfolio.

Net fees and commissions costs

The net fees and commissions costs in 2011 represent loss at the amount of BGN 916 thousand (2010: loss at the amount of BGN 866 thousand) or an increase of loss by 5.77%. The main reasons for such loss increase from fees and commissions are:

- Sales commissions’ costs that are not included into effective interest rate calculation at amount of BGN 499 thousand for 2011 (2010: BGN 241 thousand). The reason for such increase is the growth of new loans granted in the current year;
- Commissions’ costs paid to external collectors, which in 2011 amounted to BGN 376 thousand (2010: 302 thousand). The collectors are external collaborators of the Company that are collecting receivables from overdue loans mainly receivables from legally prosecuted loans. The increase of commissions is due to higher amount of loans from customers, served by external collectors;
- Court charges, arbitrary fees and bailiff charges amounting to BGN 322 thousand and decrease by BGN 154 thousand (2010: BGN 476 thousand). Such decrease in the court charges, arbitrary fees and bailiff charges is due to the less pieces of loan contracts given to the arbiters in 2011;
- Cost for sales commissions paid out to credit advisors, which are not completely amortized in the interest income, in case of early repayment of the loans. In 2011 this cost amounted to BGN 350 thousand compared to BGN 115 thousand in 2010. High growth of this cost is due to increased volume of loans granted in 2011 compared to previous reporting period;
- Revenues from credit advisor commissions’ write-offs, which in 2011 amounted to BGN 800 thousand compared to BGN 456 thousand for the previous year. Mostly these are non-monetary revenues from undue sales commissions, that were initially included into effective interest rate calculation, but later on part of them were not really paid out to credit advisors due to the following reasons: if the loan contract is legally prosecuted; upon early repayment of the loan; if the credit advisor haven’t met the criteria for getting of commission for payment of loan installment; when the installment have been collected from external collector; et.

Note 6 to the financial statements comprise detailed information about the components of net income from fees and commissions.

General and administrative expenses

The general and administrative expenses have significant impact on the amount of the realized loss for the period as they increased by BGN 307 thousand or 7.30% - from BGN 4,205 thousand in 2010 to BGN 4,512 thousand in 2011. The general and administrative expenses include personnel expenses, other administrative expenses and depreciation of fixed assets.

Personnel expenses

Personnel expenses have the major share in the general and administrative expenses which increased by BGN 306 thousand or 14.28% - from BGN 2,143 in 2010 to BGN 2,449 in 2011. The increase of personnel expenses is due to increase in the average salary in 2011.The average number of employees in 2011 is 100 against 94 in 2010.

Other administrative expenses

Other administrative expenses are relatively constant, despite the sales growth, and increase by BGN 34 thousand or 1.82% - from BGN 1,869 thousand in 2010 to BGN 1,903 thousand in 2011. Other administrative expenses includes office rental and overhead costs, marketing and advertising costs, postage and telecommunication expenses, national and foreign business trip expenses, consulting services, etc. The main reason for reduction of other administrative expenses is due to successful reduction of the price for rented offices.

Depreciation/amortization of fixed assets

The depreciation/amortization charges of fixed assets decreased by BGN 33 thousand - from BGN 193 thousand in 2010 to BGN 160 thousand in 2011.

Note 7 to the annual financial statements comprises detailed information about the structure of general and administrative expenses.

Net insurance income

During the reporting period the net insurance income increases by BGN 162 thousand or 40.91% - from BGN 396 thousand in 2010 to BGN 558 thousand in 2011.

Note 8 to the annual financial statements comprise detailed information about the net insurance income.

Other operating income, net

During the reporting period other net operating expenses amounted to BGN 95 thousand compared to the expense at the amount of BGN 1,152 thousand in 2010. Key components of net operating expenses are:

- Realized currency gains amounting to BGN 236 thousand in 2011 comparing to realized currency losses amounting to BGN 873 thousand in 2010;
- Hired services from related parties amounting to BGN 326 thousand in 2011 (2010: BGN 272 thousand).

Reported currency gains were realized due to revaluation of received loan in Czech crowns, in the same time the Company reports currency losses amounting to BGN 933 thousand and related to opened currency forward agreements. Losses from forward agreements are not realized, because their settlement date is still not due and respectively their fair value on the settlement date might be different than the fair value at the end of reporting period.

Notes 9, 19 and 23B to the annual financial statements comprise detailed information about the components of other operating expenses.

ASSETS

As of December 31, 2011 the assets amounted to BGN 29,566 thousand, the increase over the previous year is 31.93% (2010: BGN 22,411 thousand).

The statement of financial position structure is not changed significantly compared to prior year. At the end of 2010, the biggest share of assets belonged to loans to customers - 97.28% of total assets (2010: 97.23%), followed by cash and equivalents – 1.41 % (2010: 0.7%), etc.

LIABILITIES

As of December 31, 2011 liabilities amounted to BGN 52,116 thousand, a 25.02% increase over the previous year (2010: BGN 41,687 thousand).

At the end of 2011 other loans received amounted to BGN 46,051 thousand (2010: BGN 38,020 thousand), represented 88.36% of total liabilities compared to 91.20% at the end of 2010. The amount represents principle and interest payable for December 2011 for loan received from foreign company with maximum credit limit of CZK 750 million matured on December 31, 2012. The loan is secured by total receivables from loans to customers as well as blank promissory note is issued to the creditor.

Other liabilities at the amount of BGN 6,000 thousand (2010: BGN 3,527 thousand) consist mainly of deferred insurance income amounted to BGN 2,335 thousand (2010: 1,580 thousand), liabilities to credit experts no fallen due of BGN 1,620 thousand (2010: BGN 1,109 thousand), obligations under forward foreign exchange agreements amounting to BGN 993 thousand (2010: no such) and other current liabilities.

EQUITY

As of December 31, 2011 the Company reported negative equity amounting to

BGN 22,550 thousand (2010: BGN -19,276 thousand). The negative equity resulted from the accumulated loss due to the initial establishment expenses incurred by the Company. Management of the Company expects that in long term the negative equity will be covered by its future profits.

4.3. Significant Events Occured After the Data of the Financial Statements

There are no significant events occurred after the date of the financial statements of the Company.

4.4. Future Development of the Company

The Company set the following main goals for 2012:

- To keep the growth of disbursed new loans to clients in comparison to the previous year;
- Product portfolio diversification and launch of new products;
- To continue the territorial expansion by extending the distribution network;
- To improve the quality of loan portfolio;
- Improvement of the processes and results of legal collection unit;

- Strict control and increased costs efficiency;
- Diversification of the sources of financing;
- To adopt currency risk hedging strategies.

4.5. Development and Research Activities

The Company did not perform any research and development activities during the year.

4.6. Description of the Significant Risks to the Company

Risk management, being a key indication in lending activities, is among the strategic goals of the Company's management. PROFI CREDIT Bulgaria pays particular attention and allocates resources for preventive management of risk factors, and implements on a timely basis leading practices in the area. Significant investments for development of the information technologies of the Company have been made.

For more detailed information about the Company's exposure to significant risks, see note 23 to the annual financial statements.

Liquidity risk

Liquidity risk is the risk the Company not being able to meet its payment obligations or provide loans to customers, which may originate from a gap between the Company's cash flows. With respect to the liquidity risk management, the Company's objective is to perform timely its payment obligations as well as ensuring sufficient resources for achieving high growth in assets.

The Company is in process of negotiations for extension of the maturity date of the received loan, which originally matured on December 31, 2012. Company's management expect that such agreement will be achieved.

Price risk

PROFI CREDIT Bulgaria operates in a very well developed and competitive market of financial services, and therefore, it is exposed to price risk. Some of the Company's competitors are banks and financial institutions having access to cheap financial resources, which puts them in a better position in pricing competitive products.

Foreign currency risk

Foreign currency risk is the risk of change of the financial instruments value due to significant changes in foreign currency markets. The difference between the levels of financial instruments, and respectively, of assets and liabilities denominated in foreign currencies, reflects the extent to which a particular financial instrument is exposed to a foreign currency risk.

The Company performs its monetary operation mainly in EUR, CZK and BGN. The loans granted to clients are in BGN only. The exchange rate of EUR/BGN is fixed according to an Agreement between the Republic of Bulgaria and the International Monetary Fund and in compliance with the Bulgarian National Bank Law.

Due to the strong volatility of CZK and the significant amount of the exposure in the same currency, the results of the Company's financial performance is significantly influenced by the future exchange rate fluctuations. The fluctuations in CZK FX rate might have significant impact on furute financial performance of the Company. In case that the exchange rate of CZK increases by 10 % towards BGN that would increase the amount of the liabilities with BGN 4,605 thousand (2010: BGN 3,806 thousand). The weakening of the exchange rate of CZK by 10% will have a reverse effect and would decrease the liabilities with the same amount.

In order to minimize the currency risk arisen from the CZK/BGN rate movement, in 2011 the management of the Company opened with a bank two NDF agreements for buying

CZK 577 693 560.00 against selling EUR. The settlement date of both NDFs is November 21, 2013. As a result of the transactions above 95% of the outstanding payable from other received loans is covered with NDF receivable in the same currency, thus the management expects to neutralize the CZK/BGN spot rate movements.

At the end of reporting period the net position in currency forward agreements is a payable at amount of BGN 993 thousands, respectively it is loss for the Company which is compensated from currency gains related to revaluation of other received loan in CZK. The effect from forward agreement is net presented in the statement of financial position as the BGN equivalence of the outstanding payable in EUR is compensated up to the BGN equivalence of the receivable in CZK.

Credit risk

Credit risk is reflected in the probability of a counterparty to a financial instrument not being able to fulfil its payment obligation as it falls due and thus to cause financial losses to the Company.

The main financial assets of the Company as of December 31, 2011 comprise cash and cash equivalents amounting to BGN 416 thousand (2010: BGN 156 thousand) and loans granted to customers amounting to BGN 28,763 thousand (2010: BGN 21,791 thousand).

The Company is exposed to credit risk related to the risk some of the clients not being able to fulfil their liabilities.

The Company uses its own network of employees (collection of receivables coordinators), as well as a developed network of external assistants - credit agents and collectors of the Company’s receivables.

The credit risk is diversified among a significant number of clients around the country. Some of the loans are additionally secured by third parties – guarantors.

In 2010, after change in Ordinance 22 of the Bulgarian National Bank, PROFI CREDIT Bulgaria EOOD obtained an access to the Central Credit Register of BNB. Access to the information in the register will contribute to additional mitigation of the credit risk.

Interest rate risk

Interest rate risk relates to the possible adverse effect to the Company which fluctuations in interest rates might have on the net interest income. Company use long-term financing with fixed interest rate. Loans to customers’ bear fixed interest rate largely exceeding the interest rates at which the Company obtains its financing. Therefore, management believes that the activity of PROFI CREDIT Bulgaria is not very sensitive to interest rate fluctuations.

4.7. Total Remunerations Received by Management During the Year

	2011	**2010**
Number of members	4	4
Remunerations accrued	214	186
Others (social security and health insurance, etc)	8	11
Total (in BGN thousand)	**222**	**197**

4.8. Participation of General Managers in Other Companies

Name	**Company in the management and control bodies of which the persons participate**
Petr Vrba	PROFIREAL GROUP SE, The Netherlands PROFI CREDIT EXPERT S.R.L. , Romania PROFI CREDIT Poland, Sp. d o.o. PROFI CREDIT Czech Republic, a.s. PROFI CREDIT Slovakia, s.p.o. PROFI FINANCIAL, s.r.o., Czech Republic PROFI SERWIS Polska Sp. z o.o, Poland
Nikolay Kolev	PROFIDEBT Bulgaria EOOD Home Projects OOD
Zdravko Raichev	Elada Properties EOOD
David Chour (Managing director since 28.06.2011)	PROFIREAL GROUP SE, The Netherlands PROFI CREDIT Czech Republic, a.s. PROFIDEBT Czech Republic, s.r.o. PROFI Consulting, s.r.o., Czech Republic PROFI Investment NL N.V., The Netherlands TH REAL, a.s., Czech Republic

Nikolay Kolev

Managing Director

Zdravko Raichev

Managing Director

5. INDEPENDENT AUDITOR'S REPORT

Deloitte.

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Факс: +359 (2) 80 23 350

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INDEPENDENT AUDITOR'S REPORT

To the owner of
Profi Credit Bulgaria EOOD

Report on the financial statements

We have audited the accompanying financial statements of Profi Credit Bulgaria EOOD ("the Company"), which comprise the statement of financial position as of December 31, 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Company as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as approved by the European Union.

Emphasis of matter

We draw attention to the following matters:

a) As disclosed in note 3 to the accompanying financial statements the Company has realized losses at the amount of BGN 3,344 thousand for 2011 and BGN 6,066 thousand for 2010 and as of December 31, 2011 the liabilities exceed the assets of the Company by BGN 22,550 thousand. These circumstances indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. No adjustments related to this uncertainty have been accounted for in the accompanying financial statements. However the sole shareholder intends to support the Company's operations. Our opinion is not modified in respect to this matter.

b) The Company's loan portfolio, consisting of mainly unsecured loans granted to individuals, has increased significantly since the establishment of the Company in 2006. As disclosed in note 2 to the accompanying financial statements, to determine whether the receivables on loans to customers are impaired, the management of the Company makes a reasonable estimate of the excepted cash flows from the respective loans. As disclosed in note 26 to the accompanying financial statements as a result of the global economic crisis different industries and sectors in the Bulgarian economy have marked a decline which causes a material uncertainty and risks for their development in the foreseeable future. The declining rates of economic development increase the risks for the economic environment in which the Company operates. Therefore, the level of the impairment losses in subsequent reporting periods may differ substantially from the current levels. The recoverability of the loans and the adequacy of the recognized impairment losses, depend on the financial position of the borrowers and their ability to settle their obligations at contracted maturity in subsequent reporting periods. Our opinion is not modified in respect to this matter.

c) As disclosed in note 18 to the accompanying financial statements the Company has received a non-bank loan as of December 31, 2011 at the amount of BGN 46,051 thousand. The Company is in process of renegotiating the terms of the loan which matures on December 31, 2012. The Company's ability to continue its operation in the foreseeable future as a going concern depends on the successful loan renegotiation. No adjustments related to this uncertainty have been booked in the accompanying financial statements. Our opinion is not modified in respect to this matter.

Report on other regulatory requirements - Annual report on the activities on the Company according to article 33 of the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4 we have read the accompanying Annual report on the activities of the Company. The Annual report on the activities of the Company, prepared by the management, is not a part of the financial statements. The historical financial information presented in the Annual report on the activities of the Company, prepared by the management is consistent, in all material respects, with the annual financial information disclosed in the financial statements of the Company as of December 31, 2011, prepared in accordance with IFRS, as approved by the European Union. Management is responsible for the preparation of the Annual report on the activities of the Company dated March 27, 2012.

Deloitte Audit

Deloitte Audit OOD

Sylvia Peneva
Managing Director
Registered Auditor

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

Sofia
March 30, 2012

6. FINANCIAL STATEMENTS

6.1. STATEMENT OF COMPREHENSIVE INCOME

PROFI CREDIT BULGARIA EOOD

All amounts are in thousand Bulgarian Levs, except otherwise stated

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2011

	Notes	2011	2010
Interest income		13 568	9 791
Interest expenses		(7 794)	(5 812)
Net interest income	4	**5 774**	**3 979**
Impairment losses	5	(4 158)	(4 222)
Net interest income/(loss) after impairment losses		**1 616**	**(243)**
Net expenses from fees and commissions	6	(916)	(866)
General and administrative expenses	7	(4 512)	(4 205)
Net insurance income	8	558	396
Other operating /expenses, net	9	(95)	(1 152)
Loss before taxes		**(3 349)**	**(6 070)**
Income taxes	10	5	4
Loss for the period		**(3 344)**	**(6 066)**
Other components of comprehensive income		--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(3 344)**	**(6 066)**

These financial statements are approved by the Managing Directors of the Company on **27.03.2012**

Nikolay Kolev
Managing Director

Zdravko Raichev
Managing Director

Svetoslav Nikolov
Financial Manager

PROFI CREDIT
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Sylvia Peneva
Registered auditor
Date 30/03/2012

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

The accompanying notes are an integral part of these financial statements

1

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6.2. STATEMENT OF FINANCIAL POSITION

PROFI CREDIT BULGARIA EOOD

All amounts are in thousand Bulgarian Levs, except otherwise stated

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2011

	Notes	2011	2010
Assets			
Cash and cash equivalents	11	416	156
Loans to customers	12	28 763	21 791
Other receivables	13	135	123
Inventories	14	51	10
Property, plant and equipment	15	163	275
Intangible assets	16	38	56
Total assets		**29 566**	**22 411**
Liabilities and equity			
Liabilities			
Liabilities on financial lease	17	21	34
Other loans received	18	46 051	38 020
Other liabilities	19	6 000	3 527
Provisions	20	36	93
Deferred tax liabilities	10	8	13
Total liabilities		**52 116**	**41 687**
Equity			
Share capital	21	250	250
Accumulated loss		(22 800)	(19 526)
Total equity	22	**(22 550)**	**(19 276)**
Total liabilities and equity		**29 566**	**22 411**

These financial statements are approved by the Managing Directors of the Company on **27.03.2012**

Nikolay Kolev
Managing Director

Zdravko Raichev
Managing Director

Svetoslav Nikolov
Financial Manager

Sylvia Peneva
Registered auditor
Date 30/03/2012

ПРОФИ КРЕДИТ PROFI CREDIT
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№2

Специализирано одиторско предприятие "Делойт Одит" ООД София Рег. №033

The accompanying notes are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

6.3. CASH FLOW STATEMENT

PROFI CREDIT BULGARIA EOOD

All amounts are in thousand Bulgarian Levs, except otherwise stated

CASH FLOW STATEMENT
FOR THE PERIOD JANUARY 1, - DECEMBER 31, 2011

	2011	2010
Net loss	**(3 344)**	**(6 066)**
Adjustments for non-monetary items		
Impairment losses	4 158	4 222
Deferred taxes	(5)	(4)
Depreciation/amortization of assets	160	193
Increase of provisions	(57)	51
Effect of change in foreign exchange rates	(250)	833
Interest expense	7 794	5 812
Changes in operating assets and liabilities		
Increase of investments in loans to customers	(11 130)	(10 194)
Net increase/decrease in other assets	(53)	513
Net increase in other liabilities	1 555	1 251
Loan interests paid	(7 691)	(5 819)
Net cash flow used in operating activities	**(8 863)**	**(9 208)**
Cash flows from investing activities		
Acquisition of fixed assets	(31)	(50)
Net cash flow used in investing activities	**(31)**	**(50)**
Cash flow from financial activities		
Paid loans to banks	--	(9 779)
Paid liabilities on finance lease	(13)	(21)
Non-bank loans received	9 167	18 875
Net cash flows from financing activities	**9 154**	**9 075**
Net change in cash and cash equivalents	**260**	**(183)**
Cash and cash equivalents in the beginning of the period	**156**	**339**
Cash and cash equivalents at the end of the period	**416**	**156**

These financial statements are approved by the Managing Directors of the Company on **27.03.2012**

Nikolay Kolev
Managing Director

Zdravko Raichev
Managing Director

Svetoslav Nikolov
Financial Manager

Sylvia Peneva
Registered auditor
Date 30/03/2012

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СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ „ДЕЛОЙТ ОДИТ" ООД
София
Рег. №033

The accompanying notes are an integral part of these financial statements.

3

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

6.4. STATEMENT OF CHANGES IN EQUITY

PROFI CREDIT BULGARIA EOOD

All amounts are in thousand Bulgarian Levs, except otherwise stated

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD JANUARY 1, - DECEMBER 31, 2011

	Share capital	Accumulated loss	Total
January 1, 2010	**250**	**(13 460)**	**(13 210)**
Loss for the period	--	(6 066)	(6 066)
December 31, 2010	**250**	**(19 526)**	**(19 276)**
January 1, 2011	**250**	**(19 526)**	**(19 276)**
Loss for the period	--	(3 344)	(3 344)
Other changes in equity		70	70
December 31, 2011	**250**	**(22 800)**	**(22 550)**

These financial statements are approved by the Managing Directors of the Company on **27.03.2012**

Nikolay Kolev
Managing Director

Zdravko Raichev
Managing Director

Svetoslav Nikolov
Financial Manager

PROFI CREDIT
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Sylvia Peneva
Registered auditor
Date 30/03/2012

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
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4

6.5. Notes to the Financial Statement

1. Description of the main activity

PROFI CREDIT BULGARIA EOOD ("the Company") was registered on April 19, 2006 under company case 4083/2006 as a sole owner limited liability company according to the requirements of the Bulgarian Commercial Act.

On February 11, 2008 the name of the Company was changed from Profireal Bulgaria EOOD to Profi Credit Bulgaria EOOD.

The Company is specialized in providing loans to individuals and small business enterprises.

The share capital is BGN 250 000.

Structure of property

The owner of the Company as of December 31, 2011 is:

Profireal Group S.E., Netherlands 100%

Headquarters and address of management

PROFI CREDIT Bulgaria EOOD

49, Bulgaria Blvd., bl. 53 E, entrance V

Sofia, Sredets Municipality, Bulgaria

Identification number

175074752

VAT number

BG175074752

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

Managing Directors of the Company as of December 31, 2011 are:

Nikolay Binev Kolev

David Chour (since 28.06.2011)

Zdravko Stamenov Raichev

Petr Vrba

Alexandar Yuliev Jotev (till 28.06.2011)

Changes in the commercial register

The following changes have been made till the date of the preparation of the statement of financial position:

- On February 9, 2007 Vratislav Ionash Kubinek was removed as a managing director and Nikolay Binev Kolev was registered as a new managing director;
- On September 3, 2007 Profireal AD was removed as a sole owner and Profireal Holding AD, the Czech Republic, was added as a new sole owner;
- On February 11, 2008 the name of Profireal Bulgaria EOOD was changed to Profi Credit Bulgaria EOOD;
- Profireal Holding AD was removed as a sole owner on February 11, 2008 and Profireal Group S.E., the Netherlands was added as a sole owner.
- In July 2009 the share capital was increased to BGN 250 000.
- On February 25, 2011 Tomas Rosenberger was removed as a managing director and Zdravko Stamenov Raichev was registered as a new managing director;
- On June 28, 2011 Alexandar Jotev was removed as a managing director and David Chour was registered as a new managing director;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

Organizational structure

The activities of the Company are organized in four geographical regions: East, West, North and South. The head office is in Sofia. The staff in the head office performs strategic planning and management, services in the field of corporate finance, marketing and information technologies.

2. Basis for preparation of the financial statements and accounting principle

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Union (the "EU") and applicable in the Republic of Bulgaria.

(a) Changes in IFRS

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- Amendments to IAS 24 Related Party Disclosures - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on July 19, 2010 (effective for annual periods beginning on or after January 1, 2011),
- Amendments to IAS 32 Financial Instruments: Presentation – Accounting for rights issues, adopted by the EU on December 23, 2009 (effective for annual periods beginning on or after February 1, 2010),
- Amendments to IFRS 1 First-time Adoption of IFRS - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on June 30, 2010 (effective for annual periods beginning on or after July 1, 2010),
- Amendments to various standards and interpretations Improvements to IFRSs (2010) resulting from the annual improvement project of IFRS published on May 6, 2010

(IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on February 18, 2011 (amendments are to be applied for annual periods beginning on or after July 1, 2010 or January 1, 2011 depending on standard/interpretation),

- Amendments to IFRIC 14 IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum Funding Requirement, adopted by the EU on July 19, 2010 (effective for annual periods beginning on or after January 1, 2011),

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, adopted by the EU on July 23, 2010 (effective for annual periods beginning on or after July 1, 2010).

The adoption of these amendments to the existing standards has not led to any changes in the Company's accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets, adopted by the EU on November 22, 2011 (effective for annual periods beginning on or after July 1, 2011).

The Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the date of publication of financial statements:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after
January 1, 2015),
- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after January 1, 2013),
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after
January 1, 2013),
- IFRS 12 Disclosures of Involvement with Other Entities (effective for annual periods beginning on or after January 1, 2013),
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after January 1, 2013),
- IAS 27 (revised in 2011) Separate Financial Statements (effective for annual periods beginning on or after January 1, 2013),
- IAS 28 (revised in 2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 1 First-time Adoption of IFRS - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011),
- Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 9 Financial Instruments” and IFRS 7 Financial Instruments: Disclosures – Mandatory Effective Date and Transition Disclosures,
- Amendments to IAS 1 Presentation of financial statements -Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012),
- Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012),

- Amendments to IAS 19 Employee Benefits - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IAS 32 Financial instruments: presentation - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014),
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after January 1, 2013).

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Company's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the financial statements, if applied as at the reporting date.

(b) Functional and presentation currency

The Company keeps its accounting records in the national currency of the Republic of Bulgaria the Bulgarian Lev. These financial statements have been prepared in thousand BGN, which is the functional currency used in the Company, except when otherwise stated. The exchange rate of the EUR to the BGN is fixed by law and is EUR 1 to BGN 1.95583.

(c) Recognition of income and expenses

Income and expenses for interest are recognized in the statement of comprehensive income for all interest-bearing assets and liabilities using the effective interest method and on accrual basis.

The effective interest rate is that rate, which precisely discounts the expected future cash flows during the expected life of the financial asset or liability up to the carrying amount of the financial asset or liability. The effective interest rate is determined at the initial recognition and is revised only when the repayment schedule of the loan is renegotiated.

The calculation of the effective interest rate includes payable fees, transaction costs, as well as the discounts and premiums, which are an integral part of the effective interest rate. The transaction costs are the marginal costs directly related to the acquisition, emission or sale of a financial asset or liability.

Non-interest bearing incomes and expenses are recognized in the statement of comprehensive income on accrual basis.

(d) Insurance income and expenses

The Company recognizes insurance income and expenses arising from consumer loans that have the option for client to postpone up to three installments from the initial payment schedule. Upon new loan disbursement the Company recognizes a part from total loan remuneration as deferred insurance income which is recognized in the current incomes proportionately over the entire loan term.

The insurance premium covers the risk of impossibility for payment of a repayment installment at maturity as a result of certain events.

(e) Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reported at historic cost decreased by the accumulated depreciation/amortization and impairment losses. Depreciation/amortization is charged by systemically applying the straight-line method over the expected useful life of the assets.

The value threshold for recognizing property, plant and equipment and intangible assets is BGN 500. All acquired assets of value lower than the value threshold are recognized as expense in the statement of comprehensive income

The expected useful life of the assets acquired after January 1, 2010 is as follows:

All amounts are in thousand Bulgarian Levs, except otherwise stated

Assets	**Period**
Office equipment and furniture	60 months
Computers	60 months
Mobile phones	24 months
Vehicles	60 months
Software	60 months
Other tangible assets	60 months
Intangible assets	80 months

At the beginning of 2007 and 2010 the management of the Company changed the useful life of some categories of assets as follows:

Assets	**After 01.01.2010**	**Before 01.01.2010**	**Before 01.01.2007**
Office equipment and furniture	60 months	80 months	80 months
Computers	60 months	48 months	24 months
Vehicles	60 months	60 months	48 months
Other tangible assets	60 months	80 months	80 months
Intangible assets	60 months	48 months	24 months

Property, plant and equipment and intangible assets are tested periodically for impairment. In cases when the carrying amount of the asset exceeds the recoverable amount, then it is immediately adjusted to its recoverable amount.

(f) Inventories

Inventories are measured upon acquisition at cost, including the purchase costs and for processing, as well as the other costs incurred in relation to their delivery to the current place and condition. The method of the weighted average price on a period monthly basis is applied when they are written off.

(g) Impairment of assets

As of each date of preparation of the statement of the financial position the Company reviews the carrying amount of the assets and determines whether there are indications for recognition of impairment losses. Impairment losses are determined as the difference between the recoverable amount of the assets and its carrying value. When it is not possible to determine the recoverable amount of a separate asset the recoverable amount of a group of assets generating cash flows to which this asset belongs is determined. Intangible assets with an indefinite useful life and those assets which are not available for sale are annually tested for impairment, no matter whether there is an indication for the asset's impairment. The test includes comparison between the carrying amount and the recoverable amount of the asset.

The recoverable amount is the higher of the fair value less the costs for sale of the assets or the unit generating cash flows and their amount in use. When determining the amount in use the calculated future cash flows are discounted to their current value by applying a suitable effective interest rate, which reflects the current market levels in relation to the value of the cash in time and the risks which are specific for the asset.

If the recoverable amount of the asset (or group of assets generating cash flows) is lower than the carrying amount then the latter is reduced to the recoverable amount of the asset. The determined impairment loss is recognized immediately as an expense in the statement of comprehensive income.

The Company reviews as of each date of preparation of the statement of financial position whether there are indications that the impairment loss of an asset, recognized in previous years, no longer exist or whether they are reduced. If such indications exist the Company measures the recoverable amount of the respective asset.

The increased as a result of recovering the impairment loss carrying amount of an asset should not exceed the carrying amount as it would be (after deduction of depreciation/amortization), if in previous years impairment losses have not been recognized for the respective asset. Recovering the impairment losses of an asset should be recognized immediately in the statement of comprehensive income.

(h) Provisions

Provisions are recognized only if:

- The Company has a current right or a constructive liability, arising from past events, the settlement of which are expected to create an out flowing cash flow of resources of the Company.
- The amount of the liability can be reliably measured.

In compliance with the requirements of IAS 19 provisions are allocated for payments to the staff, which are based on an analysis of the unused leave and the average costs for salaries, including social and health insurance of the employees.

(i) Transactions in foreign currency

Transactions in foreign currency are recorded initially in BGN by applying the central exchange rate of the Bulgarian National Bank (BNB) to the amount in foreign currency as of the date of the transaction. Profit and loss, arising from such transactions and from translation of cash assets and liabilities denominated in foreign currencies are reported in the statement of comprehensive income.

On December 31, 2011 the cash assets and liabilities, denominated in foreign currency are revalued in BGN according to the BNB central closing exchange rate publishes by Bulgarian National bank on 30.12.2011 where: BGN 1.95583 = EUR 1 (fixed rate according to the Currency Board Agreement) and BGN 7.58456 = 100 CZK.

(j) Taxation

In compliance with the Bulgarian legislation the Company is subject to taxation with a corporate income tax of 10 %.

The corporate income tax for the year includes the current income tax and the changes in the deferred taxes.

The current income tax is calculated on the basis of the annual taxable profit by using a tax rate that is effective as of the date of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

Deferred taxes are calculated for all temporary differences between the accounting and tax amounts of the assets and liabilities, multiplied by the tax rate effective for the next reporting period.

Deferred tax assets are recognized to the extent that future taxable profit is probable, against which they can be utilized.

(k) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to a financial instrument contract.

- *Loans to customers*

Loans granted to customers are non-derivative financial assets with fixed payments, which are not offered on an active market. All loans are recognized when the money is lent to the borrower.

The granted loans are reported according to their amortized cost as follows: the fair value of the paid monetary equivalent plus the costs for the transaction plus deferred insurance income less the paid installments by the customers plus accumulated amortization of the interest minus the potential impairment loss.

The effective interest rate is used to amortize the income from interest.

The total amount of the net receivables from loans to customers, reported at amortized cost, as of December 31, 2011 is BGN 28 763 thousand (2010: BGN 21 791 thousand).

- *Impairment of loans*

Impairment losses are recognized to the recoverable amount of the asset or group of assets with similar characteristics. The recoverable amount is determined on the basis of the expected future cash flows of the instrument which are discounted as of the date of the statement of financial position by using the effective interest rate of the loan. The impairment losses of the loans are recognized in cases when objective evidences exist that the Company may not be able to collect all due amounts on the loan. The amount of the loss is determined as a difference between the carrying and the recoverable amount as of the date of the statement of financial position. When the amount of the impairment significantly decreases as a result of subsequent events the losses are reduced and the result is recognized as income from reintegration of losses.

The Company determines the amount of the allowances for impairment on an individual basis for all significant loans and receivables. Loans and receivables which are not individually significant and bear similar loan risk characteristics for which objective indications of impairment exist, are impaired on a collective basis, based on an analysis.

- *Cash and cash equivalents*

For cash flow statement purposes, cash and cash equivalents include cash on hand, money in transfer, in bank accounts and other financial assets, the amount of which may be reliably determined and which may be turned into cash immediately.

- *Derivative financial instruments*

Derivative financial instruments used by Company uses include foreign currency forward agreements. They are initially reported in the statement of financial position at fair value and are subsequently revalued at fair value. All derivatives are reported as financial assets when they are favorable for the Company and as financial liabilities when they are adverse for the Company. The fair values are measured depending on the changes in the exchange rates.

- *Bank and other loans*

At initial recognition bank and other loans are measured at acquisition cost, which includes the fair value of the received loans adjusted with the costs of the transaction with the financial liability, which includes bank fees and commissions for granting the loan, agents' commissions, taxes and others. Subsequently the received loans are measured at their amortizable cost.

- *Payables to suppliers*

At initial recognition the payables to suppliers are recognized at the fair value of the received payment adjusted by the transaction costs.

(l) Significant accounting assumptions and accounting estimates when applying the accounting policies

The preparation of financial statements requires management to make estimates and assumptions that affect the carrying amount of assets and liabilities as of the date of the financial statements, and the amount of the revenue and expenses during the reporting period, as well as to disclose contingent assets and liabilities. Although these accounting estimates are based on the best estimate of the current events by the management, the actual results may differ from the forecast estimates.

The following estimates and assumptions of the management regarding the future events carry significant risk for the cost of the assets and the liabilities during the next financial year:

- *Determination of impairment loss of loans*

To determine whether the receivables on loans to customers are impaired, the management of the Company makes a reasonable estimate of the excepted cash flows from the respective loans. The estimate is based on a professional estimate for the quality of the loan portfolio and on individual significant receivables on loans. Upon determination of the amount of impairment the management uses the gained historical experience regarding the collectability of the overdue installments and installments collected at maturity. Upon determination of the impairment losses on collective base, the management considers each repayment installment as a separate receivable, the management considers each repayment installment as a separate receivable, based on the fact that a great part of the irregular clients are turned back to the initially contracted repayment schedule of the loan.

Due to that reason, in case of delay of a repayment installment the management does not consider the whole contracted amount of the loan as impaired.

- *Recognition of income from other receivables on loans to customers reported at fair value.*

These receivables are: interest for overdue payments, accrued penalties to customers for breach of contractual terms, court expenses, arbitration fees, fees for bailiffs, fees for debt restructuring agreements.

Other receivables on loans to customers that are legally prosecuted are measured at fair value, determined on the basis of the expected cash flows from the respective instrument, discounted to the net present value by the effective interest rate of the respective loan. The expected cash flows are determined by the management of the Company based on the historic analysis of the collectability of each type of receivable.

(m) Changes in accounting policy

In 2011 the management of the Company has not changed its accounting policy.

3. Going concern

As of the date of the preparation of these financial statements management has made an estimate of the ability of the Company to continue its activities as a going concern. When making this estimate the management has taken into consideration the whole available information regarding the foreseeable future, which is at least, but not limited to twelve months from the statement of financial positon. The Company has realized significant losses at the amount of BGN 3,344 thousand for 2011, BGN 6,066 thousand for 2010, BGN 4,743 thousand for 2009, BGN 4,278 thousand for 2008, BGN 3,597 thousand for 2007 and BGN 845 thousand for the period April 19, 2006 to December 31, 2006 and as of December 31, 2011 the net liabilities exceed the net assets by BGN 22,550 thousand.

In spite of the indicated accumulated losses, the management of the Company believes that it will continue its normal activities in the future. The Company depends on the full financial support of the sole owner to finance the Company directly. The sole owner has confirmed in writing that it has no intention of selling, its interest, transfer control or management of the Company, as well as that the sole owner will provide financing for the operations of the

All amounts are in thousand Bulgarian Levs, except otherwise stated

Company, if needed during the following 12 months, and changing the scope of activities. Whenever needed, the loans will be negotiated and renegotiated.

4. Net interest income

	2011	2010
Interest income		
Interest on customer loans	13 563	9 787
Interest on bank accounts	5	4
	13 568	**9 791**
Interest expenses		
Bank loans	---	(506)
Other loans	(7 794)	(5 306)
	(7 794)	**(5 812)**
Net interest income	**5 774**	**3 979**

The increase of the interest income compared to the previous year is a result of the significant increase of the loan portfolio (see also note 12).

The significant increase of the interest expenses is due to the material increase of the other received loans item in the statement of financial position as well as the full repayment in 2010 of the received bank loans which interest rate is lower than the interest rate of other received loans.

5. Impairment losses

	2011	2010
Impairment losses as of January 1, 2011	7 576	3 354
Net increase of impairment losses	4 158	4 222
Total impairment losses for credit risk as of 31 December 2011	**11 734**	**7 576**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

6. Net cost from fees and commissions

	2011	2010
Bank fees	(22)	(18)
Guarantee expenses for received loans	(147)	(170)
Court expenses, arbitrary charges and bailiff fees	(322)	(476)
Commissions costs on collection of receivables	(376)	(302)
Commissions costs on sales of loans not included in effective interest rate calculation	(499)	(241)
Commissions costs on sales of loans still not amortized in the interest revenues in case of loan early termination	350	(115)
Revenues from write off payables for sales commissions	800	456
Net costs from fees and commissions	**(916)**	**(866)**

Expenses for guarantees represent the amount of remuneration due to related parties for guarantees granted on bank loan of the Company.

Expenses for commissions on sales of loans represent that part of the commissions (including social and health insurance) of the loan intermediaries for contracting loans, that are not included in the calculation of the effective interest rate on the loans, such as social and health insurance, which are on account of the Company, as well as the additional bonuses paid to sales intermediaries. The standard commissions of the loan intermediaries are included in the calculation of the effective interest rate for each loan and the interest income from loans is reduced by the amount of the commission. Parts of commissions on sales of loans are costs for commissions of team managers at amount of BGN 157 thousand (2010:16 thousand), which are newly opened unit in 2010 from the sales network structure.

Expenses for commissions on collection of receivables comprise the gross amount of commissions accrued (incl. social security and health insurance) to external collectors payable upon collection of overdue loans.

Income from commissions for granted loans consists of written off liabilities for commissions of loan intermediaries. Liabilities to loan intermediaries are written off when: the loan agreement is legally terminated; early repayment of the loan by client; the sales agent does not meet the criteria for getting of that part of sales commission which is linked to collected installments; the installment has been collected by external collection agent; others.

All amounts are in thousand Bulgarian Levs, except otherwise stated

7. General and administrative expenses

a) Structure of general and administrative expenses:

	2011	**2010**
Staff costs		
Employee benefits	2 077	1 833
Social security and health insurance costs	288	250
Other staff costs and remuneration of the managing directors	84	60
Total	**2 449**	**2 143**
Other administrative costs		
Energy	135	122
Office consumables and cleaning	138	136
Verification of data	86	78
Rent	423	482
Office equipment and furniture	23	16
Telecommunications and mail services	213	211
Travel allowance	147	110
Advertising and marketing	434	447
Consulting services	123	106
Security	33	33
Other administrative costs	148	128
	1 903	**1 869**
Depreciation/amortization of assets		
Depreciation of property, plant and equipment (note 15)	139	168
Amortization of intangible assets (note 16)	21	25
Total	**160**	**193**
Total general and administrative costs	**4 512**	**4 205**

For 2011 the Company incurred expense related with audit of the annual statutory financial statements at the amount of BGN 51 thousand (2010: BGN 53 thousand).

All amounts are in thousand Bulgarian Levs, except otherwise stated

b) Remuneration and salaries paid to the managing directors of the Company.

	2011	**2010**
Short-term income (including social security)	222	197
Total	**222**	**197**

The income paid to the managing directors is included in item (a) above as other staff costs and remuneration of the managing directors, amounting to BGN 42 thousand (2010: BGN 44 thousand) and as employee benefits, amounting to BGN 180 thousand (2010: BGN 153 thousand).

c) Average number of employees:

	2011	**2010**
Managing directors	4	4
Employees (including two managing directors)	100	94
Total	**104**	**98**

The average number of employees as of December 31, 2011 is 106 (2010: 96).

8. Net insurance income

	2011	**2010**
Insurance income	1 057	734
Insurance costs	(499)	(338)
Net insurance income	**558**	**396**

The Company realizes insurance income and insurance expenses related to the option for rescheduling the payment of monthly instalments. This option gives customers the opportunity to reschedule the payment of up to three monthly installments when previously negotiated circumstances occur. The price of this option is included into the initial price of the loan agreement. According to the definition of IFRS 4 this product meet the criteria for “hidden insurance contract” due to which part of the income from these loans is recognized as insurance income.

The increase of insurance income and insurance expenses resulted from the growth of the loan portfolio.

All amounts are in thousand Bulgarian Levs, except otherwise stated

9. Other operating income/(expenses), net

	2011	2010
Other income	14	12
Other operating expenses (services rendered by related parties)	(326)	(272)
Tax expenses and tax charges (road tax, garbage tax, etc.)	(19)	(19)
Foreign exchange rate gains/(losses), net	236	(873)
Total	**(95)**	**(1 152)**

Services from related parties are for provided consulting services from the management of PROFIREAL Group and paid license fees for usage of "PROFI CREDIT" trade mark.

FX gains and losses arise from revaluation of received loan in Czech crowns and also from opened forward agreements for buying CZK against selling of EUR. Detailed information about foreign currency transactions and currency risk management is presented in notes 18 and 23 B) below.

10. Income tax

a) Current tax

Current income tax is not charged as a result of the realized tax loss for 2011.

b) Deferred tax liabilities

	2011		2010	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Deferred taxes at the beginning of the year	--	13	--	17
Changes in the deferred taxes	--	(5)	--	(4)
Deferred tax liabilities at the end of the year	**--**	**8**	**--**	**13**

In compliance with the accounting policy described in 2 (i), the tax rate used for calculating the deferred tax assets is 10%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

Deferred tax assets and liabilities arise in relation to the following positions:

	2011		2010	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Accelerated tax amortization	--	8	13	--
Deferred tax liabilities at the end of the year	**--**	**8**	**13**	**--**

In compliance with the requirements of IAS 12 "Income taxes", the deferred tax assets and liabilities are measured according to the tax rates, which are enacted in the period when the asset will be realized or the liability will be settled, i.e. the tax rate used to calculate the deferred taxes is the tax rate that will be applicable in 2011, which is 10%.

As of December 31, 2011 the Company has not recognized deferred tax assets on accumulated tax loss at the amount of BGN (21 315) thousand, thousand, due to the fact that there is uncertainty as to the existence of future taxable profit, against which the loss could be utilized.

Tax losses arising in	**Amount**	**Tax effect (10% tax rate)**	**Expiring in**
2007	3,794	379	2012
2008	3,735	374	2013
2009	4,646	465	2014
2010	5,881	588	2015
2011	3,259	326	2016
Total	**21,315**	**2,132**	

11. Cash and cash equivalents

	2011	2010
Cash at banks	414	153
Cash on hand	2	3
Total	**416**	**156**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

12. Loans to customers

a) Total receivables on granted loans to customers, net

	2011	2010
Receivables on loans to customers, stated at amortizable cost	38 968	27 933
Other receivables from customers stated at fair value	1 529	1 434
Gross receivables on loans to customers	**40 497**	**29 367**
Allowances for impairment loss on loans to customers stated at amortizable cost	(11 639)	(7 515)
Allowances for impairment loss on other receivables from customers stated at fair value	(95)	(61)
Total receivables on loans to customers, net	**28 763**	**21 791**

The carrying amount of receivables on loans to customers, used as a collateral on the received loans as of December 31, 2011 amounts to 28,763 BGN thousand (2010: BGN 21,791 thousand).

The average effective interest rate (including costs for commissions of loan intermediaries due upon signing the loan contract) on loans is as follows:

	2011	2010
Loans to customers	57.12%	55.65%

b) Maturity structure of receivables on loans to customers allocated according to the installments due under the payment schedule

Receivables of the Company as of December 31, 2011 include the following categories:

	Gross amount of the portfolio	Collateral	Non-secured part of the portfolio	Impairment losses	Carrying amount	Impairment losses (%)
Receivables /installments/ on regular loans	25 280	--	25 280	1 446	23 834	5.72%
Overdue receivables /installments/ on loans	13 688	--	13 688	10 194	3 494	74.47%
Other overdue receivables	1 529	--	1 529	94	1 435	6.15%
Total	**40 492**	**--**	**40 492**	**11 735**	**28 763**	**28.98%**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

Receivables of the Company as of December 31, 2010 include the following categories:

	Gross amount of the portfolio	Collateral	Non-secured part of the portfolio	Impairment losses	Carrying amount	Impairment losses
Receivable /installments/ on regular loans	18 639	--	18 639	1 162	17 477	6.23%
Overdue receivables /installments/ on loans	9 294	--	9 294	6 353	2 941	68.36%
Other overdue receivables	1 435	--	1 435	62	1 373	4.32%
Total	**29 368**	**--**	**29 368**	**7 577**	**21 791**	**25.80%**

c) Allocation of receivables on loans classified by total amount of loan to a customer

	2011	(%)	2010	(%)
Non-overdue loans	14 713	36.33%	11 179	38.07%
Loans to customers with delay between 1 and 60 days	6 835	16.87%	4 776	16.26%
Loans to customers with delay over 60 days	17 420	43.02%	11 978	40.79%
Receivables to customers related to penalties and other court receivables	1 529	3.78%	1 435	4.88%
Gross amount of receivables on loans to customers	40 497	100%	29 368	100%
Allowances for impairment loss on loans to customers	(11 735)	--	(7 577)	--
Total receivables on loans to customers, net	**28 762**	--	**21 791**	--

d) Granted loans by types of customers, net

	2011	2010
Individuals	28 762	21 791
Total	**28 762**	**21 791**

e) Geographical concentration of loans to customers

The Company grants loans only to customers with a permanent address in Bulgaria.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

*f) **Ageing structure of loans to customers stated at amortized cost and allocated by maturity of down payments, gross amount before impairment:***

	At maturity	Past due from 1 to 90 days	Past due from 91 to 180 days	Past due from 181 to 360 days	Past due more than 360 days
Loans as of 31.12.2011	25 417	1 903	1 297	2 456	7 895
Loans as of 31.12.2010	18 687	1 766	1 309	2 526	3 645

The Company performs an ageing analysis and classification of receivables from customers based on a monitoring of the individual repayment installments. The table above does not include receivables from customers related to penalties and other court receivables.

13. Other receivables

	2011	2010
Deposits on contracts for leased offices	56	61
Prepaid advances to suppliers and employees	23	17
Deferred financial costs	56	43
Other receivables	--	2
Total	**135**	**123**

14. Inventories

As of the date of the statement of financial position the Company has marketing and advertising materials at stock amounting to BGN 51 thousand (2010: BGN 10 thousand). The Company has not recognized costs for the impairment of the inventories.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

15. Property, plant and equipment

	Cars	Computers	Office equipment	Other assets	Total
Cost					
Balance as at 1/1/2010	361	298	139	64	862
Additions	--	11	--	2	13
Disposals	--	(4)	--	--	(4)
Balance as at 31/12/2010	361	305	139	66	871
Accumulated depreciation					
Balance as at 1/1/2010	(162)	(184)	(60)	(26)	(432)
Depreciation charge for the year	(72)	(66)	(21)	(9)	(168)
Disposals	--	4	--	--	4
Balance as at 31/12/2010	(234)	(246)	(81)	(35)	(596)
Net book value as at 1/1/2010	**199**	**114**	**79**	**38**	**430**
Net book value as at 31/12/2010	**127**	**59**	**58**	**31**	**275**
Cost					
Balance as at 1/1/2011	361	305	139	66	871
Additions	--	21	--	5	26
Disposals	--	--	--	--	--
Balance as at 31/12/2011	361	326	139	71	897
Accumulated depreciation					
Balance as at 1/1/2011	(234)	(246)	(81)	(35)	(596)
Depreciation charge for the year	(67)	(41)	(20)	(10)	(138)
Disposals	--	--	--	--	--
Balance as at 1/1/2011	(301)	(287)	(101)	(45)	(734)
Net book value as at 31/12/2011	**127**	**59**	**58**	**31**	**275**
Net book value as at 31/12/2011	**60**	**39**	**38**	**26**	**163**

The Company has not recognized costs for impairment of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

16. Intangible assets

	Software	Others	Total
Cost			
Balance as at 1/1/2010	91	17	108
Additions	27	12	39
Disposals	(2)	--	(2)
Balance as at 31/12/2010	116	29	145
Accumulated depreciation			
Balance as at 1/1/2010	(57)	(7)	(64)
Depreciation charge for the year	(23)	(2)	(25)
Of the disposals	--	--	--
Balance as at 31/12/2010	(80)	(9)	(89)
Net book value as at 1/1/2010	**34**	**10**	**44**
Net book value as at 31/12/2010	**36**	**20**	**56**
Cost			
Balance as at 1/1/2011	116	29	145
Additions	4	--	4
Disposals	--	--	--
Balance as at 31/12/2011	120	29	149
Accumulated depreciation			
Balance as at 1/1/2011	(80)	(9)	(89)
Depreciation charge for the year	(16)	(6)	(22)
Balance as at 31/12/2011	(96)	(15)	(111)
Net book value as at 1/1/2011	**36**	**20**	**56**
Net book value as at 31/12/2011	**24**	**14**	**38**

The Company has not recognized costs for impairment of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

17. Liabilities on financial lease

	Minimum lease installment		Current value of minimum lease installments	
	2011	**2010**	**2011**	**2010**
Up to 1 year	22	15	21	13
Between 1 and 5 years	--	22	--	21
Over 5 years	--	--	--	--
Total	**22**	**37**	**21**	**34**
Deferred financial expenses	21	34	21	34
Current value of the liabilities of financial lease	22	15	21	13
Due up to 1 year	21	13	21	13
Due over 1 year	--	21	--	21

18. Other loans received

In 2011 the Company has received the following non-bank loans:

As of 31.12.2011	Currency	Balance in thousand currency units	Balance in thousand BGN	Interest rate	Amount payable up to 1 year in thousand BGN	Amount payable up to 3 years in thousand BGN	Collateral
Creditor 1	CZK	607 165	46 051	17.50%	46 051	--	Pledge on receivables from customers and promissory note
Total			**46 051**		**46 051**		

As of 31.12.2010	Currency	Balance in thousand currency units	Balance in thousand BGN	Interest rate	Amount payable up to 1 year in thousand BGN	Amount payable up to 3 years in thousand BGN	Collateral
Creditor 1	CZK	490 655	38 020	19%	601	37 419	Pledge on receivables from customers and promissory note
Total			**38 020**		**601**	**37 419**	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

19. Other liabilities

	2011	2010
Commissions for loan intermediaries when due	1 620	1 109
Current liabilities for cash commissions of hired staff (loan experts, collectors, managers)	143	111
Deferred insurance income	2 335	1 580
Payables with forward agreements	993	--
Staff	382	407
Suppliers	288	153
Social and health insurance	94	69
Tax liabilities	50	35
Guarantee liabilities	41	28
Other	54	35
Total	**6 000**	**3 527**

At the end of reporting period the net payables on currency forward agreements are at the amount of BGN 993 thousand. The payable arise from opened with a bank two NDF agreements for buying of CZK 577,693,560.00 against selling of EUR. The settlement date of both NDFs is November 21, 2013. Detailed information of foreign currency transactions and currency risk management is presented in note 23 B) below.

20. Provisions

	Provision for insurance claims	Total
Balance as of January 1, 2010	42	42
Accrued provision	338	338
Utilized provision	287	287
Balance as of December 31, 2010	**93**	**93**
Balance as of January 1, 2011	93	93
Accrued provision	499	499
Utilized provision	556	556
Balance as of December 31, 2011	**36**	**36**

All amounts are in thousand Bulgarian Levs, except otherwise stated

The Company accrues provisions in case of insurance claim on BONUS loan by the customer. The Company realizes net insurance income (see note 8) when the paid liabilities on provisions do not exceed the net insurance income.

21. Share capital

The registered share capital amounting to BGN 250 thousand is allocated as follows:

	As of 31.12.2011	**%**	**As of 31.12.2010**	**%**
Profireal Group S.E., the Netherlands	250	100%	250	100%
	250	100%	250	100%

22. Equity

As of December 31, 2011 the Company reports negative equity at the amount of BGN (22,550) thousand (2010: BGN (19,276)).The negative equity is a result of the accumulated current loss, which is related to the initial costs for establishing the Company as well as to the incurred impairment losses related with loans receivables from clients. The management of the Company expects that in a long-term period the negative equity will be covered by future profits of the Company and by financing from the parent company (see note 3).

23. Risk management

The Company's business is exposed to various financial risks. Taking financial and operating risks inevitably accompanies Company's financial activity.

The Company has adopted and implemented procedures for risk management and control for the purpose of estimation, management and control of the extent of risk, to which it is exposed. The risk management and control rules and procedures are approved by the managing directors. The risk policy and risk management and control rules set the criteria and limits for various types of risks such as strategic risk, credit risk, liquidity risk, interest rate risk, currency risk, investment risk and counterparty credit risk. The risk policy's main goal is to set clearly defined parameters for Company's operations so that the maximum potential negative effect of the risks over the Company's financial results could be mitigated. Adherence to risk management rules and procedures is followed regularly, depending on the level of risk and its potential impact on the Company's activities. Any diversion of the adopted internal standards is reported to Company's management and the respective measures are taken. In addition, the Company estimates annually the adequacy of the adopted risk management policies, based on an analysis of economic trends and the environment, in which Small and Medium-sized Enterprises in Bulgaria operate as well as an analysis of certain business sectors such as the construction and tourist ones.

a) Credit risk

Credit risk is related to the possibility that part of the counterparty may fail to pay its liabilities under financial instruments, which may cause financial loss to the Company.

Credit risk is the main risk for the Company's activity. Therefore the Company carefully follows and manages its credit risk exposure. Rules about Company's credit activities and lending procedures are developed by the Product Department and approved by the managing directors.

The main financial assets of the Company comprise cash and cash equivalents (note 11) and extended loans to clients (note 12). Credit risk relates mainly to customer loans. The amount of receivables is presented in the statement of financial position net, less impairment loss on receivables, which is calculated on the basis of past experience of the Group and the Company, as well as under the influence of current economic conditions, affecting customers' solvency.

- *Collection of receivables*

The Company has developed its own network of employees (collection coordinators), as well as credit intermediaries for collection of its receivables.

All amounts are in thousand Bulgarian Levs, except otherwise stated

- *Securitization*

Credit risk is diversified between significant numbers of clients all over the country. Part of the loans is secured by third parties - guarantors.

b) Liquidity risk

Liquidity risk is the risk of lack of cash for coverage of due liabilities or for repayment of customer loans, which could arise from disparities in the Company's cash flows. The Company is in negotiations with its main creditor for extension of the loan maturity date which is 31.12.2012, as the management expectations are that such agreement will be achieved.

The table below represents analysis of the non-discounted financial liabilities classified by maturity structure according to residual term of maturity:

Financial liabilities as of 31.12.2011	At disposal up to 7 days	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Liabilities on finance lease	1	2	12	-	-
Other loans received	-	1 982	51 336	672	-
Other liabilities	-	711	475	1 957	-
Total	**1**	**2 696**	**51 830**	**2 629**	**--**

Financial liabilities as of 31.12.2010	At disposal up to 7 days	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Liabilities on finance lease	1	2	12	22	-
Other loans received	-	1 751	5 357	45 152	-
Other liabilities	-	520	341	576	-
Total	**1**	**2 273**	**5 710**	**45 750**	**--**

c) Currency risk

Currency risk arises with respect to changes in the value of the financial instruments, due to significant changes on the exchange rate markets. The difference in the levels of financial instruments, and assets and liabilities, denominated in foreign currency, respectively, shows the extent to which an instrument is exposed to currency risk. Information of the Company's exposure by currencies as of the end of 2011 and 2010 is presented in the table below:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

Currency risk as of 31.12.2011	**BGN**	**EUR**	**CZK**	**Total BGN**
Assets				
Cash and cash equivalents	218	2	196	416
Customer loans	28 763	-	-	28 763
Other receivables	135	-	-	135
Inventories	51	-	-	51
Property, plant and equipment	163	-	-	163
Intangible assets	38	-	-	38
Total assets as of 31.12.2011	**29 368**	**2**	**196**	**29 566**
Liabilities				
Liabilities on finance lease	-	-	21	21
Other loans received	-	-	46 051	46 051
Other liabilities	4 901	43	1 056	6 000
Provisions	36	-	-	36
Deferred tax liabilities	-	-	8	8
Total liabilities as of 31.12.2011	**4 937**	**43**	**47 136**	**52 116**
Currency risk as of 31.12.2011	**24 431**	**(41)**	**(46 940)**	**(22 550)**

Currency risk as of 31.12.2010	**BGN**	**EUR**	**CZK**	**Total BGN**
Assets				
Cash and cash equivalents	145	5	6	156
Customer loans	21 791	-	-	21 791
Other receivables	123	-	-	123
Inventories	10	-	-	10
Property, plant and equipment	275	-	-	275
Intangible assets	56	-	-	56
Total assets as of 31.12.2010	**22 400**	**5**	**6**	**22 411**
Liabilities				
Liabilities on finance lease	-	34	-	34
Other loans received	-	-	38 020	38 020
Other liabilities	3 463	28	36	3 527
Provisions	93	-	-	93
Deferred tax liabilities	13	-	-	13
Total liabilities as of 31.12.2010	**3 569**	**62**	**38 056**	**41 687**
Currency risk as of 31.12.2010	**18 831**	**(57)**	**(38 050)**	**(19 276)**

The Company operates in EUR, CZK and BGN. Costumer loans are extended only in BGN.

The exchange rate EUR/BGN is fixed in compliance with an agreement between the Republic of Bulgaria and the International Monetary Fund, as well as in compliance with Bulgarian National Bank Act.

The financial results depend on the strong volatility of CZX exchange rate to the BGN. The reason for this is a significant exposure in CZK due to a received loan, and the strong volatility of the CZK. The future results of Company's activity may be significantly influenced by the exchange rate fluctuations of the CZK. In case that the exchange rate of CZK/BGN increases by 10 % that would increase the amount of the liabilities with BGN 4,605 thousand (2010: BGN 3,806 thousand). The decrease of the exchange rate of CZK by 10% will have adverse effect and would decrease the liabilities with the same amount.

In order to minimize the currency risk due to the CZK/BGN rate movement, in 2011 the management of the Company opened with a bank two NDF agreements for buying CZK 577 693 560.00 CZK against selling EUR. The settlement date of both NDFs is November 21, 2013. As a result of the transactions over 95% of the outstanding payable from received loans is covered by NDF receivable in the same currency, thus the management expects to neutralize the CZK/BGN spot rate movements.

At the end of reporting period the net position in currency forward agreements is a payable at the amount of BGN 993 thousands, respectively it is loss for the Company which is compensated from currency gains related to revaluation of other received loan in CZK. The effect of the forward agreements is net offset in the statement of financial position and the BGN equivalence of the outstanding payable in EUR is compensated up to the BGN equivalence of the receivable in CZK.

d) Interest rate risk

Interest rate risk is associated with the potential adverse effect on Company's net income and value of equity due to fluctuations in the interest rates. Extended and received loans bear fixed interest rate. In this respect, management believes that the activity of PROFI CREDIT Bulgaria is not highly sensitive to fluctuations of the interest rates on the world financial markets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

The following table summarizes the effective interest rate for financial instruments as of the end of the respective calendar year:

	2011	2010
Assets		
Customer loans	57.12%	55.65%
Liabilities		
Bank loans	--	--
Other received loans	17.50%	19.00%
Liabilities on finance lease	7.50%	7.50%

e) Price risk

The Company operates in a highly developed and competitive market for financial services, and therefore is influenced by price risk. Parts of the Company's competitors are banking and financial institutions with access to cheap financial resources which gives them an advantage in the pricing of competitive products.

f) Market risk

The Company is exposed to different market risks. The market risk is related to the possibility that future changes in the activities of the Company may occur. Market risks arise in relation to the positions of the Company in interest, foreign currency and other financial instruments, which are dependent to a certain extent on the changes in the general and specific market conditions, such as changes in interest rate levels, loan margins, exchange rate differences, capital instrument prices and others. The Company has developed and adopted rules and regulations to determine, manage and control the extent of risk to which the Company is exposed when performing its activities. The main objective of the risk policy is to apply well-defined parameters for the activity of the Company, so that the risks to which the Company is exposed can be adequately limited. PROFI CREDIT Bulgaria measures the market risk of its net book value positions and the maximum amount of the expected losses on the basis of forecasts for different changes in the market conditions. Internal risk management systems are developed along with the expansion of the activity of the Company to ensure maximum control over each risk category.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

24. Events after the reporting date

They are no adjusting events arisen after the date of preparation of the statement of financial position.

25. Related parties transactions

a) Other receivables, other payables and other loans received

The following balances between related parties are included in other receivables, other payables and other loans received:

	Receivables		Payables	
	2011	2010	2011	2010
Profidebt s.r.o.	--	--	--	-
Profi Credit Czech,a.s.	--	--	121	38
Profireal Group	--	--	43	26
Total	**--**	**--**	**164**	**64**

The payable to Profireal Group as of 31.12.2011 to the amount of BGN 43 thousand (2010: BGN 26 thousand) represents a payable for established guarantee on utilized loan.

The payable to Profi Credit Czech, a.s. as of 31.12.2011 includes: payables for received consulting services amounting to BGN 78 thousand (2010: BGN 14 thousand); payable for established guarantee amounting to BGN 0 thousand (2010: BGN 2 thousand) and payable for use of trade mark amounting to BGN 43 thousand (2009: BGN 22 thousand).

b) Sales and purchases

	Sales for the period		Purchases for the period	
	2011	2010	2011	2010
Profidebt s.r.o.	--	--	--	-
Profi Credit Czech,a.s	--	--	241	249
Profireal Group	--	--	1	-
Total	**--**	**--**	**242**	**249**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
All amounts are in thousand Bulgarian Levs, except otherwise stated

c) Interests and loan guarantees

	Interest expense		Interest income	
	2011	**2010**	**2011**	**2010**
Profi Credit Czech,a.s	--	42	--	-
Profireal Group	147	128	--	-
Total	**147**	**170**	**--**	**-**

d) Accrued remuneration and salaries to management

	2011	**2010**
Number	4	4
Remuneration accrued	214	186
Other (social security, health insurance, etc.)	8	11
Total	**222**	**197**

26. Global economic crisis

In 2008, 2009, 2010 and 2011as a result of the global economic crisis, that has affected various industries and sectors in the Bulgarian economy, a decline in the economic development has been marked which causes material uncertainty and risk for their development in the foreseeable future. The declining rates of economic development increase the risks for the economic environment in which the Company operates. Therefore, the amount of impairment losses on loans and receivables, financial assets available for sale, other financial instruments, as well as the values of other accounting estimates in subsequent reporting periods may differ substantially from those measured and reported in these financial statements.

The recoverability of the loans and the adequacy of the recognized impairment losses depend on the financial position of the borrowers and their ability to settle their obligations at contracted maturity in subsequent reporting periods. Company’s management applies the necessary procedures to manage these risks, as disclosed in note 23.

7. CONTACTS

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