



**PROFI CREDIT**

Profireal Group

**ANNUAL REPORT**

**2015**

**PROFI CREDIT Bulgaria EOOD**

## BASIC ECONOMICS FACTS AND FIGURES OF PROFI CREDIT BULGARIA EOOD

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Number of loans provided	<b>18 500</b>	14 168	14 530
Nominal value of loans provided (in TBGN)*	<b>53 945</b>	55 488	64 471
Net amount of loans provided (in TBGN)	<b>23 554</b>	21 283	21 735
Credit for individuals - share in total production	<b>100%</b>	100%	100%
SME business loans - share in total production	<b>0%</b>	0%	0%
<b>Human Resources</b>			
Number of external credit advisors	<b>556</b>	679	703
Number of external collectors	<b>87</b>	84	60
Number of employees	<b>185</b>	145	132
<b>Financial Indicators (in TBGN)</b>			
Total assets	<b>54 237</b>	51 954	45 688
Receivables from loans provided to clients	<b>52 669</b>	50 203	44 011
Total revenues	<b>33 062</b>	30 332	29 251
Total costs	<b>32 813</b>	28 183	25 272
Profit/Loss before taxation	<b>249</b>	2 149	3 979
Income taxes	<b>(306)</b>	341	-
Profit/Loss after taxation	<b>(57)</b>	2 490	3 979

*\* Nominal value of loans provided includes the loan principal paid-off to client including the future interest income/future income from loan's additional services provided*

# CONTENTS

<b>1. THE PROFIREAL GROUP</b>	<b>4</b>
PROFIREAL GROUP STRUCTURE AS AT 31. 12. 2014.	5
<b>2. LETTER FROM THE CHIEF EXECUTIVE OFFICER</b>	<b>7</b>
<b>3. CHARACTERISTICS OF PROFI CREDIT BULGARIA</b>	<b>9</b>
3.1. COMPANY BODIES	10
3.2. COMPANY PROFILE	12
3.3. PRODUCT OFFER	12
3.4. BUSINESS RESULTS	15
3.5. BUSINESS NETWORK	16
3.6. EMPLOYEES	19
3.7 SPONSORSHIP	20
<b>4. REPORT OF THE BOARD OF DIRECTORS</b>	<b>21</b>
4.1. GENERAL INFORMATION	21
4.2. REVIEW OF THE ACTIVITY	22
4.3. SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING PERIOD	28
4.4. FUTURE DEVELOPMENT OF THE COMPANY	28
4.5. DEVELOPMENT AND RESEARCH ACTIVITIES	29
4.6. DESCRIPTION OF THE SIGNIFICANT RISKS TO THE COMPANY	29
4.7. REMUNERATIONS RECEIVED BY MANAGEMENT DURING THE YEAR	31
4.8. PARTICIPATION OF MANAGING DIRECTORS IN OTHER COMPANIES	31
<b>5. INDEPENDENT AUDITOR'S REPORT</b>	<b>32</b>
<b>6. FINANCIAL STATEMENTS</b>	<b>34</b>
6.1. STATEMENT OF COMPREHENSIVE INCOME	34
6.2. STATEMENT OF FINANCIAL POSITION	35
6.3. CASH FLOW STATEMENT	37
6.4. STATEMENT OF CHANGES IN EQUITY	38
6.5. NOTES TO THE FINANCIAL STATEMENTS	38
<b>7. CONTACTS</b>	<b>71</b>

## 1. THE PROFIREAL GROUP

PROFIREAL Group is a multinational financial group actively operating on financial markets of Central and East Europe. It ranks among significant providers of credits and loans in the Czech Republic, Slovakia, Poland, Bulgaria and Russia. PROFIREAL Group consists of two divisions. Companies of the PROFI CREDIT division operate in the world of financial credit and loans, and those of the PROFI INVESTMENT division are engaged in the development of new investment projects.

The parent company of the Group is PROFIREAL Group SE, having its registered office in the Netherlands. The Group has been concerned with providing financial loans and credits as early as 2000, when it launched the said project in the Czech Republic and Slovakia.

Over the period of pursuing its business activities, the PROFI CREDIT division has provided more than 1,075,000 loans and credits, including revolving loans. The division occupies its strongest position in the Czech Republic. Of the overall volume of loans and credits provided, the share accomplished in the Czech Republic stands at 39%. The highest profitability of the division is currently accomplished in Poland.

The companies of the PROFI CREDIT division recorded a year-on-year increase in credit and loans provided of 7% in 2015. This result was supported mainly by an increase in production of PROFI CREDIT Poland by more than 38%. In addition, the nominal value of loans and credits provided in 2015 by the PROFI CREDIT division topped the EUR 332 million.

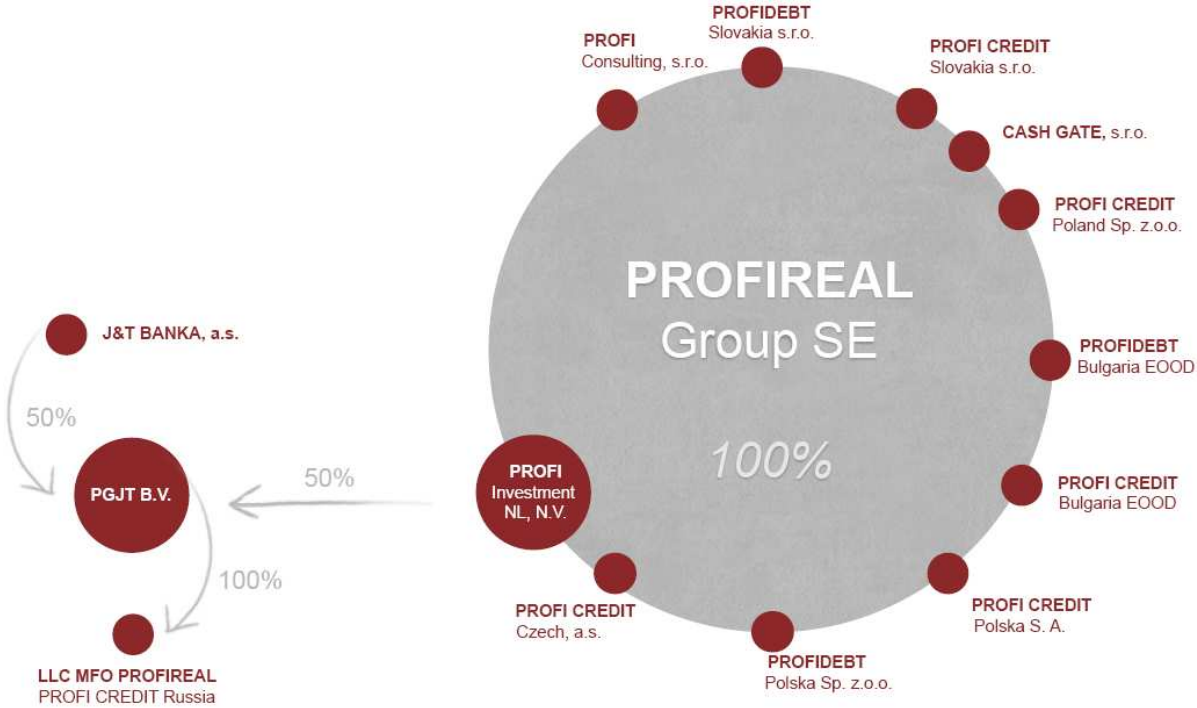
The priority at the companies of the PROFIREAL Group remains maintaining the quality of its client portfolio. The Group continues to respond to the economic situation in the individual countries in which it is active on an operative basis and to adapt its business, in particular its risk management, to the current situation.

**PROFIREAL Group focuses on countries of Central and Eastern Europe.**

The objective of the newly established PROFI INVESTMENT division is to support business activities. The main activity of PROFI INVESTMENT consists in identifying investment opportunities and interesting projects with an international overlap and also with local ambitions. Not only does the Company invest its capital in projects that have been operated for some time on the market, are well established and which need a partner to provide a strong capital for their further development, the Company also offers capital participation to new, emerging projects.

The aim of PROFIREAL Group is to develop current activities and continually adapt them to the economic situation in individual countries. Particular emphasis is placed on quality risk management, optimising all processes within individual companies of the Group, cost savings and maintaining shares in the market segment.

**PROFIREAL Group Structure as at 31. 12. 2015.**



## **2. LETTER FROM THE CHIEF EXECUTIVE OFFICER**

Dear Ladies and Gentlemen,

Dear Partners,

Year 2015 was a year of solid business results for PROFIT CREDIT Bulgaria, during which we managed to strengthen our leading positions in the sector of non-banking consumer loans, it was also a year in which we invested essential efforts for the long-term development of our business. The responsible lending, the customer service model, the new technologies and digitalization of business processes make the foundation of our platform of sustainable growth. In the course of the past year we also extended our program of corporate social responsibility by joining initiatives aiming at the support of children in difficult social situations.

An indicator of the achieved business results is the number of new deals making a new record in our history – a total of 18 500 granted loans to the amount of BGN 23.5 million. The successful business practices for new customer acquisition, the introduced new products and the improved model for customer attendance contributed to the growth of the new business.

Our customers are the factor that most motivates us to develop further our products and services in order to satisfy completely their needs and demands. During the second half of the year we introduced a new product line and a complete program for loyal customers. Looking for innovative solutions we adopted the service of applying for a loan over the phone, and it has gradually gained positions as an easy and comfortable way to apply for a loan being used by many customers. We continued our moderate geographical expansion and professional development of our major distribution channel – our retail network for direct sales.

I have to mention also the fact that our income before taxes is dropping essentially for a second year in a row - to BGN 249 thousand. The decreased profitability of the portfolio as a result from the regulations in the sector introduced in year 2014 and the increased levels of credit risk underlie this drop-down. As a response to these circumstances we introduced a series of measures to restrict our credit exposure to customers of high risk profile, optimized

the structure of expenses and the sources of income. We believe that our strong market positions and efficient management of business processes provide us with a steady basis for solid financial results in future.

In conclusion I would like to express my special gratitude to all the employees and associates as they are to be given major credit for our successful achievements and for the attainment of our long-term goals. The team-work and the pursuit of achievement of the goals set are the key to success that brought us here and that shall lead us forward.

I am also thankful to our customers who have been finding us a secure and reliable partner for nine years. I believe we shall go on and prove every day to be their secure and reliable partner now and in future!

**Svetoslav Nikolov**  
**CEO, PROFIT CREDIT Bulgaria EOOD**





**Svetoslav Nikolov**  
**CHIEF EXECUTIVE OFFICER**

### 3. CHARACTERISTICS OF PROFI CREDIT BULGARIA

#### 3.1. Company Bodies



**Ing. David Chour**

Chairman of the Board  
of Directors

Mr Chour graduated from the Faculty of Economics and Administration, University of Pardubice. He joined the Company in 2000, when he began to work as a financial analyst while still a university student.

He became the Head of the Debt Administration Section in 2001 and then the Economic Director at the Company. He became a member of the Board of Directors of the Company in July 2001. He currently holds the position of the General Manager and Chairman of the Board of Directors of PROFIREAL Group SE.



**Svetoslav Nikolov**  
Statutory Executive

Svetoslav Nikolov started his career in PROFI CREDIT Bulgaria since its beginning in year 2006 occupying the position of a Director of “Finance” Department. In November 2015 he was appointed as Managing Director of PROFI CREDIT Bulgaria.

Svetoslav Nikolov holds a Master’s degree in Public Finance as a graduate of the University of National and World Economy, and a Bachelor’s degree in Accounting and Control as a graduate of “D. A. Tsenov” Academy of Economics. He had taken expert positions in finance and accounting in a series of companies, among which Napredak Holding AD, Huvepharma AD and Ogneuporni Glini (Refractory Clay) AD.



**Ing. Jaromír Všečka**  
Member of the Board of  
Directors

A graduate of the University of Pardubice - Jan Perner Transport Faculty, majoring in marketing, management and logistics.

After graduation, he worked in the banking sector and an international logistic company. He joined the credit division of PROFIT CREDIT in 2006. From 2013, he has held the office of Global Chief Operations Officer. He is responsible mainly for operations management and approximation of the laws of the Czech Republic, Poland, Russia, Bulgaria and Slovakia.

He is a member of the Board of Directors of PROFIT CREDIT Bulgaria, PROFIT CREDIT Czech and a member of the Supervisory Board of PROFIT CREDIT Polska.

### **3.2. Company Profile**

PROFI CREDIT Bulgaria EOOD is a leading company, specialized in providing fast consumer loans to individuals, as well as business loans to the small and medium-sized business in country. The company has established itself as one of the most recognizable and popular providers of quick consumer loans in country with more than 98 000 successfully disbursed loans with nominal value exceeding 344 000 000 BGN.

The company puts a strong emphasis on the constant and ongoing care to clients through providing flexible and up-to-date financial products fully tailored to the client's needs and profile. Highly distinctive product characteristics of company products coupled with strong personal approach to each individual client make PROFIT CREDIT Bulgaria a preferred partner in case of need of financing. The company's core business model leans exclusively on personal attitude towards client – a personal credit advisor is appointed to each individual client, consulting the client for free during the entire loan's life-cycle – since moment of initial loan application until the day of successful loan repayment.

### **3.3. Product Offer**

PROFI CREDIT Bulgaria provides non-purpose consumer loans to individuals, as well as business loans to small and medium-sized enterprises in country. The Company offers three different product groups – PROFIT CREDIT Standard, PROFIT CREDIT Business Energy and PROFIT CREDIT Business, intended to various target groups of customers.

PROFIT CREDIT Standard is the major product group of the company. Within the PROFIT CREDIT Standard product group the company provides non-purpose consumer loans to individuals with regular provable income or partly official incomes. Loan amounts of credits provided vary between BGN 100 and 5 000, and loan tenors for repayment – between 3 and 24 months.

In an answer to the permanent efforts of company to develop its products and adapt last in maximal extent to the needs of clients, in 2014 the company has introduced opportunity for optional purchase of value-added services package to the loans from PROFIT CREDIT Standard product group. Package of value-added services provide a range of opportunities and privileges to the borrowers, including:

- High-priority consideration of the loan request and faster disbursement of the loan amount;
- Opportunity for free postponement or reducing the size of monthly installments
- Opportunity for changing the maturity date of the payments on the loan;
- Simplified procedure for obtaining additional amounts on the loan without necessity of another application.

Despite the short period of time being offered, the service packages were highly appreciated by the consumers and became preferred choice of the clients of PROFIT CREDIT Bulgaria, taking higher shares in sales.

PROFIT CREDIT Business product is intended to provide financing to micro and small businesses, freelancers and agricultural producers. Product is targeted to businesses, who are looking for easy, fast and convenient financing in order increasing the working capital or making business investments. Loan amounts available vary between 1 000 and 11 300 BGN and repayment term – from 12 to 48 months. Depending on the risk profile of customers and the amount of the loan, PROFIT CREDIT Business is available with or without collateral. PROFIT CREDIT Business product provides various benefits and discounts for returning customers.

PROFIT CREDIT Bulgaria is strongly committed in building long-term and transparent relationship with its clients based on mutual trust. This is why the company strives to offer better product conditions to its good and loyal customers. In respond to this, in September 2015 the company has developed the following programs – “Loyalty club” and “ Present client” which provided many additional opportunities and price advantages to loyalty clients.

Additional advantage to the consumer loans of PROFIT CREDIT Bulgaria is the “refinancing” capability that provides the customer access to financing, which to be used for purposes of covering existing obligations of client towards another creditors or towards another loan in company. Through the “refinancing” opportunity client has a convenient tool for consolidation of existing obligations or/ and for reducing the size of monthly payment on the credits. The loan disbursed via the “refinancing” opportunity is not limited to covering existing client’s obligations only, but part of loan amount could be granted to client non-purposefully i.e. it could be used as additional amount for meeting different financial needs of client. The “refinancing” opportunity is very highly appreciated by the clients of PROFIT CREDIT Bulgaria achieving increasing popularity in last years.

Aiming to provide flexible and convenient solutions to its clients, PROFIT CREDIT Bulgaria has developed and implemented a simplified loans granting procedure, which strongly differentiates company to the other financial institutions in sector, ensuring quick and easy obtaining of the loan amount. Distinctive part of all company products is that they don’t charge client with additional fees related to loan request consideration or loan amount disbursement. Products have clear and transparent conditions – during the loan application process client receives a full package of contractual documentation and it is duly informed regarding the loan parameters and conditions.

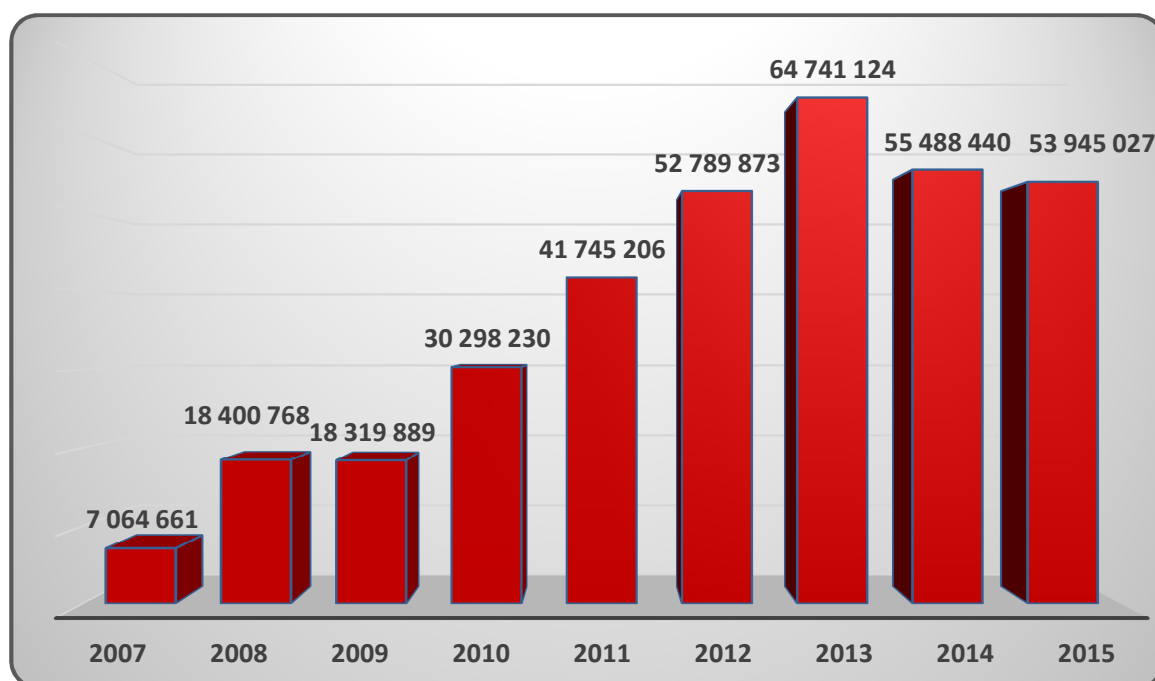
The company disburses the loan amount to the strongly specified by client personal bank account. Loans repayment is performed through equal monthly installments. Clients are permitted to choose the installments maturity date according to their personal preferences and requirements. For achieving greater convenience in loans repayment, the company has concluded partnership agreements with leading payment service providers in the country, including Easy Pay, EPay.bg, Cash Terminals, which clients could use for convenience in loan repayment, together with the traditional repayment alternatives such as bank transfer, direct debit, etc.

PROFIT CREDIT Bulgaria abides by the principle of responsible lending providing loans, which are fully tailored to the client’s repayment capabilities. Vision of company is not to lend the client with higher loan amount than it is really capable repaying. The core business

model of company, which is built on personal relationship between the client and the credit advisor provides reliable evaluation of risk and solvency of each individual client.

### 3.4. Business Results

In 2015 PROFIT CREDIT Bulgaria disbursed 18 500 loans amounting to BGN 53 945 027.

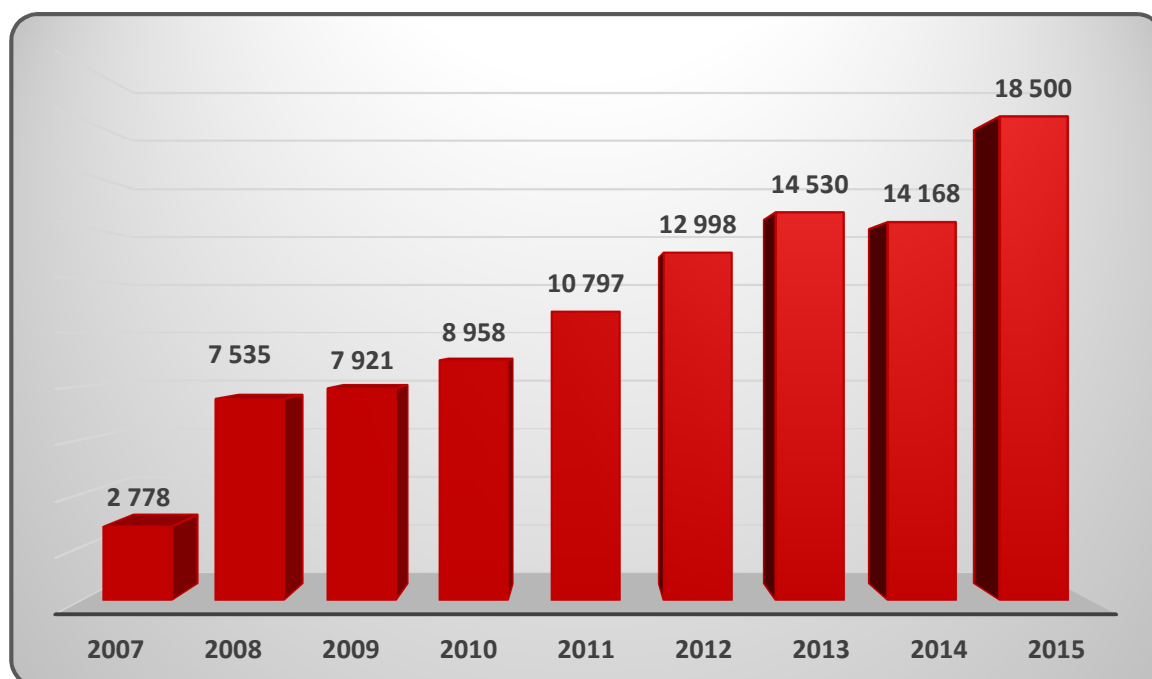


#### **VOLUME OF LOANS PROVIDED IN PERIOD 2007 – 2015 (in BGN)**

The nominal value of loans provided in 2015 has decreased in comparison to previous year, regardless of the relative consistency in number of loans disbursed. Main reason for significant drop in nominal value is the product changes performed in 2015 and more specifically – restriction of maximal maturity on consumer loans from 48 months to 24 months.

The total disbursed nominal value of loans in period 2007 – 2015 has reached BGN 344 310 910.

## NUMBER OF LOANS DISBURSED IN 2007 – 2015



### 3.5. Business Network

PROFI CREDIT Bulgaria provides its products and serves its customers through a network for direct sales. The sales network is separated into 4 regions – NORTH, EAST, SOUTH and WEST region. In addition to its regional offices PROFIT CREDIT Bulgaria operates in country also with area offices located in most of towns and cities in Bulgaria. Considered at the end of 2015 company has located sales teams in more than 45 towns and cities in country.

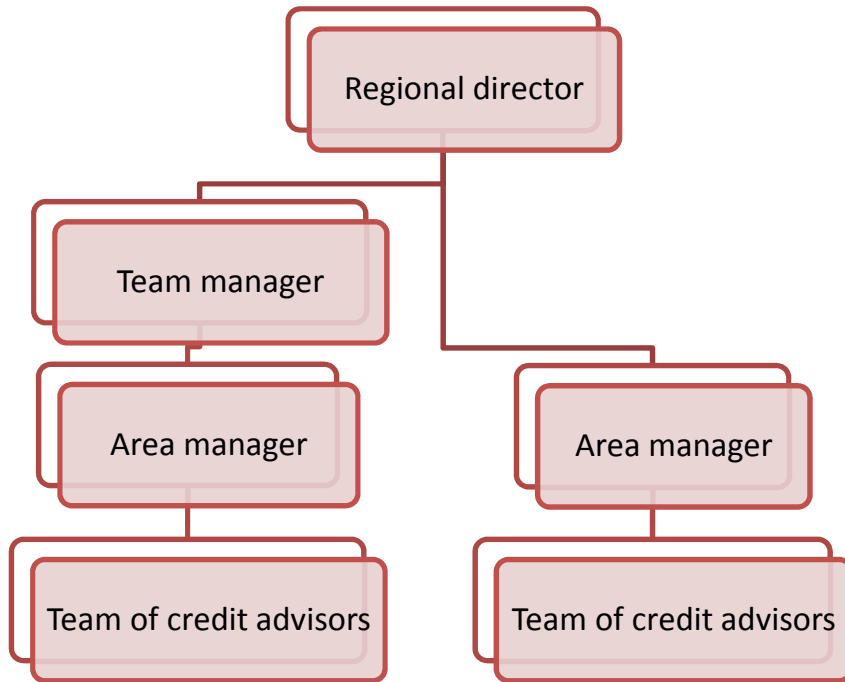
In 2015 the process of developing of the company's sales network and increasing the network geographical coverage was continued through expansion towards new towns and villages and achieving stronger concentration in biggest cities of country by increasing the sales forces and opening new offices.

The sales process initially includes approaching potential clients. Major source of clients is the personal initiative and marketing activity of the credit advisors. At next stage the credit advisor is responsible for consulting the client at convenient for last place and time, offering



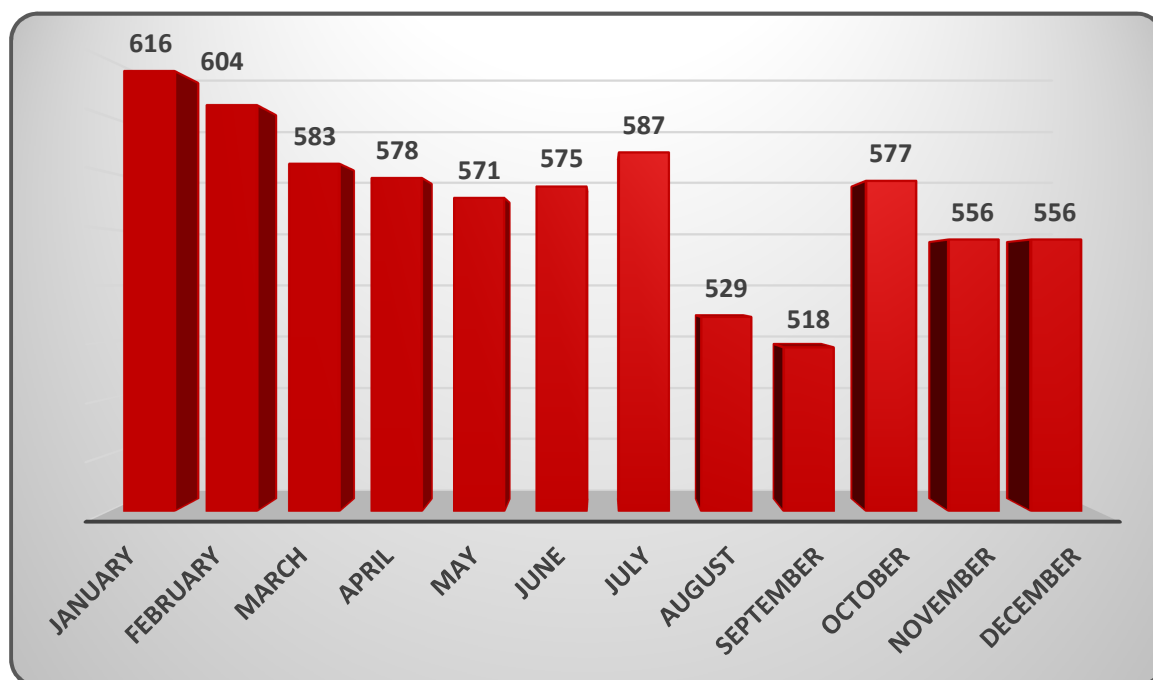
a suitable loan product in accordance to the personal needs and characteristics. Credit advisor is also actively involved in after sales service of client.

Each region is managed by Regional director. Regions unite a number of areas and sub-areas. Areas are managed by Area managers, while the sub-areas are managed by Team managers. Area managers and team managers manage teams of credit advisors.



As of 31.12.2015 company has 556 credit advisors in the country.

## NUMBER OF CREDIT ADVISORS BY MONTHS IN 2015



PROFI CREDIT Bulgaria aims to motivate all employees and credit advisors through different kind of initiatives. Initiatives include different competitions under which participants should fulfill a plan or achieve a particular goal.

In 2016 PROFIT CREDIT Bulgaria intends to continue the horizontal and vertical development of the sales network and thereby to apply more successfully the company vision to provide up-to-date and accessible financial solutions to higher number of people.

### 3.6. Employees

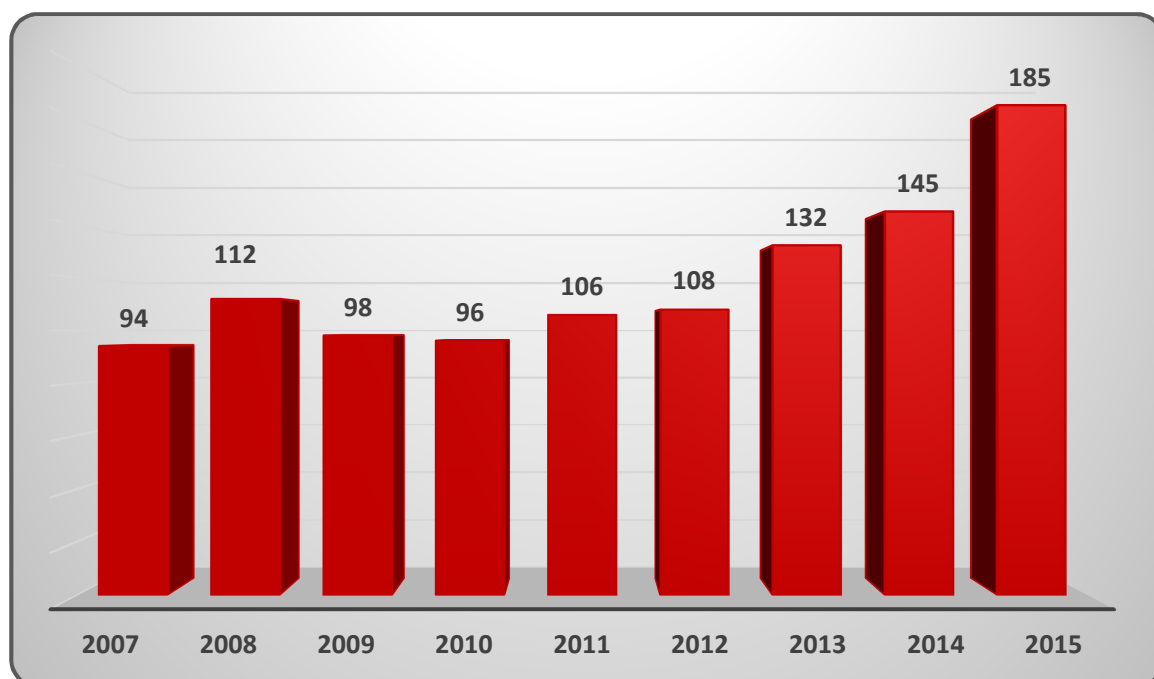
In PROFIT CREDIT Bulgaria we strongly believe that our employees are our main competitive advantage.

The Human Resources policy of PROFIT CREDIT Bulgaria is directed towards employees' development in order to fully accumulate their talent and skills. The main driver of the quality of our products and services is the professionalism and dedication of all employees in

company. Guided by the principle of recruitment of the best employees, the company has adopted 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.

Considered at the end of 2015 the company has 185 employees in total, 98 of which are employed in Headquarter and 87 – in Sales and Collection network. Number of employees increase alongside with the process of company development, which trend is also observed in the previous years.

### NUMBER OF EMPLOYEES IN 2007 – 2015



The company needs two types of capital: financial and human. To be successful and competitive in today's dynamic market, people rely on something more - they could make or break the best business strategy; could have moving or destroying effect on adoption of new technologies. People are "raw" resource on which depends successful business. Therefore a top priority for PROFIT CREDIT Bulgaria is investing in its employees.

Through the Junior Trainee Program PROFIT CREDIT Bulgaria provides people in process of acquisition their education or newly graduated with the opportunity to start their career as part of the company team and gain professional experience in a corporate environment.

In order to popularize the opportunities for work and career that company offers to young people, PROFIT CREDIT Bulgaria works in cooperation with Universities' career's centres in the country and takes participation in different career's forums like National and University career days.

From a strategic point of view the goal of personnel recruitment process is not simply to hire people into the company, but to find and retain the right people, which will follow the business goals and strategy of company.

### **3.7 Sponsorship**

Management of PROFIT CREDIT Bulgaria has accepted the belief that business has to be responsible not only in terms of the clients and market, but also to be socially responsible to the community within which company is operating and developing.

In 2015 PROFIT CREDIT Bulgaria has launched a series of initiatives with an emphasis to the youth sport and supporting of disadvantaged children. During the year company has participated in various charity events and initiatives, including organization of charity fairs on the behalf of children with developmental problems foundation, donation for foundation "For our children". Our employees have participated in charity campaign "Christmas is possible" organized by foundation "For our children". Company also supports regularly the annual spring cleaning initiative of Sofia city, organized by the Sofia Municipality.

The future vision of the company in the sponsorship and social activity filed is focused on one major direction – further support to disadvantaged children.

## **4. REPORT OF THE BOARD OF DIRECTORS**

### **4.1. General information**

PROFI CREDIT Bulgaria EOOD ("the Company") is a sole-owned 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. B, 1404 Sofia, Identification Code 175074752.

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

PROFI CREDIT Bulgaria EOOD operates in full compliance to the regulations and legal provisions of the Commercial Act, Credit Institutions Act and Ordinance No 26 for financial institutions of the Bulgarian National Bank, dated 23.04.2009.

Pursuant to the regulations of Art. 3a, Para 1 of the Credit Institutions Act, the Company is officially listed in the financial institutions registry according to order of the Bulgarian National Bank's deputy director, dated 01.06.2015.

The registered share capital of the Company is BGN 4 250 000.

## 4.2. Review of the activity

### GENERAL OVERVIEW

The Company provides loans to individuals and legal entities through its network for direct sales. The business is split in four major regions on the territory of Bulgaria: East, West, North and South region. During 2015 PROFIT CREDIT BULGARIA EOOD strengthened its geographical and territorial expansion of the sales network through opening 14 brand new offices for customer service. At the end of 2015 the sales network of the Company includes 632 employees and associates allocated among 63 offices in the country.

Collection of late receivables is organized and performed in three consecutive stages – call centre collection, field collection and enforcement proceeding. The call centre unit of the Company includes 6 full-time employees located in the Headquarter. The field collection is performed by collection network including 122 employees and associates. Last stage of the collection process is managed by execution unit, which is engaged in application of legislative procedures for judicial collection of claimed loans receivables. Collection process is additionally supported by external parties.

The head office of the Company is located in Sofia. The employees in the head office perform 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 and its subsidiaries.

As of 31st of December 2015 the total number of employees in the Company includes 185 (2014: 145) full-time employees and 675 (2014: 763) external collaborators.

## **REVIEW OF FINANCIAL RESULTS**

In 2015 the Company has provided 18,500 loans to clients (2014: 14,168) in net amount of BGN 23,554 thousand (2014: BGN 21,283 thousand).

PROFI CREDIT Bulgaria delivered net profit after tax at amount of BGN 57 thousand (2014: BGN 2,490 thousand).

Drop in the net profit for 2015 was influenced by limited growth in revenues (interest and additional services revenues), while, growth in interest and other operational expenditures exceeds revenues. Limited growth in revenues is a result from the lower sales in loan portfolio to clients, compared to that observed in previous reported periods.

EBIT for the period was BGN 8,818 thousand (2014: BGN 9,492 thousand), which helped us to achieve relatively high for the industry return on capital employed at 16.3% (2014: 17.8%).

In 2015 the Company paid BGN 2,000 thousand dividends.

### **Net interest income**

Net interest income dropped with 20.5% to BGN 14,389 thousand (2014: BGN 18,092 thousand).

Interest expenses for the reporting year amount to BGN 8,569 thousand (2014: BGN 7,343 thousand). The increase of interest expenses is explained by new debt received in 2015 for financing of the business. Interest rates on company's debt remain unchanged compared to the previous period.

Product changes lead to smooth alteration in structure of revenues, respectively, an increase of revenues from services, and decrease in interest revenues. This was the key factor for interest revenues drop to BGN 22,958 thousand (2014: BGN 25,435 thousand).

**Impairment losses**

Impairment losses for the year amount to BGN 10,125 thousand (2014: BGN 7,566 thousand). The 33.7% impairment loss as percentage of revenue is in line with our targets (2014: 27.2%).

Loans in delay over 60 days have net book value BGN 26,171 thousand (2014: 21,305 thousand) with increasing share in total loan portfolio to 49.7% (2014: 42.4%).

The Company's portfolio entirely comprises of unsecured consumer loans. The Company has implemented comprehensive statistical models and rules for evaluation of customer's risk profile, which moderately balances business growth with expected loan losses. More than half of the applicants are being rejected because of the credit risk management criteria.

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 dropped with 22.6% to BGN 2,418 thousand (2014: BGN 1,973 thousand). The key components of net fees and commission costs are the following:

- Court charges, arbitrary fees and bailiff charges amounting to BGN 1,046 thousand and increase by BGN 104 thousand according to previous reporting period (2014: BGN 942 thousand). The increase in cost is caused by growth in net book value of overdue loan portfolio and attempting larger number of legal and arbitration proceedings towards non-performing loans;
- Sales commissions' costs that are not included into effective interest rate calculation at amount of BGN 542 thousand for 2015 (2014: BGN 937 thousand).
- Commissions' costs paid to external collectors, which in 2015 amounted to BGN 839 thousand (2014: 688 thousand). The collectors are external collaborators of the



Company that are collecting receivables from overdue loans and receivables from legally prosecuted loans. The increase of commissions is due to higher amount of loans served by the external collectors, as well as to expanding the functions of the external collectors network towards serving loans and clients with lower levels of delay;

- The Income from write off of liabilities for commissions amounted to BGN 524 thousand compared to BGN 1 047 thousand in 2014. Increase in this income is due to higher volume of early repaid loans compared to previous reporting period. These are mostly 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 instalment; when the instalment have been collected from external collector; etc.

Note 6 to the annual financial statements presents detailed information about the components of net fees and commissions costs.

### **General and administrative expenses**

The general and administrative expenses preserve their level from the previous reporting period at the amount of BGN 7,565 BGN thousand (2014: BGN 6,789 thousand). The general and administrative expenses include personnel expenses, other administrative expenses and depreciation and amortization of fixed assets.

#### *Personnel expenses*

Personnel expenses have the major share in the general and administrative expenses and in the reporting period they increase by BGN 591 thousand or 16.3% - from BGN 3,615 thousand in 2014 to BGN 4,206 thousand in 2015.

#### *Other administrative expenses*

Other administrative expenses increase by BGN 178 thousand or 5.9% compared to previous reporting period - from BGN 2,999 thousand in 2014 to BGN 3,177 thousand in 2015. Other

administrative expenses include 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 increase in other administrative expenses is growth in costs for marketing, advertisement, office rental and maintenance, which is immediate result by geographical expansion of the company's sales network - penetration into small towns and villages and stronger presence in biggest cities of country.

#### *Depreciation/amortization of fixed assets*

The depreciation/amortization charges of fixed assets increased by BGN 7 thousand - from BGN 175 thousand in 2014 to BGN 182 thousand in 2015. Increase in depreciation/amortization charges is result by investments in new company vehicles and office equipment performed in 2015.

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

#### **Net additional service income**

During the reporting period the net additional service income increases by 316.6% to BGN 7,116 thousand (2014: BGN 1,708 thousand). Major reason for significant growth is the strong increase in value-added services revenues to BGN 8,148 thousand (2014: 2,360 thousand).

Note 8 to the annual financial statements present detailed information about the net additional service income.

#### **Other operating expenses, net**

During the reporting period other net operating expenses amounted to BGN 1,148 thousand compared to BGN 1,323 thousand in 2014. Key components of net operating expenses are:

- Hired services from related parties amounting to BGN 1,078 thousand (2014: BGN 1,147 thousand);

- Costs for fees and taxes (vehicles, waste disposal fee, other fees) in the amount of BGN 29 thousand (2014: BGN 32 thousand);
- Costs caused by positive exchange rates differences in the amount of BGN 6 thousand (2014: negative exchange rates differences in the amount of BGN 1 thousand);

Notes 9 and 23C to the annual financial statements present detailed information about the components of other operating expenses.

## **ASSETS**

As of December 31, 2015 the assets amounted to BGN 54,237 thousand. The increase over the previous year is 4.4% (2014: BGN 51,954 thousand).

The statement of financial position structure is not changed significantly compared to prior year. At the end of 2015, the biggest share of assets is belonged to loans to customers, which constitute 97.1% of total assets (2014: 96.6%), followed by tangible assets – 1.2% (2014: 1.3%), etc.

## **LIABILITIES**

As of December 31, 2015 liabilities amounted to BGN 48,653 thousand. Increase compared to prior reporting period is estimated at 9.8% (2014: BGN 44,313 thousand).

At the end of 2015 other received loans amounted to BGN 46,765 thousand (2014: BGN 42,096 thousand), representing 96.1% of total liabilities compared to 94.9% at the end of 2014. The amount represents principle and interest payable for December 2015 for loan received from foreign company with maximum credit limit up to EUR 27,000 thousand matured on December 31, 2020. The loan is secured by total receivables from loans to customers as well as a blank promissory note is issued to the creditor and with registered pledge of company shares.

## **EQUITY**

As of December 31, 2015 the Company reported positive equity amounting to BGN 5,584 thousand (2014: BGN 7,641 thousand).

In 2014 the share capital of PROFIT CREDIT Bulgaria EOOD is BGN 4,250,000.

### **4.3. Significant events occurred after the reporting period**

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

### **4.4. Future development of the company**

The Company set the following main objectives for 2016:

- ⇒ Sustainable growth of disbursed new loans to clients;
- ⇒ Product portfolio diversification and product development;
- ⇒ Further territorial expansion through horizontal and vertical development of the distribution network;
- ⇒ Improvement of loan portfolio quality;
- ⇒ Improvement of the processes and results of legal collection units;
- ⇒ Strict control and increased costs efficiency;
- ⇒ Diversification of the sources of financing;

### **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. PROFIT 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.

##### **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, 2015 comprise of cash and cash equivalents amounting to BGN 341 thousand (2014: BGN 281 thousand) and loans granted to customers amounting to BGN 52,669 thousand (2014: BGN 50,203 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, PROFIT 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.

**Liquidity risk**

Liquidity risk is the risk that the Company could not be 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.

**Price risk**

PROFI CREDIT Bulgaria EOOD 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.

**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 uses long-term financing with a 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 PROFIT CREDIT Bulgaria is not very sensitive to interest rate fluctuations.

#### 4.7. Remunerations received by management during the year

	2015	2014
Number of members	4	4
Remunerations accrued	178	175
Others (social security and health insurance, etc.)	6	6
<b>Total (in BGN thousand)</b>	<b>184</b>	<b>181</b>

#### 4.8. Participation of managing directors in other companies

Name	Company in the management and control bodies of which the persons participate
David Chour	PROFI CREDIT Czech Republic, a.s. PROFI INVESTMENT NL, N.V. Profireal Group SE PROFIDEBT Slovakia, s.r.o. PROFI CREDIT Polska, S.A. PROFI CREDIT Slovakia, s.r.o. PROFI Consulting, s.r.o. CASH GATE, s.r.o. LLC MFO PROFIREAL
Jaromir Vsetecka	PROFI CREDIT Polska, S.A. PROFI CREDIT Czech Republic, a.s.
Svetoslav Nikolov	PROFIDEBT Bulgaria EOOD



**Jaromir Vsetecka**  
Managing Director



**Svetoslav Nikolov**  
Managing Director

## 5. INDEPENDENT AUDITOR'S REPORT



Deloitte Audit OOD  
UIC 121145199  
103, Al. Stambolijski Blvd.  
1303 Sofia  
Bulgaria

Делоит Оудит ООД  
ЕИК 121145199  
бул. „Ал. Стамболийски“ 103  
София 1303  
България

Tel: +359 (2) 80 23 300  
Fax: +359 (2) 80 23 350  
www.deloitte.bg

Тел: +359 (2) 80 23 300  
Факс: +359 (2) 80 23 350

*This document is a translation of the original in Bulgarian,  
in case of divergence the Bulgarian text shall prevail.*

### 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, 2015, 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.

Делоит се отнася към едно или повече дружества - членове на Делоит Туш Томацу Лимитид, частно дружество с ограничена отговорност (private company limited by guarantee), регистрирано в Обединеното кралство, както и към мрежата от дружества - членове, всяко от които е юридически самостоятелно и независимо лице. За детайлна информация относно правната структура на Делоит Туш Томацу Лимитид и дружествата - членове, моля посетете [www.deloitte.com/bg/za\\_nas](http://www.deloitte.com/bg/za_nas).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/bg/about](http://www.deloitte.com/bg/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited



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, 2015, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as approved by the European Union.

**Report on Other Regulatory Requirements - Annual report on the activities on the Company in accordance with the Accountancy Act**

Pursuant to the requirements of the Bulgarian Accountancy Act, 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, 2015, 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 22, 2016.

*Deloitte Audit*

Deloitte Audit OOD



Sylvia Peneva  
Managing Director  
Registered Auditor



Sofia  
March 22, 2016

## 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, 2015

	Notes	2015	2014
Interest income		22 958	25 435
Interest expenses		(8 569)	(7 343)
<b>Net interest income</b>	<b>4</b>	<b>14 389</b>	<b>18 092</b>
Impairment losses	5	(10 125)	(7 566)
<b>Net interest income after impairment losses</b>		<b>4 264</b>	<b>10 526</b>
Net fees and commissions costs	6	(2 418)	(1 973)
General and administrative expenses	7	(7 565)	(6 789)
Net additional service income	8	7 116	1 708
Other operating expenses, net	9	(1 148)	(1 323)
<b>Profit before taxes</b>		<b>249</b>	<b>2 149</b>
Income taxes	10	(306)	341
<b>Net (loss)/profit for the period</b>		<b>(57)</b>	<b>2 490</b>
Other components of comprehensive income		--	--
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(57)</b>	<b>2 490</b>

These financial statements are approved by the Managing Directors of the Company on 22.03.2016

  
**Jaromir Vsetecka**  
 Managing Director

   
**PROFI CREDIT**  
 ПРОФИ КРЕДИТ България ЕООД  
 Бул. България 49, бп. 53Е  
 София 1404  
 БУЛСТАТ: 175074752, ДУИ: BG175074752  
 Email: proficredit@proficredit.bg  
 www.proficredit.bg

**Svetoslav Nikolov**  
 Managing Director

**Biliana Todorova**  
 Preparer

The original financial statements were signed by Sylvia Peneva, Registered Auditor and Statutory Manager at Deloitte Audit OOD on ...22.03... 2016.

The accompanying notes are an integral part of these financial statements

This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail



1

## 6.2. Statement of financial position

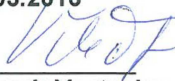
PROFI CREDIT BULGARIA EOOD

All amounts are in thousand Bulgarian Levs, except otherwise stated

### STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015

	Notes	2015	2014
<b>Assets</b>			
Cash and cash equivalents	11	341	281
Loans to customers	12	52 669	50 203
Other receivables	13	533	404
Inventories	14	10	16
Deferred tax assets	10	30	336
Property, plant and equipment	15	643	698
Intangible assets	16	11	16
<b>Total assets</b>		<b>54 237</b>	<b>51 954</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Liabilities on finance lease	17	317	403
Other loans received	18	46 765	42 096
Other liabilities	19	1 568	1 781
Provisions	20	3	33
<b>Total liabilities</b>		<b>48 653</b>	<b>44 313</b>
<b>Equity</b>			
Share capital	21	4 250	4 250
Share premium		800	800
Retained earnings		534	2 591
<b>Total equity</b>	22	<b>5 584</b>	<b>7 641</b>
<b>Total liabilities and equity</b>		<b>54 237</b>	<b>51 954</b>

These financial statements are approved by the Managing Directors of the Company on 22.03.2016

  
Jaromir Vsetecka  
Managing Director

  
Svetoslav Nikolov  
Managing Director

  
Biliana Todorova  
Preparer



The original financial statements were signed by Sylvia Peneva, Registered Auditor and Statutory Manager at Deloitte Audit OOD on 22.03., 2016.

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



This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail.

### 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, 2015

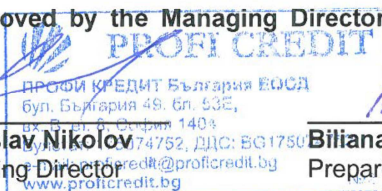
	2015	2014
<b>Net (loss)/profit</b>	<b>(57)</b>	<b>2 490</b>
<b>Adjustments for non-monetary items</b>		
Impairment losses	10 125	7 566
Change in deferred taxes	(306)	341
Depreciation/amortization of assets	182	176
Increase of provisions	(30)	2
Effect of change in foreign exchange rates	(3)	(1)
Interest expense	8 569	7 343
<b>Changes in operating assets and liabilities</b>		
Increase of investments in loans to customers	(12 591)	(13 757)
Net increase in other assets	482	118
Net increase in other liabilities	(204)	(630)
Loan interests paid	(8 202)	(6 934)
<b>Net cash flow used in operating activities</b>	<b>(2 035)</b>	<b>(3 286)</b>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	(123)	(87)
<b>Net cash flow used in investing activities</b>	<b>(123)</b>	<b>(87)</b>
<b>Cash flow from financial activities</b>		
Increase in share capital	-	1 000
Dividends payment	(2 000)	(4 303)
Finance lease	(85)	(68)
Non-bank loans received	4 303	6 689
<b>Net cash flows from financing activities</b>	<b>2 218</b>	<b>3 318</b>
<b>Net change in cash and cash equivalents</b>	<b>60</b>	<b>(55)</b>
<b>Cash and cash equivalents in the beginning of the period</b>	<b>281</b>	<b>336</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>341</b>	<b>281</b>

These financial statements are approved by the Managing Directors of the Company on 22.03.2016.

  
Jaromir Vsetecka  
Managing Director

  
Svetoslav Nikolov  
Managing Director

  
Biliana Todorova  
Preparer



The original financial statements were signed by Sylvia Peneva, Registered Auditor and Statutory Manager at Deloitte Audit OOD on 22.03.2016.

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

This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail



## 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, 2015

	Share capital	Share premium	Retained earnings/ (loss)	Total
<b>January 1, 2014</b>	<b>3 250</b>	<b>800</b>	<b>4 404</b>	<b>8 454</b>
Equity increase	1 000	--	--	1 000
Dividends payment	--	--	(4 303)	(4 303)
Profit for the period	--	--	2 490	2 490
<b>December 31, 2014</b>	<b>4 250</b>	<b>800</b>	<b>2 591</b>	<b>7 641</b>
<b>January 1, 2015</b>	<b>4 250</b>	<b>800</b>	<b>2 591</b>	<b>7 641</b>
Dividends payment	--	--	(2 000)	(2 000)
Loss for the period	--	--	(57)	(57)
<b>December 31, 2015</b>	<b>4 250</b>	<b>800</b>	<b>534</b>	<b>5 584</b>

These financial statements are approved by the Managing Directors of the Company on **22.03.2016**

  
**Jaromir Vsetecka**  
 Managing Director

   
**Svetoslav Nikolov** **Biliana Todorova**  
 Managing Director Preparer

PROFI CREDIT  
 ПРОФИ КРЕДИТ България ЕООД  
 ул. В. ат. 8, София 1404  
 Булевард 175074752, ДДС: BG175074752  
 e-mail: proficredit@proficredit.bg  
 www.proficredit.bg №2

The original financial statements were signed by Sylvia Peneva, Registered Auditor and Statutory Manager at Deloitte Audit OOD on **22.03.2016**.

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



## **6.5. Notes to the financial statements**

### **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 owned 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 4 250 000.*

#### *Structure of property*

The owner of the Company as of December 31, 2015 and 2014 is:

Profireal Group S.E., the Netherlands      100%

The ultimate owner of the Company is David Beran.

#### *Headquarters and address of management*

PROFI CREDIT Bulgaria EOOD  
49, Bulgaria Blvd., bl. 53 E, entrance B  
Sofia, Sredets Municipality, Bulgaria

#### *Identification number*

175074752

#### *VAT number*

BG175074752

#### *Managing Directors of the Company as of December 31, 2015 are:*

Jaromir Vsetecka

David Chour

Svetoslav Nikolaev Nikolov

***Changes in the commercial register***

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

- On July 20, 2015 Zdravko Stamenov Raichev was removed as a managing director;
- On October 13, 2015 Petr Vrba was removed as a managing director and David Chour was elected as a new managing director.

***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 principles**

These financial statements are prepared in all material respects 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 adopted by the European Union (the “EU”) and applicable in the Republic of Bulgaria.

***(a) Changes in IFRS***

*Initial application of new amendments to the existing Standards and Interpretations effective for the current financial period*

The following new amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- Amendments to various standards „ Improvements to IFRSs (cycle 2011-2013)“ resulting from the annual improvement project to IFRS ( IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording – adopted

by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015),

- IFRIC 21 “Levies” adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014);

The adoption of these amendments to the existing standards and interpretation has not led to any changes in the Company’s accounting policy.

*Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective*

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards Improvements to IFRSs (cycle 2010-2012) resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015);
- Amendments to IAS 16 „Property, Plant and Equipment“ and IAS 41 „Agriculture“- Agriculture: Bearer Plants – adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016) ;
- Amendments to IAS 16 „Property, Plant and Equipment“ and IAS 38 „Intangible Assets“ – Clarification of Acceptable Methods of Depreciation and Amortisation – adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016) ;
- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);



- Amendments to IAS 11 „Joint Arrangements „ – Accounting for Acquisitions of Interests in Joint Operations adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016) ;
- Amendments to IAS 1 „Presentation of Financial Statements“ – Disclosure Initiative – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016) ;
- Amendments to IAS 27 „Separate Financial Statements“ – Equity Method in Separate Financial Statements – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016) ;
- Amendments to various standards „Improvements to IFRSs (cycle 2012-2014)“ resulting from the annual improvement project of IFRS ( IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on December 15, 2015 (amendments are to be applied for annual periods beginning on or after January 1, 2016).

*New Standards and amendments to the existing Standards 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 IASB except from the following standards, amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of the financial statements :

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after January 1, 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and wait for the final standard ;
- IFRS 15 „Revenue from Contracts with Customers“ and further amendments (effective for annual periods beginning on or after January 1, 2018) ;
- IFRS 16 „Leases“ (effective for annual periods beginning on or after 1 January, 2019) ;

- Amendments to IFRS 10 „Consolidated Financial Statements“ and IAS 28 „Investments in Associates and Joint Ventures“ – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 10 „Consolidated Financial Statements“, IFRS 12 „Disclosure of Interests in Other Entities“ and IAS 28 „Investments in Associates and Joint Ventures“ – Investment Entities: Applying the Consolidation Exception ( effective for annual periods beginning on or after January 1, 2016).

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, with the exception of one, stated below, which could have significant contribution on financial statements:

IFRS 9 Financial Instruments, which uses a single approach to determine whether a financial assets is measured at amortized or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments ( business model) and the specific cash flow of the financial assets. The new standart also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principals 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 balance sheet date.

***(b) Functional and presentation currency***

The Company keeps its accounting in the 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 the financial asset or liability.

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

***(d) Additional services income and expenses***

The Company recognizes additional services income and expenses arising from consumer loans that provide the client option of: postponing up to four instalments from the initial payment schedule; changing payment date from the initial payment schedule; reducing the instalments size from the initial payment schedule.

Incomes from additional services are recognized in the comprehensive income statement proportionally over the entire term of each loan. Additional services expenses are recognized when a circumstance which entitles the client to postpone or reduce instalments occurs.

The additional services premium formed covers the risk of partial or full incapability of client for repayment of matured instalment/s of loan.

***(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 systematically 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 as of December 31, 2015 and 2014 is as follows:

<b>Assets</b>	<b>Period</b>
Office equipment and furniture	60 months
Computers	60 months
Mobile telephones	24 months
Vehicles	60 months
Software	60 months
Other tangible assets	60 months
Intangible assets	60 months

#### ***(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 cost on a periodic monthly basis is applied when they are written off.

#### ***(g) Impairment of nonfinancial 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 cost of sales of the assets or the cash generating unit 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 losses 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 is expected to result in an outflow of resources of the Company.
- The amount of the liability can be estimated reliably.

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 paid 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 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. Profits and losses, 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, 2015 the cash assets and liabilities, denominated in foreign currency are revalued in BGN according to the BNB central closing exchange rate published by the Bulgarian National bank on December 31, 2015 where: BGN 1.95583 = EUR 1 (fixed rate according to the Currency Board Agreement) and BGN 7.23604 = 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.

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. Financial assets are initially recognized on the settlement date - the date on which funds are disbursed to clients. Financial assets are written off from the comprehensive income statement of the Company, when the rights for receiving cash have expired or have transferred substantially all risks and rewards of the asset ownership.

***Loans to customers***

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

Loans to customers are initially recognized at fair value adjusted by transaction costs. After initial recognition loans are estimated at their amortized cost determined by effective interest rate and decreased with the accumulated impairment.

The effective interest rate is used for recognition of interest income for the period.

***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 the reintegration of impairment.

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, which is based on an analysis.

***Cash and cash equivalents***

For cash flow statement purposes, cash and cash equivalents include cash on hand, cash in transfer, at 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 which the 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 favourable 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. As of December 31, 2015 and 2014 have no forward agreements.

***Bank and other loans***

At initial recognition bank and other loans are measured at cost of acquisition, which includes the fair value of the received loans adjusted with the costs for performing 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 amortized cost.

***Payables to suppliers***

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

***Fair value measurement***

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.



The Company has no financial assets and liabilities at fair value in comprehensive income statement.

***(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 amounts of assets and liabilities as of the date of the financial statements, and the amount of income and expenses during the reporting period, and to disclose contingent assets and liabilities. Although these accounting estimates and the related assumptions are based on the best estimate of the current events by the management, the actual results could 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 expected 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 instalments collected at maturity. Upon determination of the impairment losses on collective base, the management considers each repayment instalment as a separate receivable, the management considers each repayment instalment 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 instalment the management does not consider the whole contracted amount of the loan as impaired.

***Recognition of income from other receivables on loans to customers that are legally prosecuted***

Other receivables on loans to customers that are legally prosecuted are: legal late interest, accrued penalties to clients for breach of contractual terms, court expenses, arbitration fees, fees for bailiffs, fees for debt restructuring agreements, etc.

Other receivables on loans to customers that are legally prosecuted are recognized on the basis of the expected cash flows of 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.

### 3) Net interest income

	2015	2014
<b>Interest income</b>		
Interest on customer loans	22 957	25 432
Interest on bank accounts	1	3
	<b>22 958</b>	<b>25 435</b>
<b>Interest expenses</b>		
Loans	(8 522)	(7 323)
Financial leasing	(17)	(20)
	<b>(8 569)</b>	<b>(7 343)</b>
<b>Net interest income</b>	<b>14 389</b>	<b>18 092</b>

### 4) Impairment losses

	2015	2014
Impairment losses as of January 1 <sup>st</sup>	32 331	24 765
Net increase of the impairment losses	10 125	7 566
<b>Total impairment losses for credit risk as of December 31</b>	<b>42 456</b>	<b>32 331</b>

### 5) Net cost from fees and commissions

	2015	2014
Bank fees	(37)	(32)
Guarantee expenses for received loans	(478)	(421)
Court expenses, arbitrary charges and bailiff fees	(1 046)	(942)
Commissions costs on collection of receivables	(839)	(688)

Commissions costs on sales of loans not included in effective interest rate calculation	(542)	(937)
Income from write off payables for sales commissions	524	1 047
<b>Net fees and commissions cost</b>	<b>(2 418)</b>	<b>(1 973)</b>

Expenses for guarantees represent the amount of remuneration due to related parties for guarantees granted on bank and other loans 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.

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, which were initially included in effective interest rate calculation. Liabilities to loan intermediaries are written off when: the loan agreement is legally terminated; early repayment of the loan by customer; the sales agent does not meet the criteria for getting of that part of sales commission which is linked to collected instalments; the instalment has been collected by external collection agent; others.

## 6) General and administrative expenses

### a) Structure of general and administrative expenses:

	2015	2014
<i>Staff costs</i>		
Employee benefits	3 509	2 924
Social security and health insurance costs	546	428
Other staff costs and remuneration of the managing directors	151	263
<b>Total</b>	<b>4 206</b>	<b>3 615</b>

*Other administrative costs*

Advertising and marketing	880	814
Rent	594	536
Other administrative costs	393	375
Travel allowance	277	285
Telecommunications and mail services	223	242
Office consumables and cleaning	234	234
Energy	228	180
Consulting services	126	134
Verification of data	139	106
Office equipment and furniture	37	53
Security	46	40
<b>Total</b>	<b>3 177</b>	<b>2 999</b>

*Depreciation/amortization of assets*

Depreciation of property, plant and equipment (note 15)	176	164
Amortization of intangible assets (note 16)	6	11
<b>Total</b>	<b>182</b>	<b>175</b>
<b>Total general and administrative costs</b>	<b>7 565</b>	<b>6 789</b>

In 2015 the Company recognised expenses related to the audit of the annual statutory financial statements at the amount of BGN 45 thousand (2014: BGN 63 thousand).

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

	2015	2014
Short-term income (including social security)	184	181
<b>Total</b>	<b>184</b>	<b>181</b>

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 30 thousand (2014: BGN 51 thousand) and as employee benefits, amounting to BGN 154 thousand (2014: BGN 130 thousand) (note 25).

*c) Average number of employees:*

	2015	2014
Managing directors	4	4
Employees	177	136

<b>Total</b>	<b>181</b>	<b>140</b>
--------------	------------	------------

The number of employees as of December 31, 2015 is 185 (2014: 145).

## 7) Net additional services income

	<b>2015</b>	<b>2014</b>
Additional services income	8 148	2 360
Additional services costs	(1 032)	(652)
<b>Net additional services income</b>	<b>7 116</b>	<b>1 708</b>

Additional services income includes the following services provided to the Company loan customers:

- An opportunity for the customer to receive high-priority consideration and decision of the loan request
- An option for the customer to postpone up to four loan installments
- An option for the customer to reduce the size of loan installments
- An opportunity for the customer to receive additional loan amount after simplified application procedure

These services are offered as a package of additional services to the loans and they are not mandatory from perspective of the loan agreement conclusion. Additional services in package provide the customers opportunity for instalments reducing or/and postponement, in case a specific circumstance occurs – a job redundancy, unpaid leave, income reducing, etc. On the other hand abovementioned option provides the opportunity customer to receive high-priority consideration and decision of the loan application and additional loan amount after simplified application procedure.

Additional services cost is the price of the services used by the customers during the reported period. The increase of additional services income and expenses resulted mainly from the expansion of range of provided options for instalments postponement (introducing a free postponement on a larger number of monthly installments, a free reducing the amount of the installment and/ or changing of installment date) and recognition under equal other conditions higher revenues and expenditures for that reason.

**8) Other operating income/(expenses), net**

	<b>2015</b>	<b>2014</b>
Services rendered by related parties	(1 078)	(1 147)
Services rendered to related parties	--	--
Tax expenses and tax charges (road tax, garbage fee, etc.)	(29)	(32)
FX gains, net	6	(1)
Other income	82	73
<b>Total</b>	<b>(1 148)</b>	<b>(1 323)</b>

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

**9) Income tax***a) Tax expenses*

	<b>2015</b>	<b>2014</b>
Current tax expenses	-	-
Deferred tax assets changes	(306)	341
<b>Income/(expense) tax for the year</b>	<b>(306)</b>	<b>341</b>

Current income tax for 2014 is not charged as a result of the deduction of tax loss from previous years.

Reconciliation of income / (expense) tax to tax at the applicable tax rate is as follows:

	<b>2015</b>	<b>2014</b>
Income before taxation	249	2 149
Income tax at tax rate of 10%	(25)	(215)
Tax deductible expenses	(10)	(11)
Deduction of tax loss from previous years	--	224
Recognition of a deferred tax asset for tax loss deduction	(306)	341
Other effects	35	2
<b>Income/(expense) tax for the year</b>	<b>(306)</b>	<b>341</b>

*b) Deferred taxes*

	2015		2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Deferred taxes at the beginning of the year	341	5	--	5
Changes in the deferred taxes	(296)	10	341	--
<b>Deferred taxes at the end of the year</b>	<b>45</b>	<b>15</b>	<b>341</b>	<b>5</b>

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

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

	2015		2014	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Accelerated tax amortization	--	15	--	5
Deferred tax assets	45	--	341	--
<b>Deferred taxes at the end of the year</b>	<b>45</b>	<b>15</b>	<b>341</b>	<b>5</b>

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 2015, which is 10% (2014: 10%).

In 2014 the Company has recognized deferred tax assets on accumulated and unutilized tax loss carryforward at the amount of BGN 3 407 thousand, formed on the base of the expected profits for the financial years of 2015 and 2016. Planned expected taxable profits are generated following the assurance that the Company gain profits over the past three consecutive years.

Tax losses at the disposal for deduction, recognized and unrecognized tax assets on them as of 31 December 2015 are as follows:

Tax losses arising in	Tax loss	Unrecognized deferred tax assets	Recognized deferred tax assets	Expired in
2011	3 259	326	-	2016
<b>Total</b>	<b>3259</b>	<b>326</b>	<b>-</b>	<b>2016</b>

Tax losses at the disposal for deduction, recognized and unrecognized tax assets on them as of 31 December 2014 are as follows:

Tax losses arising in	Tax loss	Unrecognized deferred tax assets	Recognized deferred tax assets	Expired in
2010	5 933	423	170	2015
2011	3 259	155	171	2016
<b>TOTAL</b>	<b>9 192</b>	<b>578</b>	<b>341</b>	

### 10) Cash and cash equivalents

	2015	2014
Cash at bank accounts	339	280
Cash on hand	2	1
<b>Total</b>	<b>341</b>	<b>281</b>

### 11) Loans to customers

#### a) *Total receivables on granted loans to customers, net*

	2015	2014
Receivables on loans to customers, stated at amortized cost	88 309	77 014
Other receivables from customers stated at amortized cost	6 816	5 520
<b>Gross receivables on loans to customers</b>	<b>95 125</b>	<b>82 534</b>
Allowances for impairment loss on loans to customers stated at amortized cost	(41 446)	(31 417)
Allowances for impairment loss on other receivables from customers stated at amortized cost	(1 010)	(914)
<b>Total receivables on loans to customers, net</b>	<b>52 669</b>	<b>50 203</b>

The carrying amount of receivables on loans to customers, used as a collateral on the received loans as of December 31, 2015 amounts to BGN 52,669 thousand (2014: BGN 50,203 thousand).

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



	2015	2014
Loans to customers	40.97%	49.51%

The average effective interest rate on loans decrease mainly due to recognitions under equal conditions of higher part of the contractual remuneration as an additional services income, which income is a result from the expansion of range of provided services for instalments postponement and reducing.

*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, 2015 include the following categories:

	Gross amount of the portfolio	Collateral	Net amount of the portfolio	Impairment losses	Carrying amount	Impairment losses (%)
Receivable /instalments/ on regular loans	39 754	--	39 754	917	38 837	2.31%
Overdue receivables /instalments/ on loans	48 555	--	48 555	40 529	8 026	83.47%
Other overdue receivables on loans	6 816	--	6 816	1 010	5 806	14.82%
<b>Total</b>	<b>95 125</b>		<b>95 125</b>	<b>42 456</b>	<b>52 669</b>	<b>44.63%</b>

Receivables of the Company as of December 31, 2014 include the following categories:

	Gross amount of the portfolio	Collateral	Net amount of the portfolio	Impairment losses	Carrying amount restated	Impairment losses (%)
Receivable /instalments/ on regular loans	41 171	--	41 171	836	40 335	2.03%
Overdue receivables /instalments/ on loans	35 843	--	35 843	30 581	5 262	85.32%
Other overdue receivables on loans	5 520	--	5 520	914	4 606	16.57%
<b>Total</b>	<b>82 534</b>		<b>82 534</b>	<b>32 331</b>	<b>50 203</b>	<b>39.17%</b>

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

The receivables as of December 31, 2015 include the following categories:

	<b>Gross amount of the portfolio</b>	<b>Impairment losses</b>	<b>Carrying amount</b>	<b>(%)</b>
Non-overdue loans to customers	17 028	416	16 612	<b>31.54%</b>
Loans to customers with delay between 1 and 60 days	10 445	559	9 886	<b>18.77%</b>
Loans to customers with delay over 60 days	60 836	40 471	20 365	<b>38.67%</b>
Receivables to customers related to penalties and other court receivables with delay over 60 days	6 816	1 010	5 806	<b>11.02%</b>
<b>Total receivables on loans to customers</b>	<b>95 125</b>	<b>42 456</b>	<b>52 669</b>	<b>100.00%</b>

The receivables as of December 31, 2014 include the following categories:

	<b>Gross amount of the portfolio</b>	<b>Impairment losses</b>	<b>Carrying amount</b>	<b>(%)</b>
Non-overdue loans to customers	17 985	349	17 636	<b>35.13%</b>
Loans to customers with delay between 1 and 60 days	11 878	616	11 262	<b>22.43%</b>
Loans to customers with delay over 60 days	47 151	30 452	16 699	<b>33.26%</b>
Receivables to customers related to penalties and other court receivables with delay over 60 days	5 520	914	4 606	<b>9.18%</b>
<b>Total receivables on loans to customers</b>	<b>82 534</b>	<b>32 331</b>	<b>50 203</b>	<b>100.00%</b>

*d) Granted loans by types of customers, net*

	<b>2015</b>	<b>2014</b>
Individuals	52 627	50 165
Business loans	42	38
<b>Total</b>	<b>52 669</b>	<b>50 203</b>

*e) Geographical concentration of loans to customers*

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

*f) Age structure of loans to customers (excluding receivables from penalties to customers and other court receivables) stated at amortized cost and allocated by maturity of down payments, gross amount before impairment*

	Without delay	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 31.12.2015	39 754	4 732	3 767	6 124	33 932
Loans as of 31.12.2014	41 170	3 307	2 470	4 395	25 672

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

## 12) Other receivables

	2015	2014
Deposits on contracts for leased offices	70	65
Prepaid advances to suppliers and employees	170	149
Deferred financial expenses	206	81
Other receivables	87	109
<b>Total</b>	<b>533</b>	<b>404</b>

## 13) Inventories

As of the date of the statement of financial position the Company has marketing and advertising materials at stock amounting to BGN 10 thousand (2014: BGN 16 thousand). The Company has not recognized costs for the impairment of the inventories.

**14) Property, plant and equipment**

	<b>Cars</b>	<b>Computers</b>	<b>Office equipment</b>	<b>Other tangible assets</b>	<b>Cost of acquisitio n</b>	<b>Total</b>
<b>Cost</b>						
Balance as at 1/1/2014	808	551	140	94	118	1 711
Additions	--	53	1	21	--	75
Disposals	(144)	--	--	(1)	--	(145)
Balance as at 31/12/2014	664	604	141	114	118	1 641
<b>Accumulated depreciation</b>						
Balance as at 1/1/2014	(379)	(342)	(137)	(66)	--	(924)
Depreciation for the year	(99)	(53)	(2)	(10)	--	(164)
Balance as at 31/12/2014	(334)	(395)	(139)	(75)	--	(943)
<b>Net book value as at 1/1/2014</b>	<b>429</b>	<b>209</b>	<b>3</b>	<b>28</b>	<b>118</b>	<b>787</b>
<b>Net book value as at 31/12/2014</b>	<b>330</b>	<b>209</b>	<b>2</b>	<b>39</b>	<b>118</b>	<b>698</b>
<b>Cost</b>						
Balance as at 1/1/2015	664	604	141	114	118	1 641
Additions	47	47	--	27	--	121
Disposals	(50)	(60)	(1)	(11)	--	(122)
Balance as at 31/12/2015	661	591	140	130	118	1 640
<b>Accumulated depreciation</b>						
Balance as at 1/1/2015	(334)	(395)	(139)	(75)	--	(943)
Depreciation for the year	(96)	(67)	(1)	(12)	--	(176)
Of the disposals	50	60	1	11	--	122
Balance as at 31/12/2015	(380)	(402)	(139)	(76)	--	(997)
<b>Net book value as at 1/1/2015</b>	<b>330</b>	<b>209</b>	<b>2</b>	<b>39</b>	<b>118</b>	<b>698</b>
<b>Net book value as at 31/12/2015</b>	<b>281</b>	<b>189</b>	<b>1</b>	<b>54</b>	<b>118</b>	<b>643</b>

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

**15) Intangible assets**

	<b>Software</b>	<b>Others</b>	<b>Total</b>
<b>Cost</b>			
Balance as at 1/1/2014	125	29	154
Additions	11	--	11
Disposals	--	--	--
Balance as at 31/12/2014	136	29	165
<b>Accumulated amortization</b>			
Balance as at 1/1/2014	(114)	(24)	(138)
Amortization for the year	(8)	(3)	(11)
Of the disposals	--	--	--
Balance as at 31/12/2014	(122)	(27)	(149)
<b>Net book value as at 1/1/2014</b>	<b>11</b>	<b>5</b>	<b>16</b>
<b>Net book value as at 31/12/2014</b>	<b>14</b>	<b>2</b>	<b>16</b>
<b>Cost</b>			
Balance as at 1/1/2015	136	29	165
Additions	--	1	1
Disposals	(35)	--	(35)
Balance as at 31/12/2015	101	30	131
<b>Accumulated amortization</b>			
Balance as at 1/1/2015	(122)	(27)	(149)
Amortization for the year	(4)	(2)	(6)
Of the disposals	35	--	35
Balance as at 31/12/2015	(91)	(29)	(120)
<b>Net book value as at 1/1/2015</b>	<b>14</b>	<b>2</b>	<b>16</b>
<b>Net book value as at 31/12/2015</b>	<b>10</b>	<b>1</b>	<b>11</b>

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

**16) Liabilities on financial lease**

LIABILITIES ON FINANCE LEASE	Minimum lease instalment		Current value of minimum lease instalments	
	2015	2014	2015	2014
Up to 1 year	147	133	122	118
Between 1 and 5 years	204	301	195	285
<b>Total</b>	<b>351</b>	<b>434</b>	<b>317</b>	<b>403</b>
Deferred finance expenses	34	31	--	--
Current value of the liabilities of financial lease	317	403	317	403
Due up to 1 year	122	118	122	118
Due over 1 year	195	285	195	285

**17) Other loans received**

In 2015 and 2014 the Company has received the following non-bank loans:

As of 31.12.2015	Currency	Balance in thousand currency units	Balance in BGN thousand	Interest rate	Amount payable up to 1 year in BGN thousand	Amount payable up to 5 years in BGN thousand	Collateral
							Pledge on receivables from customers, pledge on company shares and promissory note.
Creditor 1	EUR	23 911	46 765	17.5%	551	46 214	Guarantee issued by Profireal Group.
<b>Total</b>			<b>46 765</b>		<b>551</b>	<b>46 214</b>	

As of 31.12.2014 restated	Currency	Balance in thousand currency units	Balance in BGN thousand	Interest rate	Amount payable up to 1 year in BGN thousand	Amount payable up to 5 years in BGN thousand	Collateral
							Pledge on receivables from customers, pledge on company shares and promissory note.
Creditor 1	EUR	21 523	42 096	17.5%	1 140	40 956	Guarantee issued by Profireal Group.
<b>Total</b>			<b>42 096</b>		<b>1 140</b>	<b>40 956</b>	

**18) Other liabilities**

	<b>2015</b>	<b>2014</b>
Suppliers	443	560
Staff	550	539
Current liabilities for cash commissions of hired staff (loan experts, collectors, team managers)	247	272
Other	74	152
Social and health insurance	139	132
Tax liabilities	73	88
Guarantee liabilities	42	38
<b>Total</b>	<b>1 568</b>	<b>1 781</b>

**19) Provisions**

	<b>Provision for additional services claims</b>	<b>Other provisions</b>	<b>Total</b>
<b>Balance as of January 1, 2014</b>	<b>31</b>	<b>--</b>	<b>31</b>
Accrued provision	652	--	652
Utilized provision	(650)	--	(650)
<b>Balance as of December 31, 2014</b>	<b>33</b>	<b>--</b>	<b>33</b>
<b>Balance as of January 1, 2015</b>	<b>33</b>	<b>--</b>	<b>33</b>
Accrued provision	1 032	--	1 032
Utilized provision	(1 062)	--	(1 062)
<b>Balance as of December 31, 2015</b>	<b>3</b>	<b>--</b>	<b>3</b>

The Company accrues provisions in case of claim from client on loans with free postponement of instalment option

**20) Share capital**

The share capital as of December 31, 2015 is at the amount of BGN 4 250 thousand (2014: BGN 4 250 thousand) and is allocated as follows:

	<b>As of 31.12.2015</b>	<b>%</b>	<b>As of 31.12.2014</b>	<b>%</b>
Profireal Group S.E., the Netherlands	4 250	100%	4 250	100%
	<b>4 250</b>	<b>100%</b>	<b>4 250</b>	<b>100%</b>

## 21) Equity

As of December 31, 2015 the Company reports positive equity at the amount of BGN 5 584 thousand (2014: BGN 7 641 thousand).

## 22) Financial instruments and risk management

### 23.1. Categories of financial instruments

	2015	2014
Financial assets		
Cash and cash equivalents	341	281
Loans to customers	52 669	50 203
Other receivables	206	81
<b>Total financial assets</b>	<b>53 216</b>	<b>50 565</b>
	2015	2014
Financial liabilities		
Liabilities on finance lease	317	403
Other loans received	46 765	42 096
Other liabilities	733	870
<b>Total financial liabilities</b>	<b>47 815</b>	<b>43 369</b>

The carrying amount of financial assets in the financial statements, net of impairment, represents the maximum exposure of the Company to credit risk.

### 23.2. 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 deviation from the adopted internal standards is reported to Company's management and the respective measures are taken. In addition, the Company evaluates 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 counterparties may fail to pay their 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 of Company's credit activities and lending procedures are developed by the Finance Department, Risk management unit and approved by the managing directors.

Credit risk relates mainly to customer loans. The amount of receivables from customers are presented in the statement of financial position net, less impairment loss, which is calculated based on 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 hired staff (loan experts and collectors) for collection of its receivables.

*Securitization*

Credit risk is diversified among significant numbers of clients all over the country. Part of the loan contracts are guaranteed by third parties - guarantors.

**b) Liquidity risk**

Liquidity risk is the risk of shortage 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 table below represents analysis of the non-discounted financial liabilities classified by maturity structure according to residual term of maturity.

<b>Financial liabilities as of 31.12.2015</b>	<b>At disposal up to 7 days</b>	<b>Up to 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 year to 5 years</b>	<b>Over 5 years</b>
Liabilities on finance lease	--	34	88	195	--
Other loans received	--	1 918	6 265	32 633	--
Other liabilities	--	733	--	--	--
<b>Total</b>	<b>--</b>	<b>2 685</b>	<b>6 353</b>	<b>32 828</b>	<b>--</b>

<b>Financial liabilities as of 31.12.2014</b>	<b>At disposal up to 7 days</b>	<b>Up to 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 year to 5 years</b>	<b>Over 5 years</b>
Liabilities on finance lease	--	31	87	285	--
Other loans received	--	2 694	5 228	78 053	--
Other liabilities	--	870	--	--	--
<b>Total</b>	<b>--</b>	<b>3 595</b>	<b>5 315</b>	<b>78 338</b>	<b>--</b>

**c) Currency risk**

Currency risk arises with respect to changes in the value of the financial instruments, due to significant changes on the foreign exchange 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 2015 and 2014 is presented in the table below:

<b>Currency risk as of 31.12.2015</b>	<b>BGN</b>	<b>EUR</b>	<b>CZK</b>	<b>Total BGN</b>
<b>Assets</b>				
Cash and cash equivalents	338	3	--	341
Customer loans	52 669	--	--	52 669
Other receivables	209	--	--	206
<b>Total assets as of 31.12.2015</b>	<b>53 213</b>	<b>3</b>	<b>--</b>	<b>53 216</b>
<b>Liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>317</b>

Liabilities on finance lease		317		
Other loans received	--	46 765	--	46 765
Other liabilities	667	32	34	733
<b>Total liabilities as of 31.12.2015</b>	<b>667</b>	<b>47 114</b>	<b>34</b>	<b>47 815</b>
<b>Currency risk 31.12.2015</b>	<b>52 546</b>	<b>(47 111)</b>	<b>(34)</b>	<b>5 401</b>

<b>Currency risk as of 31.12.2014</b>	<b>BGN</b>	<b>EUR</b>	<b>CZK</b>	<b>Total BGN</b>
<b>Assets</b>				
Cash and cash equivalents	270	10	1	281
Customer loans	50 203	--	--	50 203
Other receivables	81	--	--	81
<b>Total assets as of 31.12.2014</b>	<b>50 554</b>	<b>10</b>	<b>1</b>	<b>50 565</b>
<b>Liabilities</b>				
Liabilities on finance lease	--	403	--	403
Other loans received	--	42 096	--	42 096
Other liabilities	806	42	22	870
<b>Total liabilities as of 31.12.2014</b>	<b>806</b>	<b>42 541</b>	<b>22</b>	<b>43 369</b>
<b>Currency risk 31.12.2014</b>	<b>49 748</b>	<b>(42 531)</b>	<b>(21)</b>	<b>7 196</b>

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

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

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 considers the activity of PROFIT CREDIT Bulgaria not to be highly sensitive to fluctuations of the interest rates on the world financial markets.

The following table summarizes the effective interest rate for financial assets and the nominal interest rate for financial liabilities as of the end of the respective calendar year:

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Customer loans	40.97%	49.51%
<b>Liabilities</b>		
Other received loans	17.50%	17.50%
Liabilities on finance lease	5.55%	5.99%

The average effective interest rate on loans decrease mainly due to recognitions under equal other conditions of higher part of the contractual remuneration as an additional services income, which income is a result from the growth of the range of provided services.

*d) 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.

### 23.3. Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The debt ratio as of December 31, 2015 and 2014 is as follows:

	<b>2015</b>	<b>2014</b>
Liabilities on finance lease	317	403
Other loans received	46 765	42 096
Decreased with: Cash and cash equivalents	(341)	(281)
<b>Net liabilities</b>	<b>46 741</b>	<b>42 218</b>
Equity	5 584	7 641
<b>Total capital</b>	<b>52 325</b>	<b>49 859</b>
Debt ratio	89%	85%

### 23) Events after the reporting date

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

**24) Related party transactions****a) Other receivables and other payables.**

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

	Receivables		Payables	
	2015	2014	2015	2014
Profi Credit Czech a.s.	--	--	115	157
Profireal Group	--	--	44	63
Other related parties	--	--	--	--
<b>Total</b>	<b>--</b>	<b>--</b>	<b>159</b>	<b>220</b>

The payable to Profireal Group as of December 31, 2015 to the amount of BGN 43 thousand (2014: BGN 38 thousand) represents a payable for established guarantee on utilized loan and payables for received consulting services amounting to BGN 1 thousand (2014: BGN 25 thousand).

The payable to Profi Credit Czech, a.s. as of December 31, 2015 includes: payables for received consulting services amounting to BGN 62 thousand (2014: BGN 93 thousand) and payable for use of trade mark amounting to BGN 53 thousand (2014: BGN 64 thousand).

**b) Sales and purchases**

	Sales for the period		Purchases for the period	
	2015	2014	2015	2014
Profi Credit a.s. the Czech Republic	--	--	1 026	1 124
Profireal Group	--	--	--	23
Other related parties	--	--	52	--
<b>Total</b>	<b>--</b>	<b>--</b>	<b>1 078</b>	<b>1 147</b>

**c) Interests and loan guarantees**

	Interest expense		Interest income	
	2015	2014	2015	2014
Profireal Group	478	421	--	--
<b>Total</b>	<b>478</b>	<b>421</b>	<b>--</b>	<b>--</b>

Profireal Group SE is a guarantor under the loan agreement of the Company as disclosed in note. 18.

**d) Accrued remuneration and salaries to management**

	<b>2015</b>	<b>2014</b>
Number of members	4	4
Remuneration accrued	178	175
Other (social security, health insurance, etc.)	6	6
<b>Total</b>	<b>184</b>	<b>181</b>

## **7. CONTACTS**

**Company Name:**

PROFI CREDIT Bulgaria EOOD

**Company Seat:**

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

1404 Sofia

**Mailing Address:**

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

1404 Sofia

**Legal form:**

Sole-owner limited liability company

**Identification Number:**

175074752

**Tax Identification Number:**

BG175074752

Tel.: +359 2 40 32 500

Fax.: +359 2 40 32 501

E-mail address: proficredit@proficredit.bg