ANNUAL REPORT

2012

PROFI CREDIT Bulgaria EOOD

BASIC ECONOMICS FACTS OF PROFI CREDIT BULGARIA EOOD.

	2012	2011	2010	
Брой предоствени заеми	12 998	10 797	8 958	Number of loans provided
Номинална стойност на предоставените заеми (в хил. лв.)*	52 790	41 745	30 298	Nominal value of loans provided (in TBGN)*
Общо платени заеми (в хил. лв.)	16 971	13 694	10 884	Disbursed in total (in TBGN)
Заем за служители - дял в общата продукция	100%	100%	100%	Credit for employees - share in total production
Бизнес кредити - дял в общата продукция	0%	0%	0%	Loans for businessmen - share in total production
Човешки ресурси				**Human Resources**
Общ брой кредитни експерти	724	631	622	Number of external credit advisors
Общ брой инкасатори	75	80	75	Number of external collectors
Общ брой служители	108	106	96	Number of employees
Финансови показатели (в хил. лв.)				**Financial Indicators (in TBGN)**
Общо активи	40 993	29 566	22 411	Total assets
Вземания по предоставени заеми на клиенти	39 351	28 763	21 791	Receivables from provided loans to clients
Общо приходи	23 757	15 675	10 993	Total revenues
Общо разходи	23 324	19 024	17 063	Total costs
Печалба/загуба преди днъци	433	-3 349	-6 070	Profit/Loss before taxation
Отсрочен данък	3	5	4	Deferred tax
Нетна печалба/загуба	436	-3 344	-6 066	Profit/Loss after taxation

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

CONTENTS

1. THE PROFIREAL GROUP

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

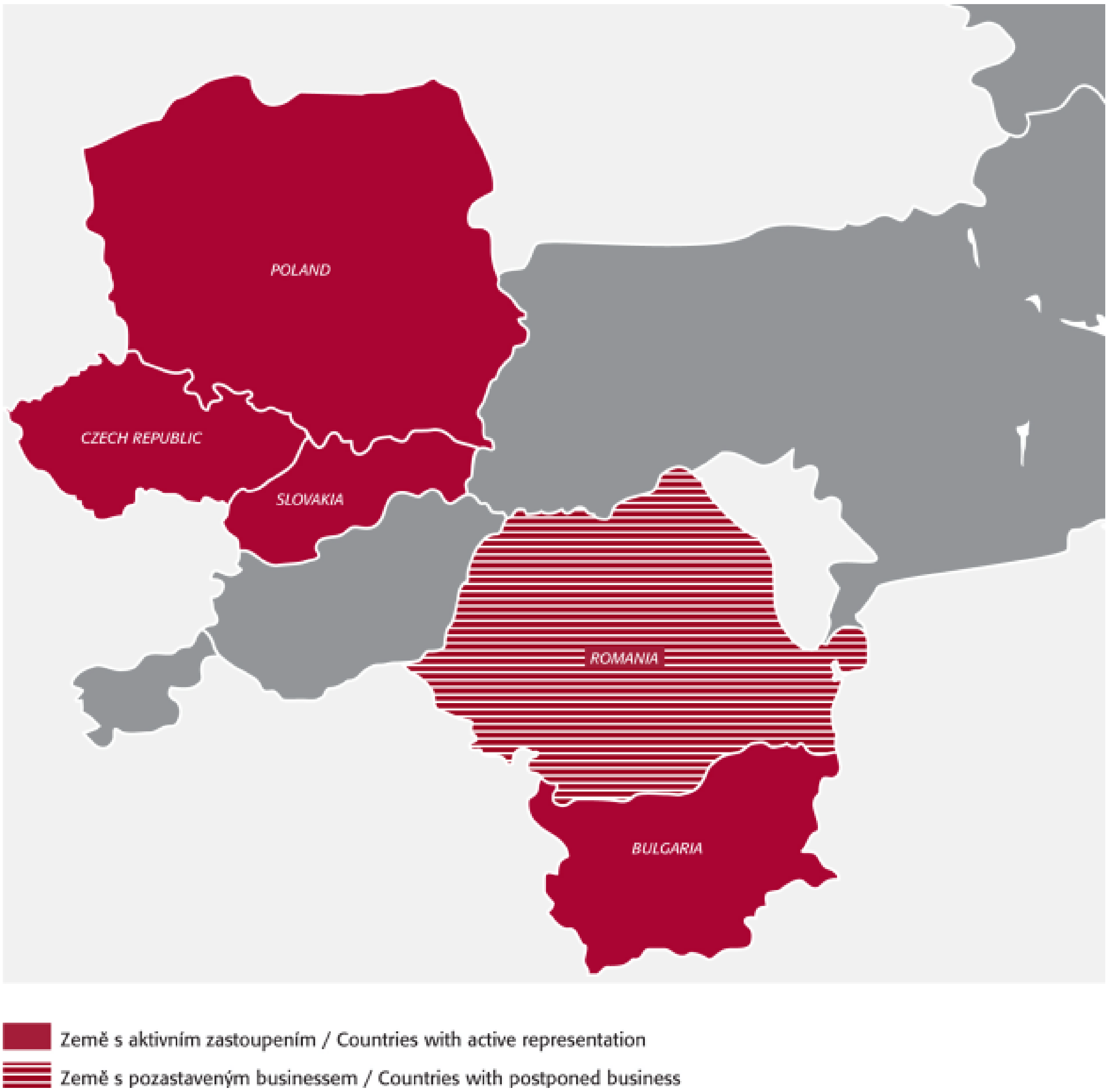
PROFIREAL Group SE with registered office in the Netherlands is the parent company of the group. The group has been providing financial loans and credits since the year 2000, when it started this project in the Czech Republic and Slovakia. It has been dealing with claim recovery and purchase of receivables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

Throughout it’s time in business, PROFI CREDIT has succeeded in providing almost 700 000 loans and credits. The strongest position belongs to the division in the Czech Republic, which also achieves the highest profitability. The share of the Czech Republic of the total volume of provided loans and credits is 50 %.

The amount of provided loans and credits by division Profi Credit achieved in 2012 year to year growth 38,5%. This result was mainly supported by growth in Profi Credit Poland about 60%, Profi Credit Czech about 30% and the division company in Slovakia reaching 38% and Bulgaria achieved growth about 26%. Nominal value of provided loans and credits by division Profi Credit exceeded amount 218 million €.

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

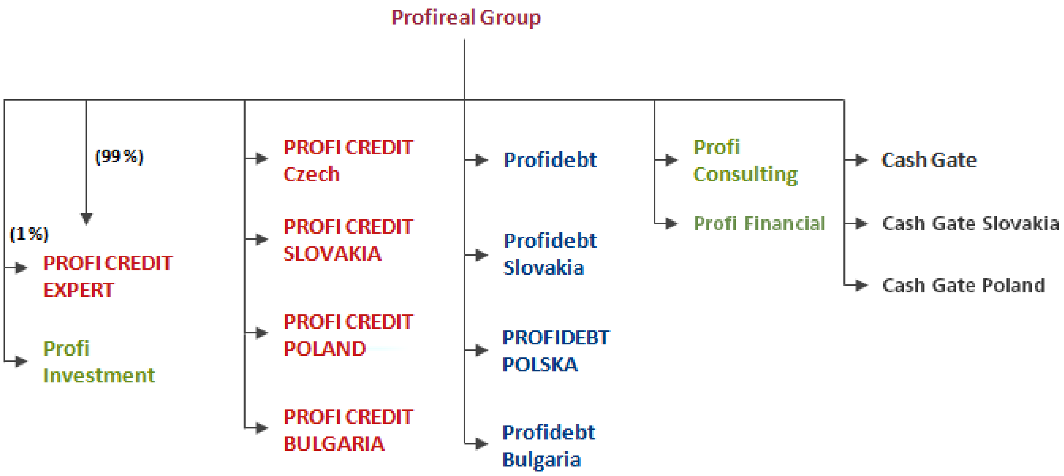
PROFIREAL Group focuses on countries of Central and Eastern Europe.



Division PROFIDEBT took its chance on the market and purchased debts in amount more than 54 million € in 2012. Banks and financial institutions which represent the target client group, increasingly often use the services of external specialists and entrust them with the recovery of their claims. The sale of the claims has also become a standard instrument. Therefore, it is probable that, in an intra-annual comparison, the growth of this sector will be within several tenths of percents for the next few years.

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

PROFIREAL Group Structure



2. LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Ladies and Gentlemen,

Dear Partners,

It has been **six years** now throughout which we have been walking a long way – opening offices, employing staff and collaborators, expanding our product portfolio and always being led by the same goal – to meet our customers' needs to the fullest.

We are proud of the fact that in year 2012 **PROFI CREDIT Bulgaria** already has an exceptionally well developed sales network covering more than 95% of the country territory, and in year 2013 the sales coverage is expected to reach 100%. The number of credit advisors has been continuously increasing and by the end of year 2012 it reached 700.

The company has teams in more than 50 towns and cities all over the country. As a result from our activities in year 2012 **PROFI CREDIT Bulgaria** achieved nearly 50%, of awareness within the country, which based on this indicator ranked it among the first three non-bank financial institutions.

In year 2012 we continued observing the principle of responsible lending and granting loans taking into consideration our customers' abilities to repay them. If a customer's application cannot be approved for the whole sum of the loan applied for, his/her application is not refused but the loan amount ir reduced. This way our company continues following **its motto „Pari po myarka“** (i.e. Loans within the customers' means).

At the beginning of year 2012 **PROFI CREDIT Bulgaria** started offering loans to business and we are planning to extend this range of products futher in year 2013.

Furthermore year 2012 was an innovative year for one more segment of our customers. In year 2012 we developed a special programme, which is a part of the so-called “Loyal Product”. Through it we provide an option of eased conditions for our best customers.

In year 2012, also the policy of PROFI CREDIT Bulgaria was aimed not only to the development of the products and extension of the range of options for the customers, but also to the development of our employees. We believe that the quality of products and services is determined by the employees’ professionalism and accuracy and that the personal morals and ethics are basis of a long-term and successful existence. Therefore each day every employee performing his/her duties abides by an Ethical Code and the general norms developed by the company, supports and observes them.

I would like to thank to our employees and partners for their diligent work throughout the past year and to assure them that in the face of PROFI CREDIT Bulgaria they shall have a loyal and safe partner.

Nikolay Kolev
Chief Executive Officer – PROFI CREDIT Bulgaria EOOD

3. CHARACTERISTICS OF PROFI CREDIT BULGARIA

3.1. Company Bodies

Immediately after his graduation Petr Vrba joined Profireal group taking a manager's position. He subsequently rose to a member of the Board of Directors and since April 2006 he has been an Executive Director (CEO) of "Development" Section of PROFI CREDIT Czech a.s. In this job he is in charge of all the subsidiary companies specialized in loan and credit providing. Petr Vrba is a member of the Board of Directors of PROFI CREDIT Bulgaria.

Petr Vrba graduated from the University of Pardubice with a specialization in the area of Management, Marketing and Logistics.

Petr Vrba
Statutory Executive

Svetoslav Nikolov started his career with PROFI CREDIT Bulgaria since its beginning in year 2006 occupying the position of a Director of "Finance" Department. In November 2012 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.

Svetoslav Nikolov
Statutory Executive

Nikolay Kolev
Statutory Executive

From the establishment of PROFI CREDIT Bulgaria in year 2006 to the beginning of year 2013, Nikolay Kolev held the office of an Executive Director (CEO) of the company. Due to the successful development of the company on the Bulgarian market at the beginning of year 2013 Nikolay Kolev was promoted to develop the business as a part of PROFI CREDIT division on new markets. Nikolay Kolev retains also his Managing director’s position in PROFI CREDIT Bulgaria on which he was appointed in year 2006.

He had worked as a Sales representative and later on as a Sales Director of Promobile Bulgaria where he had been in charge of the automobile make of Volvo concern. He had held the offices of a Sales Director and Business Development & New Markets Director of Actavis Group. His experience as a director had been further consolidated in Alen Mak AD.

Zdravko Raichev
Statutory Executive

Since the beginning of year 2013 Zdravko Raychev has been holding the office of an Executive Director (CEO) of the company for Bulgaria. He has been a member of the management team of PROFI CREDIT Bulgaria since its establishment in year 2006 taking the positions of Director of “Sales Development” Department, Director of “Sales” Department, and from year 2010 – Director of “Collection” Department. From the end of the said year Zdravko Raychev has also been a Managing Director of PROFI CREDIT Bulgaria.

Zdravko Raychev holds a university degree in Marketing and Management, and a Master’s degree in Business Economics. He has experience in manager’s positions in the management and development of service business and work in financial services projects under USAID programs.

3.2. Company Profile

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

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

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

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

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

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

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

3.3. Product Offer

PROFI CREDIT Bulgaria offers its customers non-directed consumer loans to natural persons. The Company provides three product groups – PROFI CREDIT Favorite, PROFI Made and PROFI CREDIT Energy, directed to various groups of customers.

The product group of PROFI CREDIT Favorite provides a consumer revolving non-directed loan for natural persons of the full legal age with proven permanent income, incl. of pensioners. Only customers' insured (under the social security system) are accepted. This product group covers two products – PROFI CREDIT Favorite and PROFI CREDIT Favorite VIP. The amount of the product PROFI CREDIT Favorite is within the range of BGN 500 to BGN 5000. The product PROFI CREDIT Favorite VIP gives the customers the opportunity upon providing of a joint debtor as a collateral security to benefit from a lower price and to obtain a higher amount of the loan up to BGN 8000. The terms of the product group are from 12 to 48 months.

The product group PROFI Made provides a consumer revolving non-directed loan to natural persons of full legal age with unproven permanent income, incl. of pensioners. Apart from the insured (under the social security system) income, customers' extra income is accepted, too. This product group covers two products – PROFI Made and PROFIR Made VIP. The amount of the product of PROFI Made is within the range BGN 500 to BGN 3000. The product PROFI CREDIT Made VIP gives the customers the opportunity upon providing of a joint debtor as a collateral security to benefit from its lower price and to obtain a higher amount of the loan up to BGN 5000. The terms of the product group are from 12 to 48 months.

The product group of PROFI CREDIT Energy provides a quick and small consumer non-directed loan to natural persons of legal age with proven permanent income incl. of pensioners. The target customers of the product group are people earning insured income or pension below the average level for the country. This product group covers two products – PROFI CREDIT Energy and PROFI CREDIT Energy MAX. The amount of the product PROFI CREDIT Energy is within the range BGN 100 to BGN 350, and the product PROFI CREDIT ENERGY MAX provides loans to the amount of up to BGN 500. The terms for which these two types of products are offered are 6, 8, 10 and 12 months.

2012 is the year in which the company entered a new market segment – business loans, by adding to its credit portfolio the product of PROFI CREDIT Business Energy. This is a new quick loan designed mainly to finance micro-enterprises (with a number of employees below 10 persons) and self-employed persons, incl. craftsmen. This loan does not require collateral. The amounts of this loan vary between BGN 500 and 1000, and the repayment term is 12 months.

In year 2012 PROFI CREDIT Bulgaria expanded its product range with the “Loyal” option designed specifically for the best customers of the company meeting particular criteria who are given the opportunity to be granted a discount of up to 30% of the price of the existing products.

The company transfers customers’ loans to a personal bank account specified by the customer. The repayment is performed on monthly basis and the company customers have the right to choose a loan repayment due day based on their capabilities. The customer him/herself choses the manner of repayment of his/her loan to PROFI CREDIT Bulgaria among the following legally permissible ways – cash payment, cash transfer, credit transfer, periodic payment, or direct debit.

The major product groups of the company - PROFI CREDIT Favorite and PROFI Made - give the customers the opportunity of one-time deferment of up to 3 consecutive monthly installments. This way the company customers are insured against unforeseen events like lasting disease or loss of employment. These product groups feature also the clause of “Revolving”, i.e. automatic renewal of loan requiring no subsequent application process. Every customer of PROFI CREDIT Bulgaria who is a good payee can benefit from the “Revolving” option. For example, in the event of a loan borrowed for a period of 18 months, on the 12th due and paid installment the customer can use the sum he/she has repaid up to that moment under the same terms and conditions and without any change of the due date or installment.

An extra option – “Refinancing” is provided for the major product groups of the company – PROFI CREDIT Favorite and PROFI Made, thus giving the customers the opportunity to borrow a loan to repay a debt of theirs to some other lender. This option was received very well by the customers and its products have taken a serious place in the company product portfolio.

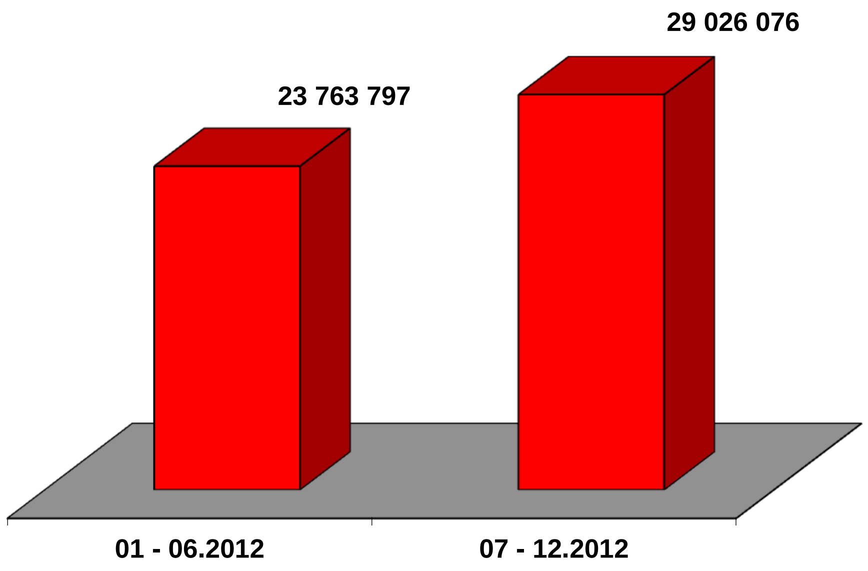
PROFI CREDIT Bulgaria abides by the principle of responsible lending providing loans taking into account the customers’ capability to repay them. If some customer’s application cannot be approved for the whole amount of the loan applied for, such an application is not refused, but the loan amount is reduced. By this way the company maintains its slogan “Pari po myarka” (i.e. Loans within the customers’ means).

Led by the desire to ensure the comfort and convenience of its customers the Company has developed a one-step procedure for loan applying, and this feature distinguishes it from the other financial institutions, and is highly appreciated by the customers. With this procedure upon filling in the application documents the customer signs also the contract and thus if his/her application is approved, he/she shall receive the money without the need to visit an office of the company again and to fill in and sign additional documents.

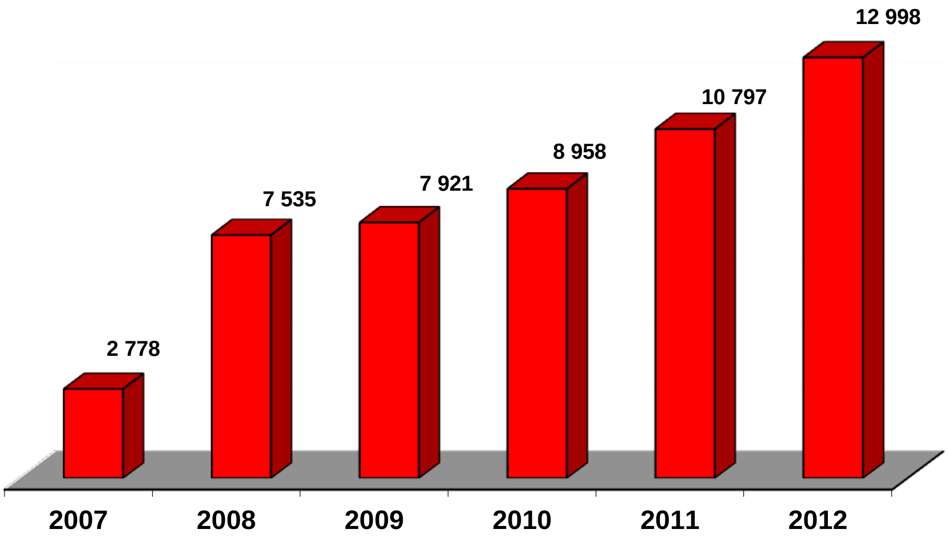
3.4. Business Results

In year 2012 PROFI CREDIT Bulgaria granted 12 020 loans amounting to BGN 51 114 076 and 978 revolvings to the amount of BGN 1 675 797 or total production 52 789 873. Despite the policy for credit risk management, throughout the year their number increased about 20% compared with the year 2011 and reached 12 998, provided that 55% of them were granted in the second half of the year.

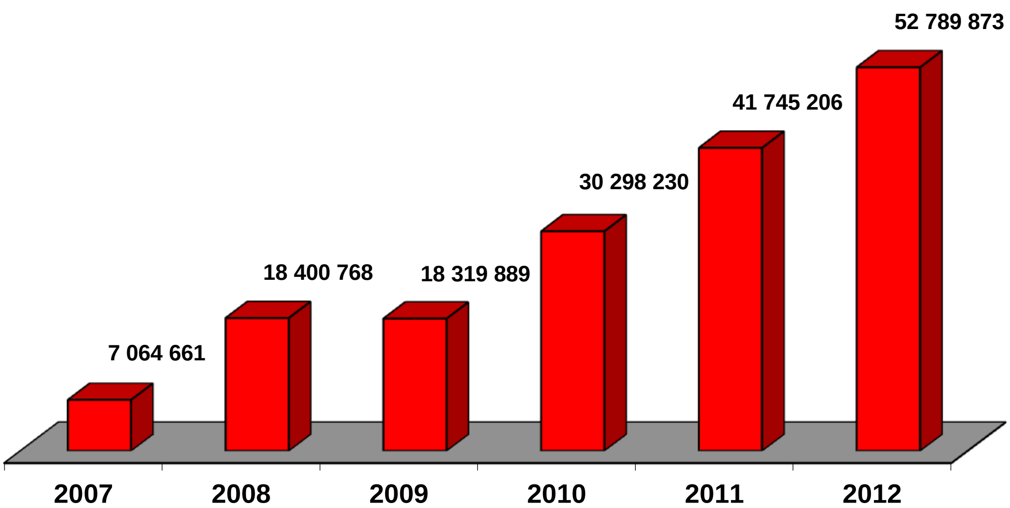
THE VOLUME OF LOANS GRANTED IN BOTH THE FIRST AND SECOND HALF OF 2012 (in BGN)



NUMBER OF LOANS GRANTED IN 2007 – 2012



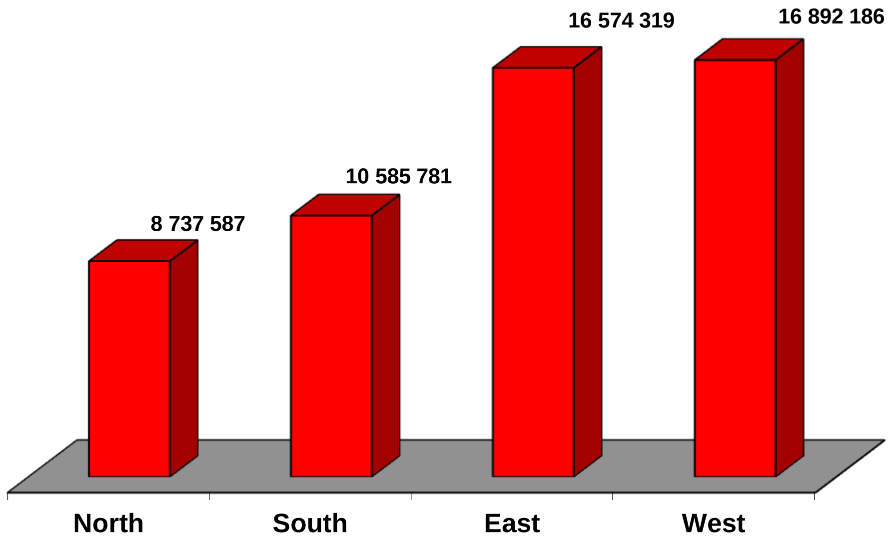
VOLUME OF LOANS GRANTED IN 2007 – 2012 (in BGN)



From the beginning of its activity to the end of 2012, PROFI CREDIT Bulgaria granted loans at nominal value exceeding BGN 163 million and the clients who trusted the company are close to 47 000.

The East region and West region had the largest volume of sales in year 2012 granting over 30% of all loans throughout the year, followed by the South region (20%) and the North region (17%).

VOLUME OF LOANS GRANTED IN 2012 BY REGIONS



In order to strengthen its positions and to increase its business results in 2012 the expansion of the Sales network of PROFI CREDIT Bulgaria continued. Thanks to development of the project Team Managers the Company's services now are offered in 64 points of sale, covering more than 75% of active population of the country.

3.5. Business Network

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

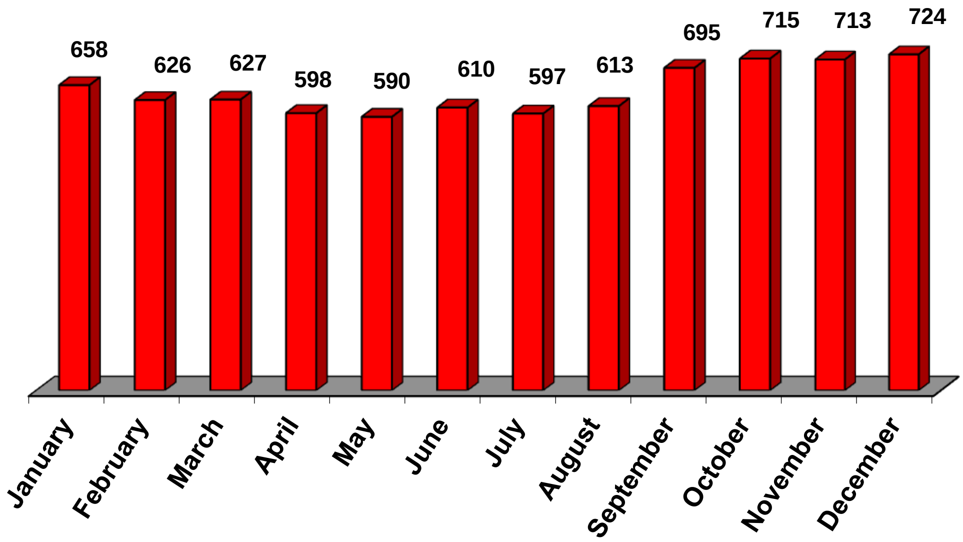
The Credit Advisors operate on the basis of a collaboration agreement and the amount of their commissions depends on the quantity of the sales. The Credit Advisors in PROFI CREDIT Bulgaria receive one of the highest commissions on the financial market. An additional motivation for the Credit Advisors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

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

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

In year 2012 - the sixth year of its development, the company not only has reached, but also kept a record number of Credit Advisors – average number of Credit Advisors per month in 2012 grows up with 13% compared to 2011. As a result from this PROFI CREDIT Bulgaria managed to achieve record sales and reached the highest average number of active Credit Advisors (with 1 contract at least) per month – 449 or increase with more than 22% on yearly basis

NUMBER OF CREDIT ADVISORS BY MONTHS IN 2012



Apart from their exceptional selling skills, the Credit Advisors have proved to be experts in servicing already granted loans. As a result of the permanent contact between the Credit

Advisors and the clients, the collectability of the granted loans was maintained within the planned limits.

As in the previous years, in 2012 PROFI CREDIT Bulgaria continued to provide additional stimulus to the Sales network.

After the analyzed and proven effect of the initiatives on the motivation of the Credit Advisors, in 2012 several initiatives took place.

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

3.6. Employees

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

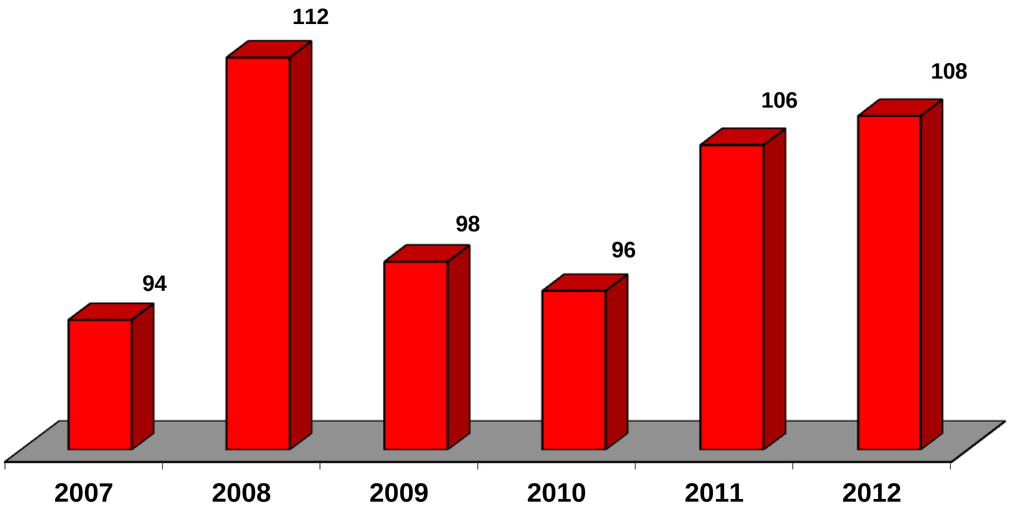
The Human Resources policy of PROFI CREDIT Bulgaria is directed towards development of employees for the purpose of full use of the talent/skills of our team. The quality of our products and services has been driven by the employees’ professionalism and accuracy. The company believes that the personal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

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

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

At the end of 2012, the company had 108 employees, 69 of them are based at the Headquarters of the company and 39 – in the Sales and Collection networks.

NUMBER OF EMPLOYEES IN 2007 – 2012



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

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

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

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

In 2012 PROFI CREDIT Bulgaria initiated for its employee DEVELOPMENT MANAGEMENT PROGRAM. The main goal of the Program is to identify the talents among our employees and to develop their potential thus increasing their possibilities for career development inside the company.

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

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

4. REPORT OF THE BOARD OF DIRECTORS

4.1. General Information

PROFI CREDIT BULGARIA EOOD ("the Company") is a sole-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 specialises in providing consumer loans to individuals.

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

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

The registered capital of the Company is **BGN 3 250 000**.

4.2. Review of the Activity

GENERAL OVERVIEW

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

2012 was the most successful year since the foundation of the Company in terms of provided loans to clients with 12 998 loans disbursed to clients compared to 10 797 loans in 2011. The net amount of loans paid to clients in 2012 is BGN 16 971 thousand compared to BGN 13 694 thousand in 2011 or 23.93% year growth. The nominal value (paid out principle to client plus contractual remuneration for the entire loan term) of disbursed loans in 2012 amounted to BGN 52 790 thousand compared to BGN 41 745 thousand in prior year or 26.46% year growth.

As of December 31, 2012 the Sales network consists: 4 Regional offices, 26 Area offices with 30 Area managers, 39 Team managers and 724 Credit advisors.

In 2012 continued the process of expanding the Sales network by appointing new Team managers and credit experts in the smaller cities. The Team managers are external collaborators for the Company who manage the Credit advisors teams in the smaller cities, where the Company doesn’t have its own offices and employees.

Collection network represents a basic unit in the process of receivables collection in judicial phase. As of December 31, 2012 the number of External collectors is 75.

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

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

As of December 2012 the number of employees is 108 (2011: 106).

REVIEW OF FINANCIAL RESULTS

PROFI CREDIT Bulgaria realises net profit at amount of BGN 436 thousand for the year 2012 (2011: loss at amount of BGN 3,344 thousand). The Company generates positive financial results for the first year since its foundation. The increase of interest income as a result of the significant increase of credit portfolio as well as relatively slow growth in the general and administrative expenses are the main drivers of improved financial results.

Net interest income

Net interest income increased by BGN 6,804 thousand or 118.5% - from BGN 5,744 thousand in 2011 to BGN 12,548 thousand in 2012. Net interest income mainly depends on the amount of the interest bearing assets, as receivables from loans to clients and also from the volume of the interest bearing liabilities, as loans from banks, other received loans as well as the difference between the interest rates of the interest bearing assets and liabilities.

Interest expenses for the reporting year amounted to BGN 8,633 thousand (2011: BGN 7,794 thousand). Borrowed funds are used mainly by the Company to finance its activity related to granting of loans, as well as to finance the operating and other expenses, which resulted in high interest expenses for the period. The growth in interest costs is much lower than the growth in interest revenues. Interest income for the period amounted to BGN 21,181 thousand (2011: BGN 13,568 thousand). The significant increase of interest income is due to realized growth in loan portfolio of the Company in 2012.

Impairment losses

Impairment losses amount to BGN 5,826 thousand (2011: BGN 4,158 thousand) or increase of 40.12% compared to 2011.

As of December 31, 2012 the credit quality remained relatively stable, as loans overdue more than 60 days amounted to BGN 25,137 thousand or 44.21% of the gross loan portfolio before impairment, in comparison to BGN 17,420 thousand or 43.02% of the gross loan portfolio at the end of the previous reporting period.

Although the positive indications for recovery of the leading global economics as well as the Bulgarian economy, the recovery is still fragile and many economic sectors still meet difficulties. Despite being less likely, it is possible that quality of the loan portfolio to keep deteriorating, which would result in further growth in impairment losses on loans. The Company's portfolio entirely comprises of unsecured consumer loans.

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

Net fees and commissions costs

The net fees and commissions costs in 2012 represent loss at the amount of BGN 1,527 thousand (2011: loss at the amount of BGN 916 thousand) or an increase of loss by 66.70%.

The main reasons for such loss increase are:

- Court charges, arbitrary fees and bailiff charges amounting to BGN 715 thousand and increase by BGN 393 thousand (2011: BGN 322 thousand). The increase is due to the higher volume of receivables submitted to the private court executors;
- Sales commissions' costs that are not included into effective interest rate calculation at amount of BGN 680 thousand for 2012 (2011: BGN 499 thousand). The reason for such increase is the growth of new loans granted in the current year;
- Commissions' costs paid to external collectors, which in 2012 amounted to BGN 469 thousand (2011: 376 thousand). The collectors are external collaborators of the Company that are collecting receivables from overdue loans mainly receivables from legally prosecuted loans. The increase of commissions is due to higher amount of loans from customers, served by external collectors;
- Cost for sales commissions paid out to credit advisors, which are not completely amortized in the interest income, in case of early repayment of the loans. In 2012 this cost amounted to BGN 524 thousand compared to BGN 350 thousand in 2011. High growth of this cost is due to increased volume of loans granted in 2012 compared to previous reporting period;
- Revenues from credit advisor commissions' write-offs, which in 2012 amounted to BGN 1 029 thousand compared to BGN 800 thousand for the previous year. Mostly these are non-monetary revenues from undue sales commissions, that were initially included into effective interest rate calculation, but later on part of them were not really paid out to credit advisors due to the following reasons: if the loan contract is legally prosecuted; upon early

repayment of the loan; if the credit advisor haven't met the criteria for getting of commission for payment of loan installment; when the installment have been collected from external collector; et.

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

General and administrative expenses

The general and administrative expenses have significant impact on realized profit as the amount of increase is BGN 699 thousand or 15.49% - from BGN 4,512 thousand in 2011 to BGN 5,211 thousand in 2012. 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 which increased by BGN 438 thousand or 17.89% - from BGN 2,449 in 2011 to BGN 2,887 in 2012. The increase of personnel expenses is due to increase in the average number of employees as well as growth of the average salary in 2012.The average number of employees in 2012 is 106 against 100 in 2011.

Other administrative expenses

Other administrative expenses increase by BGN 315 thousand or 16.56% - from BGN 1,903 thousand in 2011 to BGN 2,218 thousand in 2012. Other administrative expenses includes office rental and overhead costs, marketing and advertising costs, postage and telecommunication expenses, national and foreign business trip expenses, consulting services, etc. The main reason for increase in other administrative expenses is due to increase of marketing, business trips and energy expenses.

Depreciation/amortization of fixed assets

The depreciation/amortization charges of fixed assets decreased by BGN 54 thousand - from BGN 160 thousand in 2011 to BGN 106 thousand in 2012.

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

Net insurance income

During the reporting period the net insurance income increases by BGN 196 thousand or 35.13% - from BGN 558 thousand in 2011 to BGN 754 thousand in 2012.

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

Other operating income, net

During the reporting period other net operating expenses amounted to BGN 305 thousand compared to the expense at the amount of BGN 95 thousand in 2011. Key components of net operating expenses are:

- Credit management fee of BGN 142 thousand (2011: BGN 0 thousand)
- Realized foreign currency gains amounting to BGN 229 thousand in 2012 comparing to realized foreign currency gains amounting to BGN 236 thousand in 2011;
- Hired services from related parties amounting to BGN 394 thousand in 2012 (2011: BGN 326 thousand).

Reported foreign currency gains were realized due to revaluation of received loan in Czech crowns and gain from early settlement of currency forward agreements.

Notes 9, 18 and 23B to the annual financial statements comprise detailed information about the components of other operating expenses.

ASSETS

As of December 31, 2012 the assets amounted to BGN 40,993 thousand, the increase over the previous year is 38.65% (2011: BGN 29,566 thousand).

The statement of financial position structure is not changed significantly compared to prior year. At the end of 2012, the biggest share of assets belonged to loans to customers – 96.1% of total assets (2011: 97.3%), followed by other receivables – 2.44 % (2011: 0.46%), etc.

LIABILITIES

As of December 31, 2012 liabilities amounted to BGN 36,507 thousand, a 30.0% decrease compared to the previous year (2011: BGN 52,116 thousand).

At the end of 2012 other received loans amounted to BGN 29,748 thousand (2011: BGN 46,051 thousand), represented 81.49% of total liabilities compared to 88.36% at the end of 2011. The amount represents principle and interest payable for December 2012 for loan received from foreign company with maximum credit limit up to CZK 750 million matured on December 31, 2014. The loan is secured by total receivables from loans to customers as well as a blank promissory note is issued to the creditor. The significant reduction in other received loans in 2012 is due to partial purchasing of received loan at amount of BGN 26,599 thousand by the sole owner PROFIREAL Group S.E. and its subsequent transformation into the equity of PROFI CREDIT Bulgaria EOOD.

Other liabilities at the amount of BGN 6,276 thousand (2011: BGN 6,000 thousand) consist mainly of deferred insurance income amounted to BGN 3,030 thousand (2011: 2,335 thousand), liabilities to credit experts no fallen due of BGN 2,192 thousand (2011: BGN 1,620 thousand), and others.

EQUITY

As of December 31, 2012 the Company reported positive equity amounting to BGN 4,486 thousand (2011: BGN (22,550) thousand). In 2012 the share capital of PROFI CREDIT increased by BGN 3,000,000, as 1 200 new Company’s shares were issued, with a nominal value at the amount of BGN 2,500 each. All Company’s shares were acquired by PROFIREAL GROUP S.E.. The new shares are subscribed and acquired at an issuing value of BGN 22,166.07 per share. The total value of agio (the difference between the issuing and nominal value) for the new 1 200 Company's shares, namely BGN 23,599,284.00 is mainly attributed to cover all accumulated losses from previous years. The capital was increased with debt to equity transformation at amount of EUR 13,600,000.00 equivalents to BGN 26,599,288.00. PROFIEREAL Group S.E. has bought these receivables from third party creditor of PROFI CREDIT Bulgaria.

The equity increase significantly reduces the liabilities of the Company which will decrease the future interest costs as well as its dependency to external creditors.

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

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

4.4. Future Development of the Company

The Company set the following main goals for 2012:

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

4.5. Development and Research Activities

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

4.6. Description of the Significant Risks to the Company

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

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

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, 2012 comprise cash and cash equivalents amounting to BGN 397 thousand (2011: BGN 416 thousand) and loans granted to customers amounting to BGN 39,351 thousand (2011: BGN 28,763 thousand).

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

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

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

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

Liquidity risk

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

Price risk

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

Foreign currency risk

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

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

In 2012 the management of the Company negotiated a change of its credit contract funding currency from CZK to EUR. Thus, the significant credit risk that the Company is exposed to was eliminated.

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

CZK 577 693 560.00 against selling EUR. The settlement date of both NDFs is November 21, 2013. As a result from exchange of the loan funding currency (CZK), the both NDFs were early settled in 2012.

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 PROFI CREDIT Bulgaria is not very sensitive to interest rate fluctuations.

4.7. Total Remunerations Received by Management During the Year

	2012	**2011**
Number of members	4	4
Remunerations accrued	215	214
Others (social security and health insurance, etc)	4	8
Total (in BGN thousand)	**219**	**222**

4.8. Participation of Managing Directors in other Companies

Name	**Company in the management and control bodies of which the persons participate**
Petr Vrba	PROFIREAL GROUP SE, The Netherlands PROFI CREDIT EXPERT S.R.L. , Romania PROFI CREDIT Poland, Sp. d o.o. PROFI CREDIT Czech Republic, a.s. PROFI CREDIT Slovakia, s.p.o.
Nikolay Kolev	PROFIDEBT Bulgaria EOOD Home Projects OOD
Zdravko Raichev	PROFIDEBT Bulgaria EOOD Elada Properties EOOD
Svetoslav Nikolov	He is not a member of other management or controlling bodies.

Zdravko Raichev

Managing Director

Svetoslav Nikolov

Managing Director

5. INDEPENDENT AUDITOR'S REPORT

Deloitte.

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This document is a translation of the original in Bulgarian text, 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, 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Company as of December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as approved by the European Union.

Emphasis of Matter

We draw attention to note 2 to the accompanying financial statements, where is disclosed that, to determine whether the receivables on loans to customers are impaired, the management of the Company makes a reasonable estimate of the excepted cash flows from the respective loans. As disclosed in note 26 to the accompanying financial statements as a result of the global economic recession different industries and sectors in the Bulgarian economy have marked a decline which causes a material uncertainty and risks for their development in the foreseeable future. The declining rates of economic development increase the risks for the economic environment in which the Company operates. Therefore, the level of the impairment losses in subsequent reporting periods may differ substantially from the current levels. The recoverability of the loans and the adequacy of the recognized impairment losses, depend on the financial position of the borrowers and their ability to settle their obligations at contracted maturity in subsequent reporting periods. Our opinion is not modified in respect to this matter.

Report on Other Regulatory Requirements - Annual report on the activities on the Company according to article 33 of the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4 we have read the accompanying Annual report on the activities of the Company. The Annual report on the activities of the Company, prepared by the management, is not a part of the financial statements. The historical financial information presented in the Annual report on the activities of the Company, prepared by the management is consistent, in all material respects, with the annual financial information disclosed in the financial statements of the Company as of December 31, 2012, prepared in accordance with IFRS, as approved by the European Union. Management is responsible for the preparation of the Annual report on the activities of the Company dated March 27, 2013.

Deloitte Audit
Deloitte Audit OOD

Sylvia Peneva
Managing Director
Registered Auditor

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

Sofia
April 12, 2013

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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, 2012

	Notes	2012	2011
Interest income		21 181	13 568
Interest expenses		(8 633)	(7 794)
Net interest income	4	**12 548**	**5 774**
Impairment losses	5	(5 826)	(4 158)
Net interest income after impairment losses		**6 722**	**1 616**
Net fees and commissions costs	6	(1 527)	(916)
General and administrative expenses	7	(5 211)	(4 512)
Net insurance income	8	754	558
Other operating expenses, net	9	(305)	(95)
Profit/(loss) before taxes		**433**	**(3 349)**
Income taxes	10	3	5
Net profit/(loss) for the period		**436**	**(3 344)**
Other components of comprehensive income		--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**436**	**(3 344)**

These financial statements are approved by the Managing Directors of the Company on 27.03.2013

Zdravko Raichev
Managing Director

Svetoslav Nikolov
Managing Director

Biliana Todorova
Chief Accountant

PROFI CREDIT
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№2

Sylvia Peneva
Registered auditor
Date: 12/04/2013

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

The accompanying notes are an integral part of these financial statements

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6.2. STATEMENT OF FINANCIAL POSITION

PROFI CREDIT BULGARIA EOOD

All amounts are in thousand Bulgarian Levs, except otherwise stated

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012

	Notes	2012	2011
Assets			
Cash and cash equivalents	11	397	416
Loans to customers	12	39 351	28 763
Other receivables	13	999	135
Inventories	14	19	51
Property, plant and equipment	15	203	163
Intangible assets	16	24	38
Total assets		**40 993**	**29 566**
Liabilities and equity			
Liabilities			
Liabilities on finance lease	17	--	21
Other loans received	18	29 748	46 051
Other liabilities	19	6 726	6 000
Provisions	20	28	36
Deferred tax liabilities	10	5	8
Total liabilities		**36 507**	**52 116**
Equity			
Share capital	21	3 250	250
Share premium		800	--
Retained earnings/(loss)		436	(22 800)
Total equity	22	**4 486**	**(22 550)**
Total liabilities and equity		**40 993**	**29 566**

These financial statements are approved by the Managing Directors of the Company on 27.03.2013.

Zdravko Raichev
Managing Director

Svetoslav Nikolov
Managing Director

Biliana Todorova
Chief Accountant

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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, 2012

	2012	2011
Net profit/(loss)	**436**	**(3 344)**
Adjustments for non-monetary items		
Impairment losses	5 826	4 158
Change in deferred taxes	(3)	(5)
Depreciation/amortization of assets	106	160
Increase of provisions	(8)	(57)
Effect of change in foreign exchange rates	(156)	(250)
Interest expense	8 633	7 794
Changes in operating assets and liabilities		
Increase of investments in loans to customers	(16 413)	(11 130)
Net increase in other assets	(832)	(53)
Net increase in other liabilities	1 714	1 555
Loan interests paid	(8 886)	(7 691)
Net cash flow used in operating activities	**(9 583)**	**(8 863)**
Cash flows from investing activities		
Acquisition of fixed assets	(131)	(31)
Net cash flow used in investing activities	**(131)**	**(31)**
Cash flow from financial activities		
Paid liabilities on finance lease	(21)	(13)
Non-bank loans received	9 716	9 167
Net cash flows from financing activities	**9 695**	**9 154**
Net change in cash and cash equivalents	**(19)**	**260**
Cash and cash equivalents in the beginning of the period	**416**	**156**
Cash and cash equivalents at the end of the period	**397**	**416**

These financial statements are approved by the Managing Directors of the Company on 27.03.2013

Zdravko Raichev
Managing Director

Svetoslav Nikolov
Managing Director

Biliana Todorova
Chief Accountant

Sylvia Peneva
Registered auditor
Date: 12/04/2013

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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, 2012

	Share capital	Share premium	Retained earnings/ (loss)	Total
January 1, 2011	**250**	**--**	**(19 526)**	**(19 276)**
Loss for the period	--	--	(3 344)	(3 344)
Other changes in equity	--	--	70	70
December 31, 2011	**250**	**--**	**(22 800)**	**(22 550)**
January 1, 2012	**250**	**--**	**(22 800)**	**(22 550)**
Share capital increase	3 000	23 600	--	26 600
Covering of losses from previous years	--	(22 800)	22 800	--
Profit for the period	--	--	436	436
December 31, 2012	**3 250**	**800**	**436**	**4 486**

These financial statements are approved by the Managing Directors of the Company on 27.03.2013

Zdravko Raichev
Managing Director

Svetoslav Nikolov
Managing Director

Biliana Todorova
Chief Accountant

Sylvia Peneva
Registered auditor
Date: 12/04/2013

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
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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 owner limited liability company according to the requirements of the Bulgarian Commercial Act.

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

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

The share capital is BGN 3 250 000.

Structure of property

The owner of the Company as of December 31, 2012 is:

Profireal Group S.E., Netherlands 100%

Headquarters and address of management

PROFI CREDIT Bulgaria EOOD

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

Sofia, Sredets Municipality, Bulgaria

Identification number

175074752

VAT number

BG175074752

Managing Directors of the Company as of December 31, 2012 are:

Nikolay Binev Kolev

David Chour (till November 27, 2012)

Zdravko Stamenov Raichev

Petr Vrba

Svetoslav Nikolaev Nikolov (since November 27,2012)

Changes in the commercial register

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

- On February 9, 2007 Vratislav Ionash Kubinek was removed as a managing director and Nikolay Binev Kolev was registered as a new managing director;
- On September 3, 2007 Profireal AD was removed as a sole owner and Profireal Holding AD, the Czech Republic, was added as a new sole owner;
- On February 11, 2008 the name of Profireal Bulgaria EOOD was changed to Profi Credit Bulgaria EOOD;
- Profireal Holding AD was removed as a sole owner on February 11, 2008 and Profireal Group S.E., the Netherlands was added as a sole owner.
- In July 2009 the share capital was increased to BGN 250 000.
- On February 25, 2011 Tomas Rosenberger was removed as a managing director and Zdravko Stamenov Raichev was registered as a new managing director;
- On June 28, 2011 Alexandar Jotev was removed as a managing director and David Chour was registered as a new managing director;
- On November 27, 2012 David Chour was removed as a managing director and Svetoslav Nikolaev Nikolov was elected as a new managing director. The share capital was increased to BGN 3 250 000

Organizational structure

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

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

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

(a) Changes in IFRS

Standards and Interpretations effective in the current period

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

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

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

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

- IFRS 10 Consolidated Financial Statements, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

- IFRS 11 Joint Arrangements, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

- IFRS 12 Disclosures of Interests in Other Entities, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

- IFRS 13 Fair Value Measurement, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);

- IAS 27 (revised in 2011) Separate Financial Statements, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

- IAS 28 (revised in 2011) Investments in Associates and Joint Ventures, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IFRS 1 First-time Adoption of IFRS - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IAS 1 Presentation of financial statements - Presentation of Items of Other Comprehensive Income, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after July 1, 2012);

- Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);

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

- Amendments to IAS 19 Employee Benefits - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IAS 32 Financial instruments: presentation - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2014);

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013).2.

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

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

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

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2015);

- Amendments to IFRS 1 First-time Adoption of IFRS - Government Loans (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Mandatory Effective Date and Transition Disclosures;

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities - Transition Guidance (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 Separate Financial Statements - Investment Entities (effective for annual periods beginning on or after January 1, 2014);
- Amendments to various standards Improvements to IFRSs (2012) resulting from the annual improvement project of IFRS published on May 17, 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2013).

(b) Functional and presentation currency

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

(c) Recognition of income and expenses

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

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

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

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

(d) Insurance income and expenses

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

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

(e) Property, plant and equipment and intangible assets

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

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

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

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

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

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

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

(f) Inventories

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

(g) Impairment of assets

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

The recoverable amount is the higher of the fair value less the 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 are expected to create an out flowing cash flow of resources of the Company.
- The amount of the liability can be reliably measured.

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

(i) Transactions in foreign currency

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

On December 31, 2012 the cash assets and liabilities, denominated in foreign currency are revalued in BGN according to the BNB central closing exchange rate publishes by Bulgarian

National bank on December 31, 2012 where: BGN 1.95583 = EUR 1 (fixed rate according to the Currency Board Agreement) and BGN 7.77975 = 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.

- <u>*Loans to customers*</u>

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

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

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

The total amount of the net receivables from loans to customers, reported at amortized cost, as of December 31, 2012 is BGN 39 351 thousand (2011: BGN 28 763 thousand).

- *Impairment of loans*

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

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

- *Cash and cash equivalents*

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

- *Derivative financial instruments*

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

- *Bank and other loans*

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

- *Payables to suppliers*

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

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

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

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

- *Determination of impairment loss of loans*

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

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

- *Recognition of income from other receivables on loans to customers that are legally prosecuted, reported at fair value.*

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

(m) Changes in accounting policy

In 2012 the management of the Company has not changed its accounting policy.

3. Going concern

As of the date of the preparation of these financial statements management has made an estimate of the ability of the Company to continue its activities as a going concern. When making this estimate the management has taken into consideration the whole available information regarding the foreseeable future, which is at least, but not limited to twelve months from the statement of financial position.

4. Net interest income

	2012	**2011**
Interest income		
Interest on customer loans	21 178	13 563
Interest on bank accounts	3	5
	21 181	**13 568**
Interest expenses		
Bank loans	---	---
Other loans	(8 633)	(7 794)
	(8 633)	**(7 794)**
Net interest income	**12 548**	**5 774**

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

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

5. Impairment losses

	2012	2011
Impairment losses as of January 1, 2011	11 734	7 576
Net increase of impairment losses	5 826	4 158
Total impairment losses for credit risk as of 31 December 2011	**17 560**	**11 734**

6. Net cost from fees and commissions

	2012	2011
Bank fees	(21)	(22)
Guarantee expenses for received loans	(147)	(147)
Court expenses, arbitrary charges and bailiff fees	(715)	(322)
Commissions costs on collection of receivables	(469)	(376)
Commissions costs on sales of loans not included in effective interest rate calculation	(680)	(499)
Commissions costs on sales of loans still not amortized in the interest revenues in case of loan early termination	(524)	(350)
Revenues from write off payables for sales commissions	1029	800
Net costs from fees and commissions	**(1 527)**	**(916)**

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

Expenses for commissions on sales of loans represent that part of the commissions (including social and health insurance) of the loan intermediaries for contracting loans, that are not included in the calculation of the effective interest rate on the loans, such as social and health insurance, which are on account of the Company, as well as the additional bonuses paid to sales intermediaries. The standard commissions of the loan intermediaries are included in the calculation of the effective interest rate for each loan and the interest income from loans is reduced by the amount of the commission. Parts of commissions on sales of loans are costs for commissions of team managers at amount of BGN 267 thousand (2011: 157 thousand), which are newly opened unit in 2010 from the sales network structure.

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

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

7. General and administrative expenses

a) Structure of general and administrative expenses:

	2012	**2011**
Staff costs		
Employee benefits	2 376	2 077
Social security and health insurance costs	318	288
Other staff costs and remuneration of the managing directors	193	84
Total	**2 887**	**2 449**
Other administrative costs		
Energy	164	135
Office consumables and cleaning	145	138
Verification of data	102	86
Rent	414	423
Office equipment and furniture	26	23
Telecommunications and mail services	228	213

Travel allowance	196	147
Advertising and marketing	577	434
Consulting services	146	123
Security	31	33
Other administrative costs	189	148
	2 218	**1 903**
Depreciation/amortization of assets		
Depreciation of property, plant and equipment (note 15)	92	138
Amortization of intangible assets (note 16)	14	22
Total	**106**	**160**
Total general and administrative costs	**5 211**	**4 512**

In 2012 the Company recognised expenses related to the audit of the annual statutory financial statements at the amount of BGN 52 thousand (2011: BGN 51 thousand).

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

	2012	2011
Short-term income (including social security)	219	222
Total	**219**	**222**

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 37 thousand (2011: BGN 42 thousand) and as employee benefits, amounting to BGN 182 thousand (2011: BGN 180 thousand) (note 25).

c) Average number of employees:

	2012	2011
Managing directors	4	4
Employees (including two managing directors)	106	100
Total	**110**	**104**

The number of employees as of December 31, 2012 is 108 (2011: 106).

8. Net insurance income

	2012	2011
Insurance income	1 291	1 057
Insurance costs	(537)	(499)
Net insurance income	**754**	**558**

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

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

9. Other operating income/(expenses), net

	2012	2011
Other income	27	14
Other operating expenses (services rendered by related parties)	(394)	(326)
Tax expenses and tax charges (road tax, garbage tax, etc.)	(25)	(19)
Foreign exchange rate gains/(losses), net	229	236
Loan management fee	**(142)**	**--**
Total	**(305)**	**(95)**

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

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

10. Income tax

a) Current tax

Current income tax is not charged as a result of the realized tax loss from prior years.

b) Deferred tax liabilities

	2012		2011	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Deferred taxes at the beginning of the year	--	8	--	13
Changes in the deferred taxes	--	(3)	--	(5)
Deferred tax liabilities at the end of the year	**--**	**5**	**--**	**8**

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:

	2012		2011	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Accelerated tax amortization	--	5	--	8
Deferred tax liabilities at the end of the year	**--**	**5**	**--**	**8**

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

As of December 31, 2011 the Company has not recognized deferred tax assets on accumulated tax loss at the amount of BGN (17 521) thousand, thousand, due to the fact that there is uncertainty as to the existence of future taxable profit, against which the loss could be utilized.

Tax losses arising in	Amount	Tax effect (10% tax rate)	Expiring in
2008	3,735	374	2013
2009	4,646	465	2014
2010	5,881	588	2015
2011	3,259	326	2016
Total	**17,521**	**1,753**	

11. Cash and cash equivalents

	2012	2011
Cash at banks	395	414
Cash on hand	2	2
Total	**397**	**416**

12. Loans to customers

a) Total receivables on granted loans to customers, net

	2012	2011
Receivables on loans to customers, stated at amortizable cost	53 555	38 968
Other receivables from customers stated at fair value	3 302	1 529
Gross receivables on loans to customers	**56 857**	**40 497**
Allowances for impairment loss on loans to customers stated at amortizable cost	(17 334)	(11 639)
Allowances for impairment loss on other receivables from customers stated at fair value	(172)	(95)
Total receivables on loans to customers, net	**39 351**	**28 763**

The carrying amount of receivables on loans to customers, used as a collateral on the received loans as of December 31, 2012 amounts to BGN 39,351 thousand (2011: BGN 28,763 thousand).

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

	2012	2011
Loans to customers	59.41%	57.12%

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, 2012 include the following categories:

	Gross amount of the portfolio	**Collateral**	**Non-secured part of the portfolio**	**Impairment losses**	**Carrying amount**	**Impairment losses (%)**
Receivables /installments/ on regular loans	33 854	--	33 854	495	33 359	1.46%
Overdue receivables /installments/ on loans	19 701	--	19 701	16 839	2 862	85.47%
Other overdue receivables	3 302	--	3 302	172	3 130	4.21%
Total	**56 857**	**--**	**56 875**	**17 506**	**39 351**	**30.73%**

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

	Gross amount of the portfolio	**Collateral**	**Non-secured part of the portfolio**	**Impairment losses**	**Carrying amount**	**Impairment losses**
Receivable /installments/ on regular loans	25 280	--	25 280	1 446	23 834	5.72%
Overdue receivables /installments/ on loans	13 688	--	13 688	10 194	3 494	74.47%
Other overdue receivables	1 529	--	1 529	94	1 435	6.15%
Total	**40 497**	**--**	**40 497**	**11 735**	**28 764**	**28.98%**

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

	2012	(%)	2011	(%)
Non-overdue loans	17 885	31.46%	14713	36.33%
Loans to customers with delay between 1 and 60 days	10 533	18.53%	6 835	16.87%
Loans to customers with delay over 60 days	25 137	44.21%	17 420	43.02%
Receivables to customers related to penalties and other court receivables	3 302	5.81%	1529	3.78%
Gross amount of receivables on loans to customers	56 857	100%	40 497	100%
Allowances for impairment loss on loans to customers	(17 506)	--	(11 734)	--
Total receivables on loans to customers, net	**39 351**	--	**28 763**	--

d) Granted loans by types of customers, net

	2012	2011
Individuals	39 328	28 762
Business loans	**23**	**--**
Total	**39 351**	**28 762**

e) Geographical concentration of loans to customers

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

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

	At maturity	Past due from 1 to 90 days	Past due from 91 to 180 days	Past due from 181 to 360 days	Past due more than 360 days
Loans as of 31.12.2012	34 070	2 463	1 612	2 770	12 640
Loans as of 31.12.2011	25 417	1 903	1 297	2 456	7 895

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

13. Other receivables

	2012	2011
Deposits on contracts for leased offices	53	56
Prepaid advances to suppliers and employees	70	23
Deferred financial costs	817	--
Other receivables	59	56
Total	**999**	**135**

14. Inventories

As of the date of the statement of financial position the Company has marketing and advertising materials at stock amounting to BGN 19 thousand (2011: BGN 51 thousand). The Company has not recognized costs for the impairment of the inventories.

15. Property, plant and equipment

	Cars	Computers	Office equipment	Other assets	Cost of acquisition	Total
Cost						
Balance as at 1/1/2011	361	305	139	66	--	871
Additions	--	21	--	5	--	26
Disposals	--	--	--	--	--	--
Balance as at 31/12/2011	361	326	139	71	--	897
Accumulated depreciation						
Balance as at 1/1/2011	(234)	(246)	(81)	(35)		(596)
Depreciation charge for the year	(67)	(41)	(20)	(10)		(138)
Disposals	--	--	--	--		--
Balance as at 1/1/2011	(301)	(287)	(101)	(45)		(734)
Net book value as at 1/1/2011	**127**	**59**	**58**	**31**		**275**
Net book value as at 31/12/2011	**60**	**39**	**38**	**26**		**163**
Cost						
Balance as at 1/1/2012	361	326	139	71	0	897
Additions	--	21	--	4	107	132
Disposals	--	--	--	--		--

Balance as at 31/12/2012	361	347	139	75	107	1029
Accumulated depreciation						
Balance as at 31/12/2012	(301)	(287)	(101)	(45)	0	(734)
Depreciation charge for the year	(40)	(20)	(21)	(11)	--	(92)
Disposals	--	--	--	--	--	--
Balance as at 1/1/2012	(341)	(307)	(122)	(56)	0	(826)
Net book value as at 1/1/2012	**60**	**39**	**38**	**26**	**0**	**163**
Net book value as at 31/12/2012	**20**	**40**	**17**	**19**	**107**	**203**

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

16. Intangible assets

	Software	Others	Total
Cost			
Balance as at 1/1/2011	116	29	145
Additions	4	--	4
Disposals	--	--	--
Balance as at 31/12/2011	120	29	149
Accumulated depreciation			
Balance as at 1/1/2011	(80)	(9)	(89)
Depreciation charge for the year	(16)	(6)	(22)
Of the disposals	--	--	--
Balance as at 31/12/2011	(96)	(15)	(111)
Net book value as at 1/1/2011	**36**	**20**	**56**
Net book value as at 31/12/2011	**24**	**14**	**38**
Cost			
Balance as at 1/1/2012	120	29	149
Additions	--	--	--
Disposals	--	--	--
Balance as at 31/12/2012	120	29	149
Accumulated depreciation			
Balance as at 1/1/2012	(96)	(15)	(111)
Depreciation charge for the year	(10)	(4)	(14)
Balance as at 31/12/2012	(106)	(19)	(125)

Net book value as at 1/1/2012	**24**	**14**	**38**
Net book value as at 31/12/2012	**14**	**10**	**24**

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

17. Liabilities on financial lease

	Minimum lease installment		**Current value of minimum lease installments**	
	2012	**2011**	**2012**	**2011**
Up to 1 year	--	22	--	21
Between 1 and 5 years	--	--	--	--
Over 5 years	--	--	--	--
Total	**--**	**22**	**--**	**21**
Deferred financial expenses	--	1	--	-
Current value of the liabilities of financial lease	--	21	--	21
Due up to 1 year	--	21	--	21
Due over 1 year	--	--	--	--

18. Other loans received

In 2012 and 2011 the Company has received the following non-bank loans:

As of 31.12.2012	**Currency**	**Balance in thousand currency units**	**Balance in thousand BGN**	**Interest rate**	**Amount payable up to 1 year in thousand BGN**	**Amount payable up to 3 years in thousand BGN**	**Collateral**
Creditor 1	EUR	15 210	29 748	17.50%	436	29 312	Pledge on receivables from customers and promissory note
Total			**29 748**		**436**	**29 312**	

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

19. Other liabilities

	2012	2011
Commissions for loan intermediaries when due	2 192	1 620
Current liabilities for cash commissions of hired staff (loan experts, collectors, managers)	213	143
Deferred insurance income	3 030	2 335
Payables with forward agreements	--	993
Staff	425	382
Suppliers	492	288
Social and health insurance	100	94
Tax liabilities	148	50
Guarantee liabilities	12	41
Other	114	54
Total	**6 726**	**6 000**

20. Provisions

	Provision for insurance claims	Other provisions	Total
Balance as of January 1, 2011	93	--	93
Accrued provision	499	--	499
Utilized provision	556	--	556
Balance as of December 31, 2011	**36**	**--**	**36**
Balance as of January 1, 2012	36	--	36
Accrued provision	538	--	538
Utilized provision	546	--	546
Balance as of December 31, 2012	**28**	**--**	**28**

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

21. Share capital

The registered share capital amounting to BGN 3 250 thousand is allocated as follows:

	As of 31.12.2012	%	As of 31.12.2011	%
Profireal Group S.E., the Netherlands	3 250	100%	250	100%
	3 250	100%	250	100%

In 2012 the share capital of PROFI CREDIT increased by BGN 3,000,000, as 1 200 new Company's shares were issued, with a nominal value at the amount of BGN 2,500.00 each. All Company's shares were acquired by PROFIREAL GROUP S.E. The new shares are subscribed and acquired at an issuing value of BGN 22,166.07 per share. The total value of agio (the difference between the issuing and nominal value) for the new 1 200 Company's shares, namely BGN 23,599,284.00 BGN is mainly attributed to cover all accumulated losses from previous years. The capital was increased with debt to equity transformation at amount of EUR 13,600,000.00 equivalents to BGN 26,599,288.00. PROFIEREAL Group S.E. has bought these receivables from third party creditor of PROFI CREDIT Bulgaria.

22. Equity

As of December 31, 2012 the Company reports positive equity at the amount of BGN 4,486 thousand (2011: BGN (22,550) thousand).

23. Risk management

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

The Company has adopted and implemented procedures for risk management and control for the purpose of estimation, management and control of the extent of risk, to which it is exposed. The risk management and control rules and procedures are approved by the managing directors.

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

a) Credit risk

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

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

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

- *Collection of receivables*

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

- *Securitization*

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

b) *Liquidity risk*

Liquidity risk is the risk of lack of cash for coverage of due liabilities or for repayment of customer loans, which could arise from disparities in the Company's cash flows..

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

Financial liabilities as of 31.12.2012	**At disposal up to 7 days**	**Up to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**
Liabilities on finance lease	--	--	--	--	--
Other loans received	-	1 263	3 854	39 977	--
Other liabilities	-	1 041	670	1 297	--
Total	**1**	**2 304**	**4 524**	**41 274**	**--**

Financial liabilities as of 31.12.2011	**At disposal up to 7 days**	**Up to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**Over 5 years**
Liabilities on finance lease	1	2	12	--	-
Other loans received	-	1 982	51 336	672	-
Other liabilities	-	711	475	1 957	-
Total	**1**	**2 696**	**51 830**	**2 692**	**--**

c) *Currency risk*

Currency risk arises with respect to changes in the value of the financial instruments, due to significant changes on the exchange rate markets. The difference in the levels of financial instruments, and assets and liabilities, denominated in foreign currency, respectively, shows the extent to which an instrument is exposed to currency risk. Information of the Company's exposure by currencies as of the end of 2012 and 2011 is presented in the table below:

Currency risk as of 31.12.2012	BGN	EUR	CZK	Total BGN
Assets				
Cash and cash equivalents	387	7	3	397
Customer loans	39 351	--	--	39 351
Other receivables	999	--	--	999
Inventories	19	--	--	19
Property, plant and equipment	203	--	--	203
Intangible assets	24	--	--	24
Total assets as of 31.12.2012	**40 983**	**7**	**3**	**40 993**
Liabilities				
Liabilities on finance lease	--	--	--	--
Other loans received	--	29 748	--	29 748
Other liabilities	6 446	40	240	6 726
Provisions	28	--	--	28
Deferred tax liabilities	5	--	--	5
Total liabilities as of 31.12.2012	**6 479**	**29 788**	**240**	**36 507**
Currency risk as of 31.12.2012	**34 504**	**(29 781)**	**(237)**	**(4 486)**

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

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

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

In 2012 the management of the Company negotiated a change of its credit contract funding currency from CZK to EUR. Thus, the significant credit risk that the Company is exposed to was eliminated.

In order to minimize the currency risk due to the CZK/BGN rate movement, in 2011 the management of the Company opened with a bank two NDF agreements for buying CZK 577,693,560 CZK against selling EUR. The settlement date of both NDFs is November 21, 2013. As a result of funding currency exchange, both NDFs were early terminated in 2012.

d) Interest rate risk

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

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

	2012	**2011**
Assets		
Customer loans	59.41%	57.12%
Liabilities		
Bank loans	--	--
Other received loans	17.50%	17.50%
Liabilities on finance lease		7.50%

e) Price risk

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

f) Market risk

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

24. Events after the reporting date

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

25. Related parties transactions

a) Other receivables, other payables and other loans received

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

	Receivables		**Payables**	
	2012	**2011**	**2012**	**2011**
Profi Credit Czech as.	--	--	301	121
Profireal Group	--	--	14	43
Other related parties	42	--	--	--
Total	**42**	**--**	**315**	**164**

The payable to Profireal Group as of December 31, 2012 to the amount of BGN 14 thousand (2011: BGN 43 thousand) represents a payable for established guarantee on utilized loan.

The payable to Profi Credit Czech, a.s. as of December 31, 2012 includes: payables for received consulting services amounting to BGN 256 thousand (2011: BGN 78 thousand) and payable for use of trade mark amounting to BGN 45 thousand (2011: BGN 43 thousand).

b) Sales and purchases

	Sales for the period		Purchases for the period	
	2012	**2011**	**2012**	**2011**
Profi Credit Czech,a.s	--	--	358	241
Profireal Group	--	--	1	1
Total	**--**	**--**	**359**	**242**

c) Interests and loan guarantees

	Interest expense		Interest income	
	2012	**2011**	**2011**	**2011**
Profireal Group	148	147	--	-
Total	**148**	**147**	**--**	**-**

d) Accrued remuneration and salaries to management

	2012	**2011**
Number of members	4	4
Remuneration accrued	215	214
Other (social security, health insurance, etc.)	4	8
Total	**219**	**222**

26. Global economic crisis

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

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

7. CONTACTS

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