



Annual Consolidated Management Report
Independent Auditor's Report
Consolidated Financial Statements

Web Finance Holding AD

31 December 2015



Contents

	Page
Annual consolidated management report	I
Independent auditor's report	Ii
Consolidated statement of financial position	1
Consolidated statement of profit or loss	3
Consolidated statement of comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8

Annual Consolidated Management Report

1. General information

1.1. General information for the Parent company

“Web Finance Holding” AD is a joint-stock company registered in the Bulgarian Trade Register under company code number 103765841. The Group’s registered office, which is also its principal place of business, is Sofia, Vuzrajdane Municipality, 141, Todor Alexandrov Blvd, fl. 9.

The Group has one-tier management system - Board of Directors.

The principal activities of “Web Finance Holding” AD and its subsidiaries include management of companies in a group – a holding, consisting of companies operating in the financial sector and the field of acquisition, management and sale of real estate.

The Group’s principal activities also include:

- Consultation and management of debt portfolios, collection of receivables;
- Management of investments in subsidiaries and associates;
- Operation as a private equity firm;
- Management of financial assets and trade with financial instruments on the Bulgarian stock exchange (BSE) and over-the-counter market in Bulgaria;
- Acquisition, management and sale of real estate.

The principal activities of the subsidiaries of “Web Finance Holding” AD include:

- Life insurance;
- General insurance;
- Insurance and pension intermediation;
- Management of contractual funds;
- Sale and purchase of real estate;
- Rental of real estate;
- Hotel services;
- Construction;
- Operation of on-line financial media;
- Finance lease.

1.2. Board of Directors

Boyan Trifonov Minkov – Chairman of the Board of Directors

Dimitar Iliev Zhilev – Vice chairman of the Board of Directors

Kalin Mitkov Mitev – CEO

The Group is represented by Kalin Mitkov Mitev and Dimitar Iliev Zhilev.

1.3. Group structure:

Name of subsidiary	Main activity	31 December 2015
LIC „Saglasie” EAD	Life insurance company	100%
„Concord Asset Management” AD	Management company	99,99%
„Saglasie Ins Broker” EOOD	Insurance and reinsurance intermediation	100%
„Efco Group” AD	Insurance and reinsurance intermediation	100%
„Super Borovets Property Investment” EAD	Serving company of “SBAF” ADSIC	100%
„Control and Engineering” AD	Construction	89%
„Infostock” AD	Specialized financial- information media	66,67%
„Hotel Cosmos” EOOD	Hotels and restaurants	100% through Control and engineering AD
„Tao Building” EOOD	Construction and rental of office and administrative buildings	100%
„Simeonovo Project Estate” EOOD	Sale and disposal of real estate	100%

LIC “Saglasie” EAD’s principal activity is life insurance. By decision №1211-ZZH from 20 December 2006 of the Financial Supervision Commission, the Company is licensed to perform insurance activities on the territory of the Republic of Bulgaria for the following types of insurance: life insurance and rent; life insurance linked to an investment fund; and “Additional Insurance”.

“Concord Asset Management” AD is a management company and has been authorized by the Financial Supervision Commission to operate as a Management Company № 389-UD as of 15 June 2005 for the following activities: management of collective investment schemes and investment companies of closed type; management of an individual portfolio in accordance with a contract concluded with a client, including portfolios of institutional investors, consisting of financial instruments, at its own discretion, without specific client orders; providing investment advice on financial instruments. As of 31 December 2016, the Company manages the following collective investment schemes – the contractual funds Concorde Fund-1 Shares and Bonds (former BenchMark Fund-1 Shares and Bonds), Concorde Fund-3 Real Estate Sector (former BenchMark Fund-3 Real estate sector (formerly BenchMark Fund-4), Concorde Fund-5 Central and Eastern Europe (former BenchMark Fund-5 Central and Eastern Europe), Concord Fund-6 Monetary Fund (former BenchMark Fund-6 Monetary Fund, Standard Investment High Yield Fund, Standard Investment Balancing Fund, Standard Investment International Fund and Standard Investment Conservative Fund (in liquidation), open-ended investment company Concorde Fund-2 Shares AD (former BenchMark Fund-2 Shares), as well as providing services for the management of individual investment portfolios, including institutional investors.

“Saglasie Ins Broker” EOOD’s principal activities include insurance intermediation on assignment by a consumer of insurance services and insurance intermediation on assignment by an insurer, insurance company or reinsurer, as well as other non-forbidden commercial activities. The company "Saglasie Ins Broker" EOOD holds a certificate № 306-3B / 29.07.2011 for registration pursuant to Article 160, paragraph 1 of the Insurance Code and is entered in the public register under Article 30, paragraph 1, item 9 of the Law of the Financial Supervision Commission.

“Efco Group” AD is a company registered in 2008 with principal activity insurance intermediation.

“Super Borovets Property Investment” EAD is a “servicing company” within the meaning of the Special Investment Purpose Companies Act for Super Borovets Property Fund ADSIC, by carrying out the following activities: consultations and analyzes on investment management of ADSICs; maintenance and management of immovable property acquired by ADSICs; accounting and other accounting activity and correspondence of ADSICs; consultations and preparation of documents related to the financing of the activities of ADSICs; performing other activities necessary for the normal functioning of an ADSIC.

“Control and Engineering” EAD’s principal activities include hotel, tourist, advertising, information, programming and impresario services; design, purchase, construction, furnishing and management of real estate for sale; as well as any other activity within the meaning of Art. 1 of the Commercial Act, which is not prohibited by law.

“Infostok” AD is a specialized information media, which maintains the specialized financial and information internet site infostock.bg. Being a BSE-Sofia vendor for market information, the site offers comprehensive real-time trading sessions for all traded issues such as quotations, deals, volume, price history, and so on. Infostock.bg is the only site offering detailed financial reports and financial ratios for all issuers. The site offers up-to-date economic and financial information about Bulgaria, as well as the most important day-to-day accents from world financial markets, exchange rates, interest rates,

“Hotel Cosmos” EOOD’s principal activity include hotel and restaurant services. The main asset that the company manages and exploits is Cosmos Hotel, located in the city of Burgas. At present, 100% of the company's shares are owned by Control and Engineering EAD.

“Tao Building” EOOD is a company registered in 2001, with principal activity construction and rental of office and administrative buildings. The main asset the company manages and exploits is the Tao building, located in Sofia, Todor Alexandrov Blvd.

“Simeonovo Project Estate” EOOD is a company registered in 2006, with principal activity trading with and management of real estate.

In 2015, the following changes took place in the Group:

- In October 2015, the parent company acquired 100% of the share capital of Tao Building EOOD and Simeonovo Project Estate EOOD - companies operating exclusively in the real estate sector.
- In December 2015, the parent company acquired 67.00 % of the share capital of Efco Group AD.

- As at 31 December 2015, the Group has concluded a preliminary contract for the sale of its 91% stake in the Management Company "Strategia Asset Management" AD / Previous name "Saglasie Asset Management" AD for the amount of BGN 1 190 thousand. The investment is reclassified from investments in subsidiaries to non-current assets classified as held for sale.

The Group remains committed to its plan to sell the other subsidiaries classified as non-current assets held for sale and expects to sell them in 2016.

The subsidiaries listed in the table below are those that the Group intends to sell in the short term:

Name of subsidiary / associate	Country of incorporation	Participation in %
BTM Consult EOOD	Bulgaria	100%

2. Overview of the Group's development and results

As at 31 December 2015 the consolidated result of the Group's operations is a profit at the amount of BGN 20 117 thousand. The assets of the Group amount to BGN 172 747 thousand.

3. Major risks faced by the Group

Risk management objectives and policies

The Group is exposed to various types of risks in relation to financial instruments. The most significant financial risks to which the Group is exposed are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close co-operation with the Board of Directors and focuses on actively securing the Groups short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

As a result of the use of financial instruments, the Group is exposed to market risk and in particular to the risk of exchange rate changes, interest rate risk as well as the risk of changes in specific prices due to the Group's operating and investing activities.

3.1. Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to the risk of exchange rate changes, interest rate risk and certain other price risks due to the Group's operating and investing activities.

3.1.1. Foreign currency risk

Most of the Group's transactions are carried out in Bulgarian leva (BGN). Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US-Dollars and Euro.

To mitigate the Group's exposure to foreign currency risk, non-BGN cash flows are monitored. Generally, Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

3.1.2 Interest rate risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. As at 31 December 2015, the Group is exposed to changes in market interest rates. The Group's investments in bonds all pay fixed interest rates.

3.2. Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements in regard to other transactions.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographic areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents, money market funds, debentures and derivate financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

3.3 Liquidity risk

Liquidity risk is the risk arising from the Group not being able to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands – quarterly. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group maintains cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

4. Events after the reporting period

In March 2016 the subsidiary LIC “Saglasie” EAD acquired the lifeinsurance portfolio of “Generali Lifeinsurance” – Bulgaria, arrived at voluntary liquidation.

5. Current trends and probable future development of the Group

The core objective of Group management is achieving economic results at levels that protect shareholders' interests by ensuring maximum return at acceptable levels of risk.

Recognizing the essential importance and role of employees and senior management in the Group's activities, particular attention is paid to the implementation of systems and programs that aim to upgrade the qualification and professional skills of the employees of the Group. Establishment of a system for internal communication and motivation of the Group's personnel corresponds to the strategic goals of the Group.

Active participation in the management of subsidiaries to achieve higher economic efficiency through the introduction of new technologies, improvement of the organizational structure of the companies, better work organization and improvement of the qualification and professional skills of the human factor is a priority for the Management.

Given the financial-economic situation in the country and the foreign markets and economies, particular attention is paid to the development and implementation of programs for the financing of investment projects and for the repayment of the obligations under the existing bond issue and the trade obligations.

The Group owns significant real estate, acquired as a result of collecting receivables or through investment purchase, as well as through acquired companies operating in the sector. As part of the future measures to increase the value of the companies in the Group and the profitability for the shareholders are the more efficient exploitation of the real estate, including disposal of some real estate not generating enough cash flows and looking for more attractive properties with better rental conditions.

6. Research and development

Currently, the Group does not carry out its own research activities, nor performs transfer of innovation.

7. Information required by Art. 187e and Art.247 of the Commerce Act

7.1. Share capital

The registered capital of “Web Finance Holding” AD consists of 7 000 ordinary shares with a nominal value of BGN 100 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the “Web Finance Holding” AD.

On 27 February 2013, an increase of the share capital of "Web Finance Holding" AD from BGN 700 000 to BGN 7 633 200 was registered in the Trade Register through a monetary contribution of BGN 2 100 000 (submitted on the Company's accumulation account in 2012) as well as through a non-cash contribution in the share capital of the shareholder company PHL Group AG - Schweiz / in a total amount of BGN 4,833,200. As a result of the increase 69,332 ordinary shares were issued with a nominal value of BGN 100 per share.

7.2.Repurchase

As of 31 December 2016, the Group has not repurchased own shares.

7.3.Possession of own shares

The companies in the Group do not own shares of the parent company.

7.4.Management remuneration

Remuneration and additional bonuses of Management are disclosed in Note 33.1 of the Consolidated financial statements.

7.5.Акции на Групата притежавани от членовете на Съвета на директорите

Към 31.12.2015 г., членовете на Съвета на директорите Калин Митков Митев и Димитър Илиев Жилев притежават по 10 броя акции от капитала на дружеството.

8. Participation in commercial companies of the members of the Board of Directors

Name	Participation in the management and supervisory bodies of other companies	Participation with more than 25% of the capital of another company	Companies in which the person exercises control
Boyan Trifonov Minkov	BM Leasing EAD	-	-
Kalin Mitkov Mitev	BTM Consult EOOD Prima Him EOOD Simeonovo Project Estate EOOD Tao Building EOOD Central Vacuum Systems OOD BM Leasing EAD Bansko Investments EOOD	Central Vacuum systems OOD	-
Dimitar Iliev Zhilev	Concord Asset Management AD Texim Bank AD Infostock AD Simeonovo Project Estate EOOD Tao Building EOOD BM Leasing EAD Bansko Investments EOOD	-	-

9. Financial instruments used by the Group

9.1. Accounting policy

The Consolidated financial statements are prepared under the principles for valuation of assets, liabilities, income and expenses, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU. The basis for valuation are disclosed in detail in the accounting policy of the Consolidated financial statements.

It should be noted that accounting estimates and assumptions have been used in the preparation of the Consolidated financial statements. Although they are based on information provided to Management at the date of preparation of the Consolidated financial statements, the actual results may differ from the estimates and assumptions made.

9.2. Financial instruments

The main financial instruments owned by the Group are shares, bonds, government securities and ceded claims. Detailed information on the size and specificity of the Group's financial assets is presented in the Consolidated financial statements.

10. Additional information under Section VI A of Annex 10 of Ordinance No.2 of FSC

10.1. Services provided

By 2010, a major part of the activity is concentrated in the acquisition or management of receivables and companies in bankruptcy and their subsequent collection or management. As part of this activity, various legal services are offered on representation in court and out-of-court disputes and legal and financial consultations. The established name and achievements in this field testify to the well-established team and the know-how in this specific field of law and economics.

For the period of its existence, "Web Finance Holding" AD successfully implemented the acquired receivables packages from the bankruptcy and liquidated at the present moment companies: Dobrudzanska banka AD, Kapitalbank AD, Crystalbank AD, Bank for agricultural credit AD, International Bank for Trade and Development AD, receivables packages of TSBank AD and First Private Bank AD. In 2010, the Group reoriented its core business of collecting receivables to structuring a financial group holding. For the period 2010 - 2016, the Group holds a number of acquisitions of shareholdings in companies operating in the financial sector.

10.2. Non-financial income

Sales revenue of the Group can be analyzed as follows

	2015 '000 AB.	2014 '000 AB.
Revenue from rendering of services	2 373	1 992
Revenue from sale of goods	29	45
Written-off liabilities	-	116
Other	63	20
	2 465	2 173

10.3. Finance income

The Group's financial income can be analyzed as follows

	2015 ‘000 AB.	2014 ‘000 AB.
Gain on sale of financial assets (net)	14 272	4 589
Insurance revenue	3 398	3 249
Interest income on financial assets carried at amortized cost and available-for-sale financial assets	3 156	4 433
Finance income	20 826	12 271

10.4. Finance costs

The Group's financial expenses can be analyzed as follows:

	2015 ‘000 AB.	2014 ‘000 AB.
Loan interest	(5 513)	(6 110)
Insurance costs	(3 091)	(2 839)
Loss on sale of financial instruments	(2 885)	-
Finance costs	(11 489)	(8 949)

10.5. Significant transactions in 2015

- During Q1 of 2015 “Web Finance Holding” AD disposed of the following real estate:
 - Land in Dragalevtsi, Sofia for the amount of BGN 748 thousand;
 - Apartment in Sofia, Oborishte for the amount of BGN 290 thousand.
- On 15 April 2015, “Web Finance Holding” AD acquired seven real estate properties in “Pirin Place” Complex, Bansko for the amount of BGN 360 thousand.
- In October 2015 the parent company acquired 100% of the shares capital of „Tao Building” EOOD and „Simeonovo Project Estate” EOOD.
- In December 2015 the parent company acquired 67% of the shares capital of „Efco Group” AD.
- On 29 December 2015, “Web Finance Holding” AD sold real estate RZP 8042, in Pernik. The amount of the transactions in BGN 2 500 thousand.

- During the reporting period, the subsidiary “Simeonovo Project Estate” EOOD sold real estate UPI with project for construction of a complex, located in Sofia, Simeonovo. The transaction amount is EUR 7 000 thousand.

10.6. Events and indications with an unusual nature for the issuer

There were no unusual transactions during the reporting period.

10.7. Off-balance sheet transactions

Part of the activities of “Web Finance Holding” AD include acquisition and collection in court and out of court of receivables. In most cases, receivables are acquired at their nominal value which is reported off-balance, and the price at which they are purchased is recorded in the balance sheet of the Company.

10.8. Shareholding of the Group

10.8.1 Shareholdings

The investments of the parent company in other companies that are not classified as subsidiaries or associates are listed in the table below:

Shares	Country of incorporation	2015	Participation	2014	Participation
		BGN ‘000	%	BGN ‘000	%
Texim Bank AD (registered for trading on a regulated market)	Bulgaria	9 541	19.48%	8 106	19.96%
POK „Saglasie” AD	Bulgaria	16 668	19.95%	16 668	19.95%
Super Borovets Property Fund ADSIC (registered for trading on a regulated market)	Bulgaria	2 843	16.77%	2 498	14.76%
Rodna Zemya Holding AD (registered for trading on a regulated market)	Bulgaria	5 235	9.97%	3 949	7.47%
Investment company Galata AD (registered for trading on a regulated market)	Bulgaria	990	0.87%	1 080	0.87%
Chimsnab Bulgaria AD (registered for trading on a regulated market)	Bulgaria	1 440	1.60%	-	-
Holding Nov Vek AD (registered for trading on a regulated market)	Bulgaria	805	1.40%	518	1.40%
Capital Management ADSIC (registered for trading on a regulated market)	Bulgaria	-	-	1 422	2.63%
ZD „Saglasie”	Bulgaria	1 382	9.94%	688	4.95%
„AVS Finance” AD	Bulgaria	157	49.71	157	49.71
Finansovi aktivni AD	Bulgaria	100	9.09%	-	-
		39 161		35 086	

In the table below are listed other investments of the Group:

Shares	Country of incorporation	2015 BGN '000	2014 BGN '000
Chimsnab Bulgaria AD (registered for trading on a regulated market)	Bulgaria	657	3188
CCB Real Estate Fund AD (registered for trading on a regulated market)	Bulgaria	3 494	3960
Regala Invest AD (registered for trading on a regulated market)	Bulgaria	1 468	1035
Sila Holding AD (registered for trading on a regulated market)	Bulgaria	268	199
Capital Management ADSIC (registered for trading on a regulated market)	Bulgaria	569	-
Rodna Zemya Holding AD (registered for trading on a regulated market)	Bulgaria	466	-
Velgraf Asset Management AD (registered for trading on a regulated market)	Bulgaria	493	-
Other	Bulgaria	592	1 181
		8 007	9 563

During the period, the Group recognized dividend income at the amount of BGN 62 thousand (2014 – BGN 697 thousand).

10.8.2 Investments in corporate bonds

The Group's investments in corporate bonds are presented in the table below:

	Fair value as at 31.12.2015 BGN '000	Fair value as at 31.12.2014 BGN '000
Global Invest Holding B.V.	10 922	-
Health and Wellness ADSIC	68	67
Other	-	61
	10 990	128

10.8.3 Other investments

Other investments of the Group, consisting of investments in contractual funds, corporate bonds, related to hedge fund and government bonds, are presented in the table below:

	2015 BGN '000	2014 BGN '000
Fair value:		
Shares in collective investment schemes	3 336	3 168
Corporate bonds, related to hedge fund	100	102
Government bonds Republic of Bulgaria	505	229
	3 941	3 499

10.9 Financial liabilities

10.9.1 Bank loans

Bank loans of the Group amount to BGN 49 060 thousand and include the following:

	Current		Non-current	
	2015 BGN '000	2014 BGN '000	2015 BGN '000	2014 BGN '000
Bank loan	4 573	866	22 087	867
Bank investment credit	-	-	22 400	21 300
Overdrafts	-	10 845	-	-
Total	4 573	11 711	44 487	22 167

10.9.2 Other loans

Other loans of the Group as at 31.12.2015 amount to BGN 19 419 thousand (2014: BGN 887 thousand) and consist of bank loans, including principal and interest liabilities. Interest rate on bank loans is between 6,5% and 11%. Maturity is December 2015. The loans are unsecured and payments are denominated in BGN.

10.9.3 Bond loans

	Current		Non-current	
	2015 BGN '000	2014 BGN '000	2015 BGN '000	2014 BGN '000
Bond loans	5 218	4 613	27 330	31 241

As at 31 December 2015, Group's obligations on bond loans amount to BGN 32 548 thousand on issues from 2012 and 2009 (2014: BGN 35 854 thousand).

Terms of bond loans:

Issue – 2009

Bond type and class:	ordinary, dematerialized by name, interest bearing, freely transferable
Nominal value of one bond	BGN 1 956 (EUR 1 000)
Total number of issued bonds -	10 000
Total amount of bond loan:	BGN 19 558 thousand (EUR 10 000 thousand)
ISIN:	BG 2100013098
Term:	9 years

Period of principal payments:	on 10 parts, every 6 th month, starting from 19.02.2014
Interest rate:	9 % simple interest
Period of interest paying:	6-month
Maturity:	19.08.2018

The loan's collateral is pledge on receivables, occurred after the concluded bank deals with credit institutions, including loan agreements with citizens and legal entities acquired by "Web Finance Holding" AD under cession terms. In case of decrease in security of the issue, which violates the established minimum value, which is 120% from the residual value of the bond loan within 5 (five) working days from the establishment.

Issue – 2012

Bond type and class:	convertible, dematerialized, interest bearing, freely transferable.
Nominal value of one bond	BGN 1 956 (EUR 1 000)
Total number of issued bonds -	10 000
Total amount of bond loan:	EUR 19 558 thousand (EUR 10 000 thousand)
ISIN:	BG2100023121
Term:	7 years
Period of principal payments:	once on maturity on 16.11.2019 with the last interest payment
Interest rate:	8 % simple interest
Period of interest paying:	6-month
Maturity:	16.11.2019

The loan's collateral are mortgages, established in favor of the trustee bank. The bonds are convertible into ordinary shares at the end of a 6 (six) month period from the date of bond issue; each bondholder will have the right to convert his bonds into shares with the corresponding conversion ratio.

10.10 Loans granted

Loans granted by the Group are with maturity as at 31 December 2015. The interest rates are between 8% and 12%. Interest income is recognized in the consolidated statement of profit or loss under "Interest Income".

Net carrying amount of granted loans is accepted as a reasonable estimation of their fair value.

10.11 Use of Initial Public offering

The Group's shares are not traded on a regulated securities market and there is no initial public offering.

10.12 Ratio of the financial results achieved and the previously published financial forecasts

"Web Holding Holding" AD does not publish estimated results in its financial statements for 2014.

10.13. Analysis and evaluation of the management policy regarding financial resources

As at the date of preparation of the financial statements, management has made an assessment of the Group's ability to continue as a going concern based on available information for the foreseeable future. Following the review of the Group's operations, the Board of Directors expects that the Group has sufficient financial resources to continue its operations in the near future and continues to apply the going concern principle to the preparation of the financial statements.

10.14 Assessment of the possibilities for realization of the investment intentions

In recent years, "Web Finance Holding" AD has expanded its principal activities. Besides collecting receivables, the Group is also focusing on the structuring of a financial group - a holding, and since 2015 has increased its holdings and assets in the real estate sector as a matter of priority. For the period 2010 – 2015 "Web Finance Holding" AD has realized a number of acquisitions of shareholdings in companies operating in the financial and real estate sectors.

During the same period the Group took action to sell its investments in other companies classified as held for sale. The decisions taken to exempt certain investments and acquire new ones are part of the Group's future development perspectives and management believes that it will use the maximum experience and potential of synergies between the Group's companies to increase revenue and mitigate risk factors for the Group. To achieve these goals, Management believes that it can provide sufficient resources and achieve the goals.

10.15 Changes in the basic management principles

There are no changes in the Group's management principles.

10.16 The main features of the internal control system and risk management system used by the issuer in the process of preparing the financial statements

In order to ensure an independent and objective assessment of the financial statements, the annual audit of "Web Finance Holding" AD is carried out by an independent audit firm. All financial statements are prepared under IFRS. The current financial-accounting activities of the companies are subject to periodic control and analysis by management bodies. The Group has an established practice of periodically discussing the current financial results of the Group's operations included in its strategic investment portfolio in order to ensure the implementation of its business programs and a precise analysis of the possibilities for implementing future investment projects.

10.17. Changes in the management and supervisory bodies during the reporting period

During the reporting period there were no changes in the management and control bodies.

10.18. Remuneration of the members of the Board of Directors

The amount of the remuneration and additional bonuses are disclosed in Note 35.4 of the Group's annual financial statements.

10.19. Arrangements for changes in the relative share held by the current shareholders

During the reporting period there are no arrangements for changes in the relative share of shares of current shareholders.

10.20. Information on pending court, administrative or arbitration proceedings concerning liabilities or receivables of the issuer amounting to at least 10 per cent of its own capital

At the end of the reporting period there were no cases brought against the Group.

Due to the specific scope of activity of "Web Finance Holding" AD, which includes in court and out of court debt collection, the number of enforcement cases on which the Group is an author changes every month as a result of repayment by the debtors of cash liabilities and termination the respective enforcement case as well as the purchase of new receivables and the opening of new enforcement cases. As at 31 December 2016, the Group is a party /an author/ to enforcement of 628 enforcement cases distributed in the respective judicial areas in the country, both to state bailiffs and private bailiffs.

11. Other information at the discretion of the Group

The Group estimates that there is no other information that is not disclosed by the Group and which would be important to shareholders and investors.

**BOARD OF DIRECTORS
OF „WEB FINANCE HOLDING” AD**

Boyan Trifonov Minkov

Dimitar Iliev Zhilev

Kalin Mitkov Mitev

Sofia, 26 April 2017



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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Web Finance Holding AD
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Report on the Audit of the Consolidated Financial Statements

We have audited the consolidated financial statements of Web Finance Holding AD and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the and Bulgarian legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated 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 entity'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 entity'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 consolidated 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 give a true and fair view of the financial position of Web Finance Holding AD and its subsidiaries as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by EU and Bulgarian legislation.

Report on Other Legal and Regulatory Requirements – Management's report for the year ended 31 December 2015

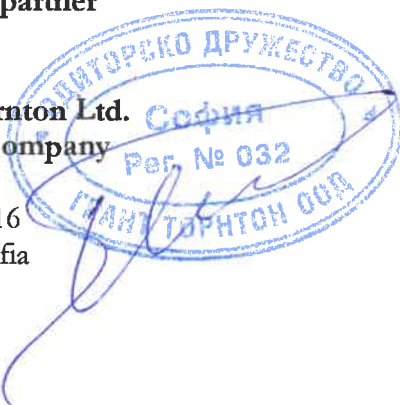
We have reviewed the management's report for the year ended 31 December 2015 of Eltrak Bulgaria EOOD, which is not part of the financial statements. The historical financial information in the management's report complies in its main aspects with the financial information, presented in the financial statements for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards, as adopted by EU and Bulgarian legislation. The preparation of the management's report is responsibility of the management.

Mariy Apostolov
Managing partner

Silvia Dinova
Registered auditor responsible for the audit

Grant Thornton Ltd.
Auditing Company

28 April 2016
Bulgaria, Sofia

A handwritten signature in blue ink, likely belonging to Silvia Dinova.

Consolidated statement of financial position

	Note	31 December 2015 BGN'000	31 December 2014 BGN'000
Assets			
Non-current assets			
Goodwill	7	659	-
Intangible assets	8	1 230	315
Property, plant and equipment	9	22 658	21 664
Investment property	11	16 533	6 012
Long-term financial assets	12	38 398	56 797
Other long-term receivables	13	1 469	1 469
Deferred tax assets	14	16	28
		80 963	86 285
Current assets			
Inventories	15	4 306	4 240
Short-term financial assets	16	66 998	45 766
Short-term related party receivables	34	7 559	-
Trade receivables	17	2 156	682
Income tax receivables		9	50
Other receivables	17	5 569	6 228
Cash and cash equivalents	18	4 641	1 513
		91 238	58 479
Non-current assets classified as held for sale	19	546	638
Total assets		172 747	145 402

Prepared by:

Spas Peshterski

Executive Directors:

Kalin Mitev

Dimitar Zhilev

Date: 22.04.2016

Audited according to the auditor's report dated 28.04.2016:

Mariy Apostolov

Managing partner

Grant Thornton Ltd.

Audit firm

Silvia Dinova

Registered auditor responsible for the audit

Consolidated statement of financial position (continued)

	Note	31 December 2015 BGN'000	31 December 2014 BGN'000
Equity and liabilities			
Equity			
Share capital	20.1	7 633	7 633
Reserves	20.2	361	361
Revaluation reserves	20.2	1 925	256
Retained earnings		9 184	7 009
Current financial result		20 112	3 044
Equity attributable to the owners of the parent		39 215	18 303
Non-controlling interest		313	64
Total equity		39 528	18 367
Specialized reserves	21	4 294	3 985
Liabilities			
Non-current liabilities			
Long-term financial obligations	23	73 088	53 408
Trade and other payables	24	15 907	26 743
Long-term related party payables	34	-	871
Pension and other employee obligations	22.2	19	13
Deferred tax liabilities	14	473	63
		89 487	81 098
Текущи пасиви			
Short-term financial obligations	23	28 070	17 283
Income tax liabilities	25	264	40
Trade payables	24	5 733	17 184
Pension and other employee obligations	22.2	151	280
Other payables	24	5 184	7 110
		39 402	41 897
Total liabilities		128 889	122 995
Liabilities included in disposal group held for sale	19	36	55
Total equity and liabilities		172 747	145 402

Prepared by: 
Spas Peshterski

Executive Directors: 
Kalin Mitev


Dimitar Zhilev

Date: 22.04.2016

Audited according to the auditor's report dated 28.04.2016:

Mariy Apostolov
Managing partner

Grant Thornton Ltd. Рег. № 032
Audit firm

Silvia Dinova
Registered auditor responsible for the audit

Consolidated statement of profit or loss for the year ended 31 December

	Note	2015 BGN'000	2014 BGN'000
Gain on sale of financial assets	29	14 272	4 589
Loss on sale of financial instruments	29	(2 885)	-
		11 387	4 589
Gain on sale of non-current assets	28	8 484	29
Gain from business combinations	5.2,5.3	4 338	-
Insurance income	29	3 398	3 249
Insurance expenses	29	(3 091)	(2 839)
		307	410
Interest income	29	3 156	4 433
Interest expenses	29	(5 513)	(6 110)
		(2 357)	(1 677)
Dividend income	30	62	697
Other financial income/expenses	30	269	192
Profit from financial activities		22 490	4 240
Revenues from non-financial activity	26	2 465	2 173
Depreciation, amortization and impairment of non-financial assets	8,9,11	(521)	(262)
Non-financial expenses	27	(3 995)	(3 313)
Profit before tax		20 439	2 838
Income tax expense		(531)	(76)
Profit for the year from continuing operations		19 908	2 762
Profit for the year from discontinued operations	19	209	303
Profit for the year		20 117	3 065
Profit for the year attributable to:			
Non-controlling interest		5	21
Owners of the parent		20 112	3 044
Earnings per share		ЛВ.	ЛВ.
Earnings from continuing operations		260.80	35.91
Earnings from discontinued operations		2.74	3.97
Total	32	263.54	39.88

Prepared by:

Spas Peshterski

Executive Directors:

Kalin Mitev

Dimitar Zhilev

Date: 22.04.2016

Audited according to the auditor's report dated 28.04.2016:

Mariy Apostolov
Managing partner
Grant Thornton Ltd.
Audit firm

Silvia Dinova
Registered auditor responsible for the audit

Consolidated statement of comprehensive income for the year ended 31 December

	Note	2015 BGN'000	2014 BGN'000
Profit for the year		20 117	3 065
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of non-current assets		-	30
Income tax relating to items not reclassified	14	-	(3)
Items that will be reclassified subsequently to profit or loss:			
Revaluation of financial assets available for sale		1 648	-
Income tax relating to items that will be reclassified	14	(165)	-
Other comprehensive income for the year, net of tax		1 483	27
Total comprehensive income for the year		21 600	3 092
Total comprehensive income for the year attributable to:			
Non-controlling interest		5	31
Owners of the parent		21 595	3 061
		21 600	3 092

Prepared by:

Spas Peshterski

Executive Directors:

Kalin Mitev

Dimitar Zhilev

Date: 22.04.2016

Audited according to the auditor's report dated 28.04.2016:

Mariy Apostolov

Managing partner

Grant Thornton Ltd.

Audit firm

Silvia Dinova

Registered auditor responsible for the audit

Consolidated statement of changes in equity for the year ended 31 December

All amounts are presented in BGN '000	Share capital	Reserves	Revaluation reserves	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
Balance at 1 January 2015	7 633	361	256	10 053	18 303	64	18 367
Business combinations	-	-	-	-	-	266	266
Dividends	-	-	-	(760)	(760)	(26)	(786)
Transactions with owners	-	-	-	(760)	(620)	240	(520)
Profit for the year	-	-	-	20 112	20 112	5	20 117
Other comprehensive income	-	-	1 483	-	1 483	-	1 483
Total comprehensive income for the year	-	-	1 483	20 112	21 595	5	21 600
Other	-	-	186	(109)	77	4	81
Balance at 31 December 2015	7 633	361	1 925	29 296	39 215	313	39 528

Prepared by: 
Spas Peshterski

Executive Directors:


Kalin Mitev


Dimitar Zhilev

Date: 22.04.2016
Audited according to the auditor's report dated 28.04.2016:

Mariy Apostolov
Managing partner

Grant Thornton Ltd.
Audit firm



Silvia Dinova
Registered auditor responsible for the audit



Consolidated statement of changes in equity for the year ended 31 December (continued)

All amounts are presented in BGN '000	Share capital	Reserves	Recalculation reserves	Revaluation reserves	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
Balance at 1 January 2014	7 633	70	190	-	7 470	15 363	143	15 506
Business combinations	-	-	-	-	(87)	(87)	(68)	(155)
Issue of share capital	-	291	-	-	(291)	-	-	-
Transactions with owners	-	291	-	-	(378)	(87)	(68)	(155)
Profit for the year	-	-	-	-	3 044	3 044	21	3 065
Other comprehensive income	-	-	17	-	-	17	10	27
Total comprehensive income for the year	-	-	17	-	3 044	3 061	31	3 092
Other	-	-	49	-	(83)	(34)	(42)	(76)
Balance at 31 December 2014	7 633	361	256	-	10 053	18 303	64	18 367

Prepared by:

Spas Peshterski

Executive Directors:

Kalina Mitev

Dimitar Zhilev

Date: 22.04.2016

Audited according to the auditor's report dated 28.04.2016:

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Managing partner

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Silvia Dinova

Registered auditor responsible for the audit

Consolidated statement of cash flows for the year ended 31 December

Note	2015 BGN'000	2014 BGN'000
Operating activities		
Cash receipts from short-term loans	1 665	-
Short-term loans granted	(1 584)	-
Cash receipts from sale of short-term financial instruments	-	1 627
Cash receipts from customers	5 404	4 482
Cash paid to suppliers	(2 610)	(1 094)
Cash paid to employees and social security institutions	(1 680)	(1 373)
Cash receipts from insurance activity	2 531	2 407
Cash paid for insurance activity	(1 789)	(1 699)
Income taxes paid	(52)	(116)
Other taxes paid	(418)	(296)
Interest received	13	-
Bank taxes and interest paid	(1)	-
Other cash receipts from operating activity	4 115	27 250
Other cash paid for operating activity	(4 431)	(27 950)
Net cash flow from operating activities	1 163	3 238
Investing activities		
Proceeds from business combinations, net	9	69
Acquisition of subsidiaries, net of cash	1 255	(21 473)
Proceeds from disposals of property, plant and equipment	14 071	50
Purchase of property, plant and equipment	(1 066)	(88)
Proceeds from disposals of intangible assets	-	(5)
Proceeds from sale of long-term financial instruments	62 987	13 838
Purchase of long-term financial instruments	(69 079)	(11 200)
Loans granted	(13 933)	(2 014)
Loan repayments received	38	1 394
Interest received	170	674
Dividends received	1	1
Other paid/proceeds from investing activities, net	876	4
Net cash flow from investing activities	(4 671)	(18 750)

Prepared by:

Spas Peshterski

Executive Directors:

Kalin Mitev

Dimitar Zhiliev

Date: 22.04.2016

Audited according to the auditor's report dated 28.04.2016:

Mariy Apostolov
Managing partner

Grant Thornton Ltd.
Audit firm

Silvia Dinova

Registered auditor responsible for the audit

Consolidated statement of cash flows for the year ended 31 December (continued)

Note	2015 BGN'000	2014 BGN'000
Financing activities		
Proceeds from borrowings	30 900	49 942
Repayments of borrowings	(18 509)	(29 976)
Interest paid	(5 802)	(5 946)
Dividends paid	276	430
Other paid for financing activities	(229)	(170)
Net cash flow from financing activities	6 636	14 280
Net change in cash and cash equivalents	3 128	(1 232)
Cash and cash equivalents, beginning of year	1 532	3 095
- included in disposal group	(19)	(350)
Cash and cash equivalents, end of year	4 641	1 513

Prepared by:

Spas Peshterski

Date: 22.04.2016

Executive Directors:

Kalin Mitev

Dimitar Zhilev

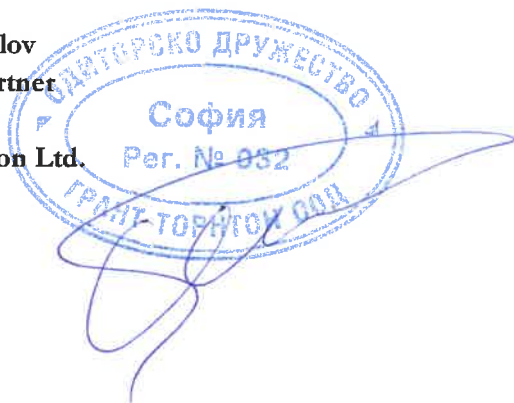
Audited according to the auditor's report dated 28.04.2016:

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Managing partner

Grant Thornton Ltd.

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Silvia Dinova

Registered auditor responsible for the audit

(Handwritten signature)

