



AUDIT
FINANCE
ACCOUNTING
TAX
LAW

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS
SPEEDY AD**

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of SPEEDY AD (the parent company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, 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.

In our opinion, except for the effect of the matter described in Paragraph 1, and for the possible effect of the matter described in Paragraph 2 in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Qualified Opinion

1. As disclosed in Note 10.1 to the consolidated financial statements, on 3 July 2017, the parent company registered a capital increase through issuing 41,700 shares with a value of BGN 1 each, registered by non-executive Board members and employees with over 3 years' service at the parent company who participated in key development projects, which in its nature constitutes share-based payment not dependent on achieving specific future results and/or the occurrence of certain future events. The capital increase is not stated in accordance with the rules and requirements of IFRS 2 *Share-based Payment*. As a result of this misstatement, consolidated

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employee benefits expenses and equity reserves (premium reserve) are understated by BGN 1,721 thousand, the income tax expense is overstated by BGN 172 thousand, and accordingly – the consolidated profit for the year and the respective consolidated retained earnings are overstated by BGN 1,549 thousand.

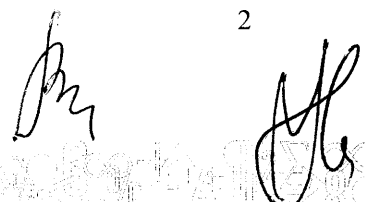
2. The consolidated statement of financial position as at 31 December 2017 presents goodwill and intangible assets, acquired in a business combination that occurred in a prior year (2014), with a total carrying amount of BGN 18,092 thousand (31 December 2016: BGN 18,902 thousand). We were not provided with sufficient documents, prepared usually in such type of transactions, and/or with other evidence confirming the completeness and adequacy of the performed actions, procedures and calculation in relation to compliance with the requirements of IFRS 3 "Business Combinations" and IFRS 13 "Fair Value Measurement" (Note 4) regarding the proper accounting for of the these assets as a result of the business combination. Therefore, we were unable to satisfy ourselves by alternative audit procedures as to the proper identification and valuation of the recognised goodwill and intangible assets, acquired in the business combination occurred in a prior year, and accordingly to determine whether any adjustments, and at what amount, might have been necessary in respect of the carrying amount of these assets and the related thereto deferred taxes, and respectively, on the retained earnings in the consolidated statement of financial position as at 31 December 2017, as well as on the amortisation expenses and impairment of intangible assets deferred taxes and the performance for 2017, presented in the consolidated statement of comprehensive income for 2017, accordingly, the same indicators in the comparable information for 2016.

Our auditor's report on the consolidated financial statements for the year ended 31 December 2016 was also qualified with respect to this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter included in the table below, the description of how this matter was addressed in our audit was made in this context.



In addition to the matters described in the *Basis for Qualified Opinion* section of our report, we determined the matter described herein below as key audit matter to be communicated in our report.

Key audit matter

How this key audit matter was addressed in our audit

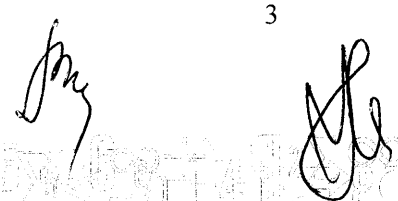
Valuation and capitalisation of intangible assets

As disclosed in Note 4, the Group's intangible assets as at 31 December 2017 include software with a carrying amount of BGN 3,448 thousand (31 December 2016: BGN 3,121 thousand). The main part of that represents the platform on which the activities of the parent company and the subsidiary in Romania are actually organised and performed.

The Group operates in a strongly competitive environment and dynamic markets, continuously developing technologies where and through which the offering of new services is constantly necessary. In addition, the Group (through the parent company) pursues an active investment policy related to fast expansion. These circumstances lead to the necessity of current development of new modules and changes in support of existing modules and functionalities of the parent company's information system. The upgrade process itself involves the execution of specific works by IT experts. In its turn, the accounting judgment about which and to what degree the expenses incurred under the work performed on the information system satisfy the conditions for "development" and should be capitalised and which are rather "support" in their substance and should be accounted for in current expenses, is a complex process and is based on expert assessments. It involves both IT and accounting specialists. Together they periodically evaluate the work performed in terms of type, scope, content, objectives, time horizon for use, benefits of the result and other similar. These evaluations are based on expert analyses of information on the man-hours used and the nature of work, the assumptions for their allocation to

In this area, our audit procedures, which involved cooperation by our IT expert, comprised, among others:

- inquiries regarding the process related to the development of new modules and the support of existing modules in the information system of the parent company;
- investigation and assessment of the policy, approach and model, including the criteria applied, for identification of works and the related expenses, subject to capitalisation, and respectively, those to be included in the current expenses;
- consideration and assessment of the analyses performed by the parent company, on the completed work and the capitalised amounts by month through the prism of the future usefulness of the created new platform functionality;
- analyses and assessment of the relevance of the completed work and the related expenses, included in the current expenses for 2017;
- inspection of documents regarding facts and circumstances associated with the completed work on developments and support of modules of the information system – contracts, protocols and other supporting documents;
- examination of the calculations on the expenses for capitalisation related to work on the information system – by month, as well as their amortisation;
- analyses and assessment of the appropriateness of the key judgments and assumptions, used by the management of the



separate type of activities and modules, in which there is certain level of subjectivity and intrinsic relativity in the judgments regarding the expenses capitalised in the intangible assets.

Due to the circumstances that: (a) the process of defining the expenses for capitalisation referring to the acquisition of intangible assets, including by modules and periods of use, is related to the application of significant expert estimates; and (b) the significance of the reporting item itself, as noted above, we have determined this matter as a key audit matter.

parent company, with the assistance of our internal IT expert;

- assessment and testing the completeness, appropriateness and adequacy of the disclosures in the consolidated financial statements with regard to the valuation and capitalisation of intangible assets.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the consolidated management report, including the corporate governance statement and the consolidated non-financial declaration, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report and to the extent indicated.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

As described in the *Basis for Qualified Opinion* section above:

- we believe there is material misstatement with respect to the accounting treatment of capital increase through bonus issue of shares. Accordingly, we reached the conclusion that the other information contains material misreporting, due to the impact of this material misstatement on the consolidated financial indicators and the accompanying disclosures for this item included in the other information; and



- we were unable to obtain sufficient appropriate audit evidence about the carrying amount of stated by the Group goodwill and intangible assets, recognised as a result of a business combination occurred in a prior year and the related thereto deferred taxes, as at 31 December 2017 and 31 December 2016. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, as adopted by the EU, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease Group's operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of Group's internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure of information about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Consolidated Financial Statements and Auditor's Report Thereon* section, in relation to the consolidated management report and the corporate governance statement of the Group and the consolidated non-financial declaration, we have also performed the procedures added to those required under ISAs in accordance with the “Guidelines Regarding New Extended Reports and Communication by the Auditor” of the professional organisation of Registered Auditors in Bulgaria – Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence as well as the form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- a) The information included in the consolidated management report referring to the financial year for which the consolidated financial statements have been prepared is consistent with the consolidated financial statements on which we have expressed a qualified opinion in the *Report on the Audit of the Consolidated Financial Statements* above.
- b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
- c) The corporate governance statement of the Group referring to the financial year for which the consolidated financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.
- d) The consolidated non-financial declaration, covering the financial year for which the consolidated financial statements have been prepared, has been provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100(m), paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about Group's activities and the environment in which it operates, in our opinion, the description of the main characteristics of Group's internal control and risk management systems relevant to the financial reporting

process, which is part of the consolidated management report (as a component of the corporate governance statement of the Group) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.



Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- AFA OOD was appointed as a statutory auditor of the consolidated financial statements of GROUP SPEEDY AD (the Group) for the year ended 31 December 2017 by the General Meeting of Shareholders held on 14 December 2016, for a period of two years.
- The audit of the consolidated financial statements for the year ended 31 December 2017 represents second total uninterrupted statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report dated provided to the audit committee of SPEEDY AD, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that no prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Group.


AFA OOD
Audit Firm

Valia Iordanova Iordanova
General Manager
Registered Auditor in Charge of the Audit

Yulia Marinova Ancheva
Registered Auditor in Charge of the Audit

30 April 2018
38, Oborishte Street
1504-Sofia, Bulgaria

This is a translation from Bulgarian of the Independent Auditor's Report on the Consolidated Financial Statements of Speedy AD for the year ended 31 December 2017.