

IuteCredit Bulgaria Ltd.

ANNUAL FINANCIAL REPORT

31 December 2023



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ANNUAL ACTIVITY REPORT AS AT 31 DECEMBER 2023

This MD&A of IuteCredit Bulgaria Ltd (the "Company") provides commentary and analysis of the annual financial statements and other material information regarding the Company's financial condition and results of operations for 2023. It has been prepared in accordance with the requirements of Article 39 of the Accounting Law and the requirements of the Commercial Law.

1. General information about the Company

IuteCredit Bulgaria Ltd ("the Company") is a single-member limited liability company registered with the Registry Agency with UIC 205559807, and its registered office and registered address is in the city of Sofia. Sofia, Oborishte district, ul. "Cherkovna" 38, et. 1, office 4.

IuteCredit Bulgaria Ltd. is a financial institution within the meaning of the Credit Institutions Act (CIA), Art. 1 and 2, with its main activity being the granting of loans with funds not raised by public solicitation of deposits or other repayable funds, as well as the provision of other financial services permitted under Article 3 of the Credit Institutions Act.

The company provides loans to individuals up to BGN 10 thousand for a maximum period of 48 months. The company's clients are local individuals with good credit history.

The Company has a one-tier management system.

As at 31 December 2022 the Company's share capital is BGN 8 200 thousand distributed in 8 200 shares with a nominal value of BGN 1 000.

As at 31 December 2023 the Company's share capital is BGN 15 200 thousand distributed in 15 200 shares with a nominal value of BGN 1 000. The purpose of the capital increase by BGN 7,000 thousand in 2023 is to secure the development of the business.

The sole owner of the capital is Jute Group AC, Identification 11551447, a foreign legal entity, Estonia.

By 31 December 2023. The Company is managed by Irina Kraycheva.

On January 19, 2024, a change in the governing bodies was registered in the Commercial Register, adding Rosen Antov as manager.

The Managers represent the Company jointly and severally

IuteCredit Bulgaria Ltd. offers customers the opportunity to apply for and receive credit through a web environment, mobile application and distribution network.

The company has four offices in Sofia, Plovdiv, Varna and Stara Zagora.

As at 31 December 2023, the Company's roster of employees under employment relationships is 40 employees (31 December 2022 - 38 employees).

2. Financial results

By the end of 2023, the granted loans amount to BGN 21 170 thousand, while by the end of 2022 their amount is BGN 12 322 thousand, which represents an annual growth of 72%.

A key factor in this increase was the significantly higher level of new lending during the year as a result of attracting new customers and retaining existing ones.

The Company finances its operations through funding provided by its parent company.

The Company has obtained a loan from JuteGroup AC, Estonia (parent company) under a loan agreement dated 24 November 2021, maturing on 1 October 2026. The interest rate under the loan agreement is fixed at 10%.

As at 31 December 2023 the loan liability amounts to BGN 15 008 thousand and as at 31 December 2022 10 111 thousand BGN.

The Company's income consists primarily of interest and fees. In 2023 they amount to BGN 10,110 thousand, compared to BGN 3,187 thousand at the end of 2022.

Interest and fee income on loans granted at the end of 2023 in turn includes:

- Interest income on loans - BGN 3 484 thousand;
- Income from additional fees and conditions under loan agreements - BGN 5 434 thousand;
- Income from interest for late payment, fees and additional services for collection of loans - BGN 1 192 thousand.

Other income represents less than 1% of total income. Their amount amounts to BGN 145 thousand and includes:

- Service charges not related to lending - BGN 18 thousand;
- Proceeds from sale of receivables under assignment - 126 thousand BGN;
- Other income - BGN 1 thousand

The administrative expenditure for 2023 amounts to BGN 8 595 thousand, compared to BGN 5 622 thousand in 2022.

an increase of BGN 2 973 thousand or 53% was observed.

Of these, the administrative costs with the most significant share are:

- Salaries and social security expenses (BGN 2 005 thousand), (BGN 1 289 thousand for 2022);
- Guarantee fee (BGN 2 011 thousand), (BGN 931 thousand for 2022);
- Management fee (BGN 1 630 thousand), (BGN 1 812 thousand for 2022);
- Marketing and sales expenses (BGN 1 471 thousand), (BGN 910 thousand for 2022);

Interest expense for the period is BGN 1,205 thousand, compared to BGN 472 thousand for 2022, or an increase of

BGN 733 thousand Of these:

- Interest expense on loan from UteGroup AC - BGN 1 140 thousand, (BGN 459 thousand for 2022);
- Interest expense under IFRS 16 - BGN 65 thousand (BGN 13 thousand for 2022)

In 2023, the impairment charges on the loans granted amount to BGN 5,316 thousand compared to BGN 3,406 thousand in 2022.

In 2023. The Company realised a net loss of BGN 4,380 thousand (BGN 5,649 thousand at the end of 2022), the main factor being the significant impairment charges on financial assets (BGN 5,316 thousand) as a result of the significant increase in new loans granted during the year.

3. Related persons

Related parties of the Company include the sole shareholder in the form of Ute Group AC, other group companies and key management personnel.

The entity discloses the following related parties:

Owner of the capital:

Jute Group AC, Identification 11551447, foreign legal entity, Country: Estonia.

Enterprises under common control:

- O.C.N. "IUTE CREDIT" S.R.L. ("ICM"), Moldova;
- IuteCredit Albania SH.A ("ICA"), Albania;
- IutePay SH.P.K ("IutePay Albania"), Albania;
- IuteCredit Macedonia DOOEL ("ICMK"), North Macedonia;
- IuteCredit Kosovo JSC ("ICKO"), Kosovo;
- ЮтеПей България ЕООД, Bulgaria;
- MKD IuteCredit BH d.o.o. Sarajevo ("ICBH"), Bosnia and Herzegovina;
- B.C. Energbank S.A, Estonia;
- IUTE SAFE AD, North Macedonia.

Other enterprises that are related parties:

- OÜ Alarmo Kapital, Estonia;
- OÜ Kavass, Estonia;
- IuteCredit Finance S.à r.l, Luxembourg;
- Super Mart OÜ, Estonia;
- Super Mart Albania SH.P.K, Albania;

- Super Mart Bulgaria EOOD, Bulgaria;
- Super Mart DOOEL Skopje, North Macedonia;
- Arco Vara AS, Estonia;
- Aia Tänav OÜ, Estonia.

Key management personnel of the parent company as at 31 December 2023:

Tarmo Sild - CEO

Alar Ninepu - Chairman of the Supervisory Board Christy

Sild - Member of the Supervisory Board

Janus Otsa - Member of the Supervisory Board

Key management personnel of the Company as at 31 December 2023:

- Irina Kharalampieva Kraycheva

On January 19, 2024, a change in the governing bodies was registered in the Commercial Register, adding Rosen Georgiev Antov as manager.

Information regarding the Manager's participation as an unlimited partner, participation in the management and ownership of 25 percent or more of the capital of other companies:

Irina Kraicheva is the owner of 50% of the company shares in "Publishing House Octopus" Ltd. UIC 130133331.

In 2023, UteCredit Bulgaria EOOD is conducting transactions with UteGroup AC and UtePay EOOD.

The settlements between UteCredit Bulgaria EOOD and UteGroup AC are as follows:

	<u>31.12.2023 г.</u>	<u>31.12.2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Loan received	15 008	10 111

The transactions between UteCredit Bulgaria EOOD and UteGroup AC are as follows:

	<u>2023 г.</u>	<u>2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Interest expenses	(1 140)	(459)
Management fee and guarantee fee costs	(3 357)	(2 464)
	(4 497)	(2 923)

The transactions between UteCredit Bulgaria EOOD and UtePay EOOD are as follows:

	2023 r.	2022 r.
	<i>BGN thousand</i>	<i>BGN thousand</i>
Expenditure on external services	(27)	-

Terms of related party transactions

Loans and related party transactions are at contractual rates that are not different from market rates.

Other than loans received from related parties, the Company does not account for other liabilities arising from financing activities to be disclosed in accordance with paragraphs 44A-44E of IAS 7.

Cash flows from financing activities

Liabilities arising from financing activities	On 1 January	Cash received resources	Cash paid resources	Accrued interest	At 31 December
	<u>y</u>				
Loans received	10 111	7 668	(3 911)	1 140	15 008

4. Other information and corporate social responsibility

IuteCredit Ltd. continues to develop and improve the products offered, working to expand the network of partners with which it cooperates. New features are being added to the mobile app and website to make it easier for customers. At the same time, various models are being developed and implemented to assess the creditworthiness and solvency of potential and existing customers, leading to improved collection rates and loan portfolio quality.

The company is actively working to establish itself as one of the leading brands on the Bulgarian financial non-banking market. IuteCredit Ltd. is strongly committed to responsible lending, providing clear and transparent terms and conditions and complying with ethical standards.

Proof of the success of these efforts are the prestigious awards and accolades received, which confirm the Company's commitment to maintaining high standards in team management and innovation.

In 2023, IuteCredit Ltd won three awards at Career Show 2023 - Best Employer in the Startup category, Feedback Strategy and Eco Employer.

For the second consecutive year the company was included in the top 100 best employers in Bulgaria.

The company actively participates in several important forums for e-commerce, digital services

and risk management.

In 2023, IuteCredit Ltd. also participated in the prestigious "Manager of the Year" competition, where it was one of the finalists in the "Best New Business" category.

5. Research and development activities

The Company did not carry out any research and development activities during the reporting period.

6. The company has no registered branches.

7. Events after the financial statement date

On January 19, 2024, a change in the governing bodies was registered in the Commercial Register, adding Rosen Georgiev Antov as manager.

By a resolution of the sole owner dated 14 June 2024, a decision was taken to increase the capital by BGN 2,000 thousand to BGN 17,200 thousand. After the increase, the capital was divided into 17 200 shares of BGN 1 000 each.

Date: 25 September 2024

Governor:

/ Irina Kraycheva /

**REPORT OF THE INDEPENDENT
AUDITOR TO THE SHAREHOLDERS OF
"IUTECREDIT BULGARIA" LTD**

Opinion

We have audited the financial statements of **IUTECREDIT BULGARIA Ltd** (the "Company"), which comprise the statement of financial position as at 31 December 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements that contain significant accounting policy and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for expressing opinions

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the section of our report entitled "Auditor's Responsibilities for the Audit of the Financial Statements". We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (the ISAE Code), together with the ethical requirements of the Independent Financial Auditing Act (IAA) applicable to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IAAE and the ISAE Code. We consider that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty associated with the going concern assumption

Attention is drawn to Note 4: Going Concern of the Financial Statements, which indicates that the Company reported a net loss of BGN 4,380k in the year ending 31 December 2023, with current liabilities exceeding current assets by BGN 428k at that date. Accumulated losses as at 31 December 2023 amount to BGN 7 571k. Cash flows from operating activities are negative in the amount of BGN 8 341k. As at 31 December 2023, the subscribed capital of ЮтеКредит България ЕООД. amounts to BGN 15,200k and exceeds the net assets of the Company as at that date by BGN 11,951k. The Company is in a state of over-indebtedness within the meaning of Article 742 of the Commercial Law.

As set out in Annex 4. "Going concern" these events indicate that there is a material uncertainty that could cast significant doubt about the Company's ability to continue as a going concern. Management is received a formal guarantee from the owners of the capital to provide the necessary support for the company to be able to meet its obligations. Our opinion is unmodified with respect to this issue.

Other issues

The comparative accounting period of the Company for the year ending December 31, 2022 is unaudited.

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Information other than the financial statements and the auditor's report thereon

Management is responsible for other information. The other information consists of a management report prepared in accordance with Chapter Seven of the Accounting Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not extend to the other information and we do not express any form of assurance conclusion on it, except as expressly stated in our report and to the extent stated.

In connection with our audit of the financial statements, our responsibility is to read the other information and thereby assess whether that other information is materially inconsistent with the financial statements or with our knowledge acquired during the audit or otherwise appears to contain material misstatement.

In the event that, based on the work we have performed, we conclude that there is material misreporting in this other information, we are required to report that fact.

We have nothing to report in this respect.

Additional issues for reporting under the Accounting Act

In addition to our responsibilities and reporting under the ISA, with respect to the MD&A, we have implemented procedures in addition to those required under the ISA pursuant to "Guidance on New and Extended Auditor's Reports and Auditor's Communication" by the professional body of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA)". These procedures involve verifying the existence, as well as the form and content, of such other information to assist us in forming an opinion as to whether the other information includes the disclosures and reports required by Chapter Seven of the Accounting Act applicable in Bulgaria.

Opinion in relation to Article 37, paragraph 6 of the Accounting Act

Based on the procedures performed, it is our opinion that:

- (a) The information included in the management report for the financial year for which the financial statements are prepared shall be consistent with the financial statements.
- (b) The activity report has been prepared in accordance with the requirements of Chapter Seven of the Accounting Act.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit performed in accordance with ISAs will always detect a material misstatement when one exists. Misstatements may arise from fraud or error and are considered material if they could reasonably be expected, individually or in the aggregate, to influence the economic decisions of users made on the basis of those financial statements.

As part of an audit in accordance with the ISA, we use professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures to address 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 that is the result of fraud is higher than the risk of a material misstatement that is the result of an error because fraud can include collusion, forgery, deliberate omissions, statements intended to mislead the auditor, and disregard or circumvention of 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 Company's internal control.
- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- we conclude on the appropriateness of management's use of the going concern basis of accounting and, based

of the audit evidence obtained about whether a material uncertainty exists related to events or conditions that may cast significant doubt about the Company'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 financial statements or, if those disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to operate as a going concern.

- assess the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves fair presentation.

We communicate to management, among other matters, the planned scope and timing of the audit and the significant audit findings, including material weaknesses in internal control, that we identify during our audit.

Auditing firm

"EICH EL BI BULGARIA" LTD

Registration number 017 Stoycho

Milev

Manager

Dimitrina Stoyanova

Registered auditor responsible for the audit

Registration number 0880

25 September 2024

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Statement of financial position for the year ended 31 December*In BGN thousands*

	Applications	31 December 2023 r.	31 December 2022 r.
Assets			
Cash and cash equivalents	12	551	1 550
Loans granted to customers	13	17 619	9 126
Property, plant and equipment	14	13	40
Assets with right of use	15	425	544
Deferred tax assets	16	1 287	803
Other current assets	17	110	68
Total assets		20 005	12 131
Equity			
Share capital	18	15 200	8 200
Uncovered loss from previous years		(7 571)	(1 922)
Loss for the financial year		(4 380)	(5 649)
Total equity		3 249	629
Liabilities			
Trade payables	20	440	484
Lease liabilities	21	473	560
Current tax liabilities		22	18
Other current liabilities	22	813	329
Long-term loans received	19	15 008	10 111
Total liabilities		16 756	11 502
Total equity and liabilities		20 005	12 131

The Annual Financial Statements were approved on 25.09.2024 by the Manager of the Company. The explanatory notes on pages 5 to 37 form an integral part of the annual financial statements.

Irina Kraycheva
Manager

Lilia Stefanova
Finance Director

Auditing firm
HBC Bulgaria Ltd. Reg. No
017
Stoycho Milev
Manager

Dimitrina Stoyanova
Registered auditor responsible for the audit
Reg. No. 0880

Statement of profit or loss and other comprehensive income for the year ended 31 December

<i>In BGN thousands</i>	Applications	2023 г.	2022 г.
Interest and fee income	6	10 110	3 187
Other operating income	7	145	80
Impairment losses on loans		(5 316)	(3 406)
Total administrative and operating expenditure	8	(8 595)	(5 622)
Interest expenses	9	(1 205)	(472)
Financial costs	10	(4)	(5)
Operating loss before tax		(4 865)	(6 238)
Tax expenses	11	485	589
Loss for the year		(4 380)	(5 649)
Other comprehensive income			
Total comprehensive income for the year		(4 380)	(5 649)

The Annual Financial Statements were approved on 25.09.2024 by the Manager of the Company. The explanatory notes on pages 5 to 37 form an integral part of the annual financial statements.

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Registered auditor responsible for
the audit
Reg. No. 0880

Stoycho Milev
Manager

IuteCredit Bulgaria Ltd.
Annual financial report for the year ending 31 December 2023.
Statement of changes in equity for the year ending 31 December 2023.

<i>In BGN thousands</i>	Fixed capital	Uncovered loss	Current loss	Total equity
Balance on 1 January 2022	<u>4 0 0 0</u>	<u>-</u>	<u>(1 922)</u>	<u>2 078</u>
Capital increase	4 200	-	-	4 200
Loss for the year	-	-	(5 649)	(5 649)
Total comprehensive income for the year	-	-	(5 649)	(5 649)
Transferred to uncovered loss	-	(1 922)	1 922	-
Balance at 31 December 2022	<u>8 2 0 0</u>	<u>(1 922)</u>	<u>(5 649)</u>	<u>629</u>
Capital increase	7 000	-	-	7 000
Loss for the year	-	-	(4 380)	(4 380)
Total comprehensive income for the year	-	-	(4 380)	(4380)
Transferred to uncovered loss	-	(5 649)	5 649	-
Balance at 31 December 2023	<u>15 2 0 0</u>	<u>(7 571)</u>	<u>(4 380)</u>	<u>3 249</u>

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Stoycho Milev
Manager

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Registered auditor responsible for the audit
Reg. No. 0880

Statement of cash flows for the year ending 31 December 2023.

<i>In BGN thousands</i>	2023 г.	2022 г.
Cash flow from operating activities		
Payments to staff	(1 250)	(1 138)
Payments to suppliers	(6 284)	(3 575)
Other receipts (payments), net	(807)	(396)
Cash flow from operating activities, net	(8 341)	(5 109)
Changes in operating assets and liabilities		
Proceeds of loans granted	25 623	10 476
Payments on loans granted	(29 028)	(17 769)
Net cash flow from operating activities	(3 405)	(7 293)
Cash flow from investing activities		
Purchase of property, plant and equipment	(10)	(39)
Net cash flow from investing activities	(10)	(39)
Cash flow from financing activities		
Proceeds from the owner for capital increase	7 000	4 200
Proceeds related to borrowings	7 668	10 760
Payments related to borrowings	(3 911)	(1 956)
Net cash flow from financing activities	10 757	13 004
Net increase (decrease) in cash and cash equivalents	(999)	563
Cash and cash equivalents at the beginning of the year	1 550	987
Cash and cash equivalents at year-end	551	1 550

The Annual Financial Statements were approved on 25.09.2024 by the Manager of the Company. The explanatory notes on pages 5 to 37 form an integral part of the annual financial statements.

Irina Kraycheva
Manager

Lilia Stefanova
Finance Director

Auditing firm
HBC Bulgaria Ltd. Reg. No
017
Stoycho Milev
Manager

Dimitrina Stoyanova
Registered auditor responsible for the audit
Reg. No. 0880

Notes to the annual financial statements

1. General information and subject of activity

IuteCredit Bulgaria Ltd (the "Company") is a single-member limited liability company registered with the Registry Agency with UIC 205559807, with its registered office and registered address in the city of Sofia, Sofia, Oborishte district, ul. "Cherkovna" 38, et. 1, office 4.

The Company's business activities include: financial leasing; guarantee transactions; acquisition of receivables under loans and other forms of financing (factoring, forfeiting, etc.); acquisition of participations in a credit institution or other financial institution; lending with funds not raised through public solicitation of deposits or other repayable funds; provision of other financial services permitted under Article 3 of the Credit Institutions Act, provided that, if a permit is required under applicable law, the

IuteCredit Bulgaria Ltd is a financial institution within the meaning of the Credit Institutions Act (CIA), Art. 1 and 2, with its main activity being the granting of loans with funds not raised by public solicitation of deposits or other repayable funds, as well as the provision of other financial services permitted under Article 3 of the Credit Institutions Act.

As at 31 December 2022, the Company's share capital is BGN 8,200 thousand divided into 8,200 shares with a nominal value of BGN 1,000.

As at 31 December 2023 the Company's share capital is BGN 15 200 thousand distributed in 15 200 shares with a nominal value of BGN 1 000.

The owner of the capital is Jute Group AC, identification 11551447, foreign legal entity, Estonia.

By 31 December 2023. The Company is managed by Irina Kraycheva.

On January 19, 2024, a change in the governing bodies was registered in the Commercial Register, adding Rossen Antov as manager.

The Managers represent the Company jointly and severally.

As at 31 December 2023, the Company's roster of employees under employment relationships is 40 employees (31 December 2022 - 38 employees).

2. Basis of preparation of the financial statements

The Company maintains its accounting records in Bulgarian lev (BGN), which it adopts as its presentation currency. Data in the financial statements and notes thereto are presented in thousands of BGN.

The Company's annual financial statements have been prepared in accordance with all International Financial Reporting Standards (IFRS), which consist of: the Financial Reporting Standards and the IFRS Interpretations Committee (IFRIC) interpretations approved by the IASB.

International Accounting Standards (IAS), and International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) approved by the International Accounting Standards Committee (IASC), which are effective 1 January 2023 and which have been adopted by the Commission of the European Union.

IFRS, as adopted by the EU, is the common name for the general-purpose accounting framework equivalent to the framework introduced by the definition under § 1, item 8 of the Additional Provisions of the Accounting Act under the name "International Accounting Standards" (IAS).

3. Changes in accounting policy

3.1. New standards, amendments and interpretations effective for the financial year beginning 1 January 2023.

The Company has applied the following new standards, amendments and interpretations to IFRSs developed and issued by the International Accounting Standards Board, which are mandatory for application from the annual period beginning 1 January 2023, but do not have a material effect on the Company's financial performance and financial position:

- **Amendments to MCC 1 Presentation of Financial Statements and IFRS Statements on Annex 2: Disclosure of Accounting Policies effective from 1 January 2023 as adopted by the EU**

The Company discloses material information related to accounting policies instead of the main accounting policies. The amendments clarify that accounting policy information is material if users of an entity's financial statements need it to understand other material information in the financial statements and, if an entity discloses immaterial accounting policy information, that information shall not override the material accounting policy information. To support this amendment, the IASB also amended Practice Statement No 2 Making Judgements about Materiality in IFRSs to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- **Amendments to MCC 8 'Accounting Policies, Changes in Accounting Estimates and Errors', effective 1 January 2023, as adopted by the EU**

The amendments introduce the definition of accounting estimates and include other amendments to MCC 8 that help companies distinguish changes in accounting estimates from changes in accounting policies. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally **a p p l i e d** retrospectively to past transactions and other past events as well as to the current period. The amendments will help companies improve the quality of accounting policy disclosures so that the information is more useful to investors and other major users of financial statements.

- **Amendments to MCC 12 "Income Taxes": Deferred Taxes Relating to Assets and Liabilities Arising from Single Transactions effective from 1 January 2023, adopted by the EU**

An entity shall apply the amendments to the standard to transactions that occur on or after the beginning of the most recent comparative period presented. Also, the Company shall recognise deferred taxes at the beginning of the most recent comparative period presented for all temporary differences related to leases and decommissioning obligations and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, if applicable) at that date.

- **Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar 2 Model Rules, effective from 1 January 2023, adopted by the EU**

The amendments to IAS 12 are:

- Exception to the requirement in IAS 12 for an entity not to recognise and disclose information about deferred income tax assets and liabilities related to OECD Pillar 2 income taxes. An entity shall disclose that it has applied the exception.
- A disclosure requirement that requires an entity to separately disclose its current tax expense (income) related to Pillar 2 income taxes.
- A disclosure requirement that states that, in periods in which Pillar 2 legislation has been enacted or substantively enacted but not yet enacted, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar 2 income taxes arising from that legislation.
- The requirement for an entity to apply the exemption and the requirement to disclose that it has applied the exemption immediately after the amendments are issued and retrospectively in accordance with IAS 8.

- **IFRS 17 Insurance Contracts effective from 1 January 2023, as adopted by the EU**

IFRS 17 replaces IFRS 4 Insurance Contracts. It requires the application of an ongoing measurement model under which judgements are reviewed at each reporting period. Contracts are measured using:

- discounted cash flows with weighted probabilities;
- explicit risk adjustment, and
- a contractual services surcharge representing the unrealised gain on the contract, which is recognised as income in the period of coverage.

The standard permits a choice in recognising changes in the discount rate in either profit or loss or other comprehensive income. The new rules will affect the financial statements and key performance indicators of all companies that issue insurance contracts.

- **Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information effective 1 January 2023 as adopted by the EU**

The amendments relate to the disclosure of comparative information about financial assets presented on initial application of IFRS 17. The amendments are intended to help companies avoid temporary accounting mismatches between financial assets and liabilities under insurance contracts and therefore to improve the usefulness of comparative information for users of financial statements.

IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences may result in temporary accounting mismatches between financial assets and liabilities under insurance contracts in the comparative information they present in their financial statements when they first apply IFRS 17 and IFRS 9.

The amendments will help insurers avoid these temporary accounting mismatches and therefore improve the usefulness of comparative information for investors by being able to present comparative information about financial assets.

3.2. Standards and interpretations issued by the IASB that are not yet effective and have not been applied by the Company as of an earlier date

At the date of approval for issue of these annual financial statements, new standards, amendments and interpretations to existing standards have been published but have not been effective or adopted by the EU for the financial year beginning 1 January 2023 and have not been applied by the Company since an earlier date. They are not expected to have a material effect on the Company's financial statements. Management expects all standards and amendments to be adopted in the Company's accounting policies in the first period beginning after the effective date. The changes relate to the following standards:

- **Amendments to MCC 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current, effective no earlier than 1 January 2024, as adopted by the EU**

The amendments to the classification of liabilities as current or non-current affect only the presentation of liabilities in the statement of financial position, but not the amount or timing of recognition of assets, liabilities, income or expenses or the information that companies disclose about those items. The amendments seek to clarify the following:

- the classification of liabilities as current or non-current should be based on rights existing at the end of the reporting period and the wording in all affected paragraphs should be aligned to clarify the 'right' to defer settlement of the liability by at least twelve months. It is explicitly stated that only the rights available 'at the end of the reporting period' should affect the classification of the liability;
- the classification is not affected by the Company's expectation of whether it will exercise its right to defer settlement of the liability; and
- the settlement of liabilities may be effected by the transfer of cash,

equity instruments, other assets or services of the counterparty.

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Financial Arrangements with Suppliers, effective 1 January 2024, not yet adopted by the EU**

The amendments to IAS 7 and IFRS 7 will add disclosure requirements as well as 'guidance' within existing disclosure requirements that require entities to provide qualitative and quantitative information about vendor financing arrangements. These amendments add two disclosure objectives that will require entities to disclose in the notes information that enables users of financial statements to assess how vendor financing arrangements affect the entity's liabilities and cash flows and to understand the effect of vendor financing arrangements on the entity's exposure to liquidity risk and how the entity may be affected if the arrangements are no longer available to it.

- **Amendments to IFRS 14 Deferred price accounts effective 1 January 2016, not adopted by the EU**

IFRS 14 'Deferred accounts at regulated prices' allows first-time adopters to continue to recognise amounts related to regulated prices in accordance with the requirements of their previous basis of accounting. In order to improve comparability with the accounts of entities that already apply IFRSs and do not recognise such amounts, the standard requires the effect of administered prices to be presented separately.

- **Amendments to IFRS 16 Leases: Lease Liability on Sale and Leaseback effective no earlier than 1 January 2024 as adopted by the EU**

The amendments to IFRS 16 require a vendor-lessee entity to subsequently measure lease liabilities arising from a leaseback in a manner that does not recognise any amount of profit or loss that relates to the right of use that it retains. The new requirements do not preclude the seller-lessee from recognising in profit or loss a gain or loss relating to the partial or complete termination of the lease. The amendments to IFRS 16 do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

- **Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates', effective 1 January 2025, not adopted by the EU**

The amendments to IAS 21 on non-exchangeability will specify when a currency can be exchanged for another currency and when it cannot - a currency can be exchanged when an entity is able to exchange that currency for another currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency cannot be exchanged for another currency if the entity can obtain only an insignificant amount of the other currency.

Determining how the entity determines the exchange rate to be applied when the currency is not exchangeable - when the currency is not exchangeable at the measurement date, the entity estimates the spot exchange rate as the rate that would apply in an orderly transaction between market participants at the measurement date and that would faithfully reflect the prevailing

economic conditions.

Requirement to disclose additional information when the currency is not exchangeable

- when a currency is not exchangeable, an entity shall disclose information that would enable users of its financial statements to assess how the lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. The amendments also include a new appendix with guidance on the application of fungibility and a new illustrative example.

- **Amendments to IFRS 10 and IAS 28 - Sale or disposal of assets between an investor and its associate or joint venture**

The amendments clarify the accounting treatment of sales or in-kind assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets represent a business, the investor will recognise the full gain or loss on the sale or contribution of the assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interest in the associate or joint venture. The changes are applied prospectively.

* In December 2015. The IASB decided to postpone the implementation date of this amendment until the IASB finalises its research project on the equity method.

4. Operating enterprise

The going concern basis is a fundamental principle in the preparation of financial statements. Under this principle, an entity is generally regarded as continuing as a going concern for the foreseeable future without any intention or need to liquidate, cease trading or seek protection from creditors as a result of existing laws or regulations. Accordingly, assets and liabilities are accounted for on the basis of the entity's ability to realise its assets and settle its liabilities in the normal course of business. In assessing whether the going concern basis is appropriate, management considers all available information for the foreseeable future, which includes at least, but is not limited to, the twelve months from the end of the reporting period.

At the date of these financial statements, management has made an assessment of the Company's ability to continue as a going concern based on the information available for the foreseeable future. Following a review of the Company's operations, management expects that the Company has sufficient financial resources to continue in operational existence for the foreseeable future and continues to apply the going concern basis in preparing the financial statements. Management has assessed the applicability of the going concern basis as a fundamental principle in the preparation of the financial statements.

The Company reported a net loss of BGN 4,380 thousand in the year ended 31 December 2023, with current liabilities exceeding current assets by BGN 428 thousand at that date. Accumulated losses as at 31 December 2023 amount to BGN 7 571 thousand. Cash flows from operating activities are negative in the amount of BGN 8 341 thousand. As at 31 December 2023, the subscribed capital of IuteCredit Bulgaria Ltd. amounts to BGN 15 200 thousand and exceeds the net assets of the Company as at that date by BGN 11 951 thousand. The Company is in a state of over-indebtedness within the meaning of Article 742 of the Commercial Law.

Management has received a formal guarantee from the owners of the capital to provide the necessary support for the company to be able to meet its obligations. It is Management's expectation that the Company will stabilise its financial position in the next reporting period. Management has no intention of reducing or discontinuing the Company's operations.

5. Significant accounting policy information

5.1. General provisions

The most significant accounting policies applied in the preparation of the financial statements are set out below.

The financial statements have been prepared in accordance with the measurement principles for all types of assets, liabilities, income and expenses under IFRS. The measurement bases are disclosed in more detail later in the accounting policies of the financial statements.

5.2. Comparative data

The Company has elected to present comparative information in its financial statements for one prior period.

Where, for the purpose of a more faithful presentation of the reportable items and transactions, it is necessary to make changes in their classification and presentation as separate components of the annual financial statements, comparative figures for the prior period are reclassified to achieve comparability with the current reporting period. In the event of a change in accounting policy, correction of a prior period error or change in presentation of financial information, the adjustment is reflected retrospectively and the Company provides a supplemental statement of financial position as of the beginning of the comparative period.

5.3. Reporting currency

The functional currency of the Company and the reporting currency for the presentation of the Company's financial statements is the Bulgarian lev. Since 1 January 1999, the Bulgarian lev has been pegged to the euro at an exchange rate of BGN 1.95583 = EUR 1. On initial recognition, a transaction in a foreign currency is recorded in the functional currency and the exchange rate at the time of the transaction or transaction is applied to the foreign currency amount. Cash and cash equivalents, loans and receivables, investments in securities, loans and other payables as monetary reporting units denominated in a foreign currency are recorded in the functional currency using the exchange rate published daily by the BNB.

The most significant exchange rates for the Company's operations as of December 31, 2023 are as follows:

	31 December 2023 BGN	31 December 2022 BGN
1 EUR is equal to	1.95583	1.95583

Non-monetary statement of financial position items initially denominated in a foreign currency are reported in the functional currency using the historical exchange rate at the date of the transaction and are not subsequently remeasured at the closing rate.

5.4. Approximate accounting estimates

The presentation of financial statements in conformity with International Financial Reporting Standards requires management to make best estimates, accruals and reasonable assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities at the reporting date. These estimates, accruals and assumptions are based on information that is available at the date of the financial statements, therefore future actual results could differ from them. Items that involve a higher degree of subjective judgement or complexity, or where assumptions and accounting estimates are significant to the financial statements, are disclosed in Note 5.16.

5.5. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Initial acquisition

The acquisition cost includes the purchase price, non-refundable taxes and fees payable on purchase and all other direct costs necessary to bring the asset to working condition. The direct costs are: site preparation costs, initial delivery and handling costs, installation costs, fees of persons associated with the project, etc. The value threshold adopted by the Company for the recognition of an asset in the property, plant and equipment group is BGN 700, below which the acquired assets, despite having the characteristics of fixed assets, are accounted for as a current expense.

Subsequent evaluation

Subsequent to initial recognition, non-current assets are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs

Subsequent expenditure arising from the replacement of a component of property, plant and equipment that is accounted for separately is capitalised after the related stand-alone component is derecognised. Other costs incurred subsequently are capitalised only if they result in an increase in the economic benefit from the use of the asset over that originally allocated to the asset. All other subsequent costs associated with maintaining the asset in serviceable condition are recognised as current in profit or loss and other comprehensive income.

Depreciation

Depreciation is provided on a straight-line basis over the estimated useful lives of depreciable fixed assets. The amortisation period for assets acquired under a lease is the shorter period between the term of the contract and the useful life of the assets, except where it is virtually certain that ownership will be acquired by the expiry of the lease.

The expected useful lives are as follows:

Economic inventory	15%	(6.7 years)
Computer equipment and software	50%	(2 years)

At the end of each financial year, the residual values, useful lives and depreciation methods applied to the assets are reviewed and adjusted if significant variances from the expected future useful lives are identified. The adjustment is treated as a change in accounting estimates and is effective prospectively from the date of the change.

Write-off of fixed assets

An item of property, plant or equipment is derecognised when it is sold or when no future economic benefits are expected from its use. Gains or losses arising on derecognition of the asset (being the difference between the net disposal proceeds, if any, and the carrying amount of the asset) are included in profit or loss and other comprehensive income when the asset is derecognised.

5.6. Leasing*The Company as lessee*Assessment for lease recognition

The Company considers whether a contract is or contains a lease. A lease is defined as 'a contract or part of a contract that grants the right to use an asset (the underlying asset) for a specified period of time in exchange for consideration'. To apply this definition, the Company makes three key judgements:

- whether the contract contains an identified asset that is either expressly stated in the contract or stated by default at the time the asset is made available for use;
- The Company shall be entitled to receive substantially all the economic benefits from the use of the asset during the entire period of use, within the scope of its right to use the asset under the contract;
- The Company has the right to direct the use of the identified asset throughout the period of use.

Initial recognition and evaluation

At the inception date of the lease, the Company recognises the right-of-use asset and the lease liability in the statement of financial position. The right-of-use asset is measured at cost, which consists of the amount of the initial measurement of the lease liability, the initial direct costs incurred by the Company, an estimate of the costs the lessee will incur to dismantle and relocate the underlying asset at the end of the

the lease and any lease payments made prior to the commencement date of the lease less any lease incentives received.

The Company depreciates the right-of-use asset on a straight-line basis from the commencement date over the term of the lease. The Company also reviews right-of-use assets for impairment when such indicators exist.

At the inception date of the lease, the Company measures the lease liability at the present value of the lease payments outstanding at that date discounted at the Company's differential interest rate.

When a lease liability is revalued, a corresponding adjustment is reflected in the right-of-use asset or recognised in profit or loss if the carrying amount of the right-of-use asset has already been reduced to zero.

The Company has elected to account for short-term leases (up to 12 months) and leases of low-value assets (up to EUR 5 thousand) using the practical expedients provided in the standard. Rather than recognising right-of-use assets and lease liabilities, payments in respect of those leases are recognised as an expense in profit or loss on a straight-line basis over the term of the lease.

The Company as lessor

As a lessor, the Company classifies its leases as operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset and is classified as an operating lease if it does not.

5.7. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets

Recognition

The Company recognises a financial asset when it becomes a party to the contractual terms of that instrument.

Classification

On initial recognition, financial assets are classified into three groups according to their subsequent measurement: at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual cash flow characteristics of the financial asset and the entity's business model for managing it. A company's business model for managing financial assets reflects the way in which the company manages its financial assets for

cash flow generation. The business model determines whether the cash flows result from the collection of contractual cash flows only, the sale of financial assets, or both.

To be classified and measured at amortised cost, the terms of a financial asset must give rise to cash flows that represent only payments of principal and interest on the outstanding principal amount, and the financial asset is held within a business model whose objective is to collect the contractual cash flows.

An asset is measured at fair value through other comprehensive income if the asset is held within a business model for the purpose of collecting both contractual cash flows and selling financial assets and generates cash flows that represent only principal and interest payments.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or fair value through other comprehensive income.

Evaluation

On initial recognition, the Company measures a financial asset at its fair value. In the case of financial assets not carried at fair value through profit or loss, the direct transaction costs associated with the acquisition of the asset are added. The exception is trade receivables that do not contain a significant financing component - they are measured based on the transaction price determined in accordance with IFRS 15.

After initial recognition, financial assets are carried at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

For the purpose of subsequent measurement of financial assets, the Company has classified its financial assets in the Financial assets at amortised cost category.

Financial assets at amortised cost are measured using the effective interest method. They are subject to impairment. The amortised cost of loans granted includes the portion of the principal outstanding, accrued interest receivable and fees participating as part of the financial instrument exposure and the amount of the accumulated allowance for credit impairments.

The Company's financial assets at amortised cost include: cash and cash equivalents, loans and trade and other receivables. A receivable from a customer arises and is recognised in the statement of financial position when the amount is provided to the customer.

Unsubscribe

A financial asset is derecognised when the company has no reasonable expectation of recovering the asset. An asset is derecognised when the rights to receive cash flows from the asset have expired, or the rights to receive cash flows from the asset have been transferred, or the company has committed to pay the cash flows received in full, without material delay, to a third party through an assignment arrangement. The company has transferred substantially all the risks and rewards of ownership of the asset, or the company has neither transferred nor

has retained substantially all the risks and rewards of ownership of the asset but has transferred control of it.

Impairment

The Company recognises an allowance (provision for impairment) for expected credit losses for all debt instruments not carried at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows due under the terms of the contract and any cash flows the Company expects to receive, discounted at the original effective interest rate. Expected cash flows also include cash flows from the sale of collateral held or other credit enhancements that form an integral part of the terms of the contract.

Estimated credit losses are calculated in a manner that reflects an objective amount weighted for probability of loss, the time value of money and information about past events, current conditions and projected economic performance.

The Company applies the general impairment approach set out in IFRS 9 Financial Instruments to calculate the expected credit losses on loans granted. The amount of expected credit losses recognised as an allowance for impairment depends on the credit risk of the instrument at initial recognition and the change in credit risk in subsequent reporting periods.

The analysis of expected impairment takes into account the Company's historical experience, customer credit history and statistical data, and uses a model to estimate the correlation of credit risk dependence on various macroeconomic indicators.

Three levels of credit risk classification are introduced, with specific requirements for each level. Level 1 includes those financial instruments for which there has been no significant change in credit risk since initial recognition and the arrears of contractual payments do not exceed 30 days. Level 2 includes instruments for which credit risk has increased significantly since initial recognition but for which there is not yet objective evidence of loss. Level 3 includes financial instruments for which there is objective evidence of default and/or the arrears of agreed payments exceed 50 days.

At the end of each reporting period, the Company's management makes a judgement as to the level to which a financial asset is allocated. For loans that are not individually significant, estimated impairment losses are calculated collectively on a portfolio basis. Assets are grouped by similar credit risk characteristics and considered together for impairment purposes.

The amount of impairments on loans granted is calculated as the difference between the recoverable amount and the carrying amount of the loans at the end of the reporting period. The impairment is measured as the difference between the carrying amount of the asset and the recoverable amount of the loans, being the present value of expected future cash flows discounted at the original effective interest rate for the loan. The Company calculates impairment amounts based on internally developed principles, rules and techniques.

The amount of the allowance for doubtful accounts is calculated based on an age analysis of the receivables, customer relationship history, the existence of problems in the payment status of the borrowers, the number of terminated contracts and other factors that help to account for the collectability of the receivable.

The carrying amount of loans is reduced by using an allowance account for impairment losses. The amount of the loss is recognised in profit or loss and other comprehensive income. Future cash flows for a group of financial assets that are considered together for impairment are estimated based on contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted based on current available data to reflect the effect of existing conditions that did not affect the period on which the historical loss experience is based and to eliminate the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used to estimate future cash flows are reviewed on a regular basis to reduce differences between estimates and currently realised losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through a reduction in the impairment loss allowance account.

Financial liabilities

The Company's financial liabilities include trade and other payables, borrowings and other borrowed funds. On initial recognition, they are classified as liabilities at amortised cost.

All liabilities are initially recognised at fair value and, in the case of loans and borrowings and trade and other payables, net of directly attributable transaction costs.

Financial liabilities are measured at amortised cost, except for liabilities at fair value through profit or loss, financial guarantee contracts and others specifically identified in IFRS 9.

Subsequent to initial recognition, the Company measures interest-bearing borrowings at amortised cost using the effective interest rate method. The amortised cost is calculated by taking into account any discount or premium at acquisition and any fees or costs that are an integral part of the effective interest rate. Amortisation is included as a finance cost in the statement of profit or loss and other comprehensive income.

Financial liabilities are derecognised when the liability is extinguished or terminated or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are materially modified, that exchange or modification is treated as a derecognition of the original liability and recognition of a new one. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Netting of financial instruments

Financial assets and financial liabilities are offset (netted) and the statement of financial position reflects the net amount if there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

This requirement arises from the real business nature of the relationship with a counterparty that, when assets and liabilities exist simultaneously, the expected actual future cash flow and benefits of those settlements to the company is the net flow, i.e. the net amount reflects the actual right or obligation of those financial instruments - to receive or pay only the net amount.

The criteria to be applied to establish the existence of a current and legally enforceable right of netting are that it is not contingent on a future event, i.e. that it is not enforceable only upon the occurrence of some future event, that it is enforceable and defensible at law in the ordinary course of business, in the event of default/default and in the event of insolvency or bankruptcy.

5.8. Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash in current accounts with commercial banks.

Cash and cash equivalents for the purpose of the statement of cash flows consist of cash on hand and in bank accounts - demand and/or with an original maturity of three months or less, which funds are free from any restrictions.

5.9. Interest income and interest expense

Interest income and interest expense for all interest-bearing financial instruments are recognised in interest income and interest expense in the Statement of profit or loss and other comprehensive income using the effective interest rate method for all instruments except those designated as at fair value. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the period. The effective interest rate is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Company estimates cash flows taking into account all contractual terms of the financial instrument, but does not take into account future expected credit losses. The calculation includes all contractual cash outflows and inflows that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

5.10. Income from fees and commissions

The funding fee is received by the Company at the inception of the loan agreement and is spread over the term of the agreement. It is recognised based on the effective interest rate method on the same basis as interest income.

Additionally, the Company earns revenue from fees associated with post origination loan management services. These include fees for sending reminder letters, text messages, fees for postponement of instalment due dates, etc. These fees are recognised as income on an ongoing basis when the related service is rendered and payment is made.

5.11. Other income

Net positive results are recognized in other income, as well as gross income that is earned from activities other than the Company's ordinary activities and/or is incidental. Other income includes operating lease income, in accordance with the accounting policy and IFRS 16 Leases, as well as income from sales of receivables and fixed assets. Write-offs and bad debts are presented in other income.

5.12. Administrative and financial costs

Expenses are recognised as incurred based on the principles of accrual and matching of income and expenses. Expenses are recognised in the current period when the corresponding revenue is accrued.

An expense is recognised immediately in profit or loss and other comprehensive income when the expense does not generate future economic benefits or when, and to the extent that, the future economic benefits do not qualify or no longer qualify for recognition as an asset in the statement of financial position.

Foreign exchange losses are recorded as finance costs. Exchange differences on foreign currency transactions are recognised net in the statement of profit or loss and other comprehensive income.

5.13. Staff income

Employee benefits include all forms of remuneration in respect of work performed by employees and the relevant social security contributions required by legislation. As required by IAS 19, accrued short-term staff benefits originating from untaken staff leave and accrued at current insurance rates, contributions on these benefits and other long-term benefits are also included.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and expensed when the related services are received. A liability is recognised for the amount expected to be paid under short-term bonuses if the Company has a legal or constructive obligation to pay that amount as a result of past services rendered by employees and the obligation can be measured reliably.

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The Company accounts for short-term compensated absences liabilities arising from unused paid annual leave where the leave is expected to be taken within 12 months after the date of the reporting period during which the employees render the service related to the leave.

Long-term employee benefits*Defined contribution plans*

The main obligation of the company as an employer in Bulgaria is to carry out compulsory insurance for its employees.

The amounts of the social security contributions shall be established by the Law on the Budget of the Social Security Institution for the respective year. Contributions shall be divided between the employer and the insured person in a ratio which shall be changed annually and shall be determined by the Social Security Code. The total contribution rate for compulsory state social insurance and health insurance for 2023 is 32.7% for employees in the third category of employment.

These statutory pension plans, operated by the Company as an employer, are defined contribution plans.

Contributions payable by a company to defined contribution plans for social security and health insurance are recognised as a current expense in the statement of comprehensive income (in profit or loss) unless an IFRS requires that amount to be capitalised in the cost of an asset.

Defined benefit plans

Pursuant to the Labour Code, the Company, as an employer in Bulgaria, is required to pay staff a retirement benefit of between two and six salaries depending on the length of service with the Company at the date of termination of employment. The payment of these benefits depends not only on financial variables but also on assumptions relating to demographic factors. At each reporting date, management estimates the approximate amount of potential costs payable at the current level of compensation.

5.14. TaxesCurrent taxes

The Company's current tax liabilities do not arise from contractual relationships and are not classified as financial liabilities. Current tax is recognised as a liability to the extent that it is unpaid.

Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the tax authorities using tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised using the balance sheet method for all temporary differences at the balance sheet date that arise between the tax bases of assets and liabilities and their carrying amounts at the financial statement date.

A deferred tax liability is recognised for all amounts of tax payable in future periods relating to taxable temporary differences.

A deferred tax asset is recognised for the recoverable amounts of taxes in future periods relating to deductible temporary differences, carryforwards of unused tax losses and credits to the extent that it is probable that taxable profit will be available against which they can be utilised.

At each balance sheet date, the Company reviews its unrecognized deferred tax assets. The Company recognises deferred tax assets not recognised in a prior period to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. The Company reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of some or all of the deferred tax asset to be utilised. Any such reduction shall reverse to the extent that it has become probable that a sufficient taxable profit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled/extinguished based on the tax rates (and tax laws) enacted or expected to be enacted at the balance sheet date.

Current and deferred taxes are recognised as income or expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event that is recognised in the same or a different period directly in equity.

5.15. Capital and reserves

IuteCredit Bulgaria Ltd. is a single-member limited liability company, registered in the Commercial Register.

The Company's equity consists of share capital, presented at nominal value in accordance with the decision on registration in the Commercial Register, which has been paid up in full, and a financial result comprising, at the date of the financial statements, an uncovered loss from previous years and a loss for the current year.

As at 31 December 2022, the Company's share capital is BGN 8,200 thousand, divided into 8,200 shares with a nominal value of BGN 1,000.

As at 31 December 2023, the Company's share capital is BGN 15,200 thousand, divided into 15,200 shares with a nominal value of BGN 1,000.

All items of income and expense recognised in the period are included in profit or loss for the year unless a standard or an interpretation of IFRSs requires otherwise.

5.16. Critical judgements in applying accounting policies. Key estimates and assumptions with high uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and, accordingly, the reported amounts of assets, liabilities, income and expenses. As a result, actual results may differ from these estimates.

Estimates and assumptions are reviewed periodically. The effect of a change in estimates is reflected in the period of the change and in future periods if the change affects more than the current period.

The key judgements and assumptions applied in these financial statements are as follows:

Fair value

Under IFRS 13, fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date in an underlying (or most advantageous) market under current market conditions.

The Company uses a hierarchy of valuation techniques based on the degree of observability of the inputs used to estimate fair value. Observable inputs reflect market information obtained from an independent source, while unobservable inputs reflect the Company's market assumptions. The two types of inputs define the following three levels in the fair value hierarchy:

Level 1 - Fair value measurement based directly on active market prices for identical assets or liabilities

Level 2 - A fair value measurement based on observable inputs other than those in Level 1, but based directly or indirectly on them and relevant to the asset or liability

Level 3 - Fair value measurement using valuation techniques that incorporate inputs about the asset or liability that are not based on observable market information (unobservable inputs).

The Company's policy is to disclose information about the fair value of those assets and liabilities for which market information is available and whose fair value is materially different from the reported value.

The Company has no financial assets and liabilities for which the disclosed fair value is other than Level 3 of the hierarchy introduced above.

The fair value of cash, receivables, loans and payables approximates their carrying amounts.

Impairments of loans and receivables

The Company applies the impairment requirements for financial assets by recognising a loss allowance for expected credit losses under IFRS 9. To the extent that the Company undertakes only credit risks associated with the conduct of its principal business, namely lending, the receivables subject to impairment review are current receivables for principal, interest and fees from past due instalments, and receivables arising from

terminated credit agreements. All receivables are subject to review for indicators of impairment at the statement of financial position date.

In the credit risk assessment process, the Company classifies its loans into the following phases:

Phase 1 - Serviced loans with no significant increase in credit risk after initial recognition;

Phase 2 - Serviced loans with a significant increase in credit risk after initial recognition;

Phase 3 - loans more than 50 days past due where the Company considers the debtor is unlikely to repay in full.

An impairment for uncollectibility is made when there is an indication that the Company will not be able to collect all receivables and is recognised in the statement of profit or loss and other comprehensive income. Impairment of receivables represents the difference between the carrying amount of the receivable and its estimated recoverable amount. As at 31 December 2023, the Company's management has assessed the collectability of its receivables.

Related to leasing contracts

In identifying and classifying a lease or the lease element of a contract, the Company's management makes a number of important judgements: whether a lease is in place, including whether the contract contains an identified asset and whether the contract transfers the right to control the asset used for the relevant term of the contract; determining the term of the contract; and determining the differential interest rate under lease contracts.

5.17. Error Reporting Policy

Historical errors are omissions from, or misstatements of, the Company's financial statements for one or more prior reporting periods resulting from the failure to use, or the improper use of, reliable information that was available at the time the financial statements for those periods were authorized for issue and that could reasonably have been obtained and taken into account in preparing and presenting those financial statements.

These errors include the effects of mathematical errors, errors in the application of an accounting policy, oversight or misstatement of facts.

Errors may arise in the recognition, measurement, presentation or disclosure of components of the financial statements. Potential current period errors identified in the same period are corrected before the financial statements are authorised for issue. However, errors are sometimes discovered in a subsequent period and those prior period errors are corrected.

A prior period error shall be corrected by retrospective restatement unless it is impracticable to determine any of the period-specific effects or the cumulative effect of that error.

5.18. Events after the statement of financial position date

Events after the statement of financial position date are those events, both favourable and unfavourable, that occur between the statement of financial position date and the date on which the financial statements are authorised for issue.

Two types of events are distinguished:

- those that evidence conditions that existed at the statement of financial position date (adjusting events after the statement of financial position date);
- those that are indicative of conditions occurring after the statement of financial position date (non-adjusting events after the statement of financial position date).

The Company adjusts amounts recognised in the financial statements to reflect adjusting events after the statement of financial position date and updates disclosures. When non-adjusting events after the statement of financial position date are so material that non-disclosure would affect the ability of users of the financial statements to make business decisions, the company shall disclose the following information for each material category of non-adjusting event after the statement of financial position date - the nature of the event, and an estimate of its financial effect or a statement that such an estimate cannot be made.

5.19. Related parties and transactions with them

For the purposes of these financial statements, the Company presents the owners, their subsidiaries and associates, key management personnel, and their immediate family members, including companies controlled by all of the above, as related parties and are considered and treated as such.

5.20. Contingent assets and liabilities

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the entity's control; or
- a present obligation that arises from past events but is not recognised because it is unlikely that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation cannot be measured reliably.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that cannot be wholly controlled by the entity.

Contingent assets and liabilities are not recognised in the Statement of Financial Position.

6. Interest and fee income

	<u>2023 г.</u>	<u>2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Interest income on loans	3 484	1 201
Income from additional fees and conditions on credit agreements	5 434	1 795
Revenue from interest on late payments, fees and additional services on collection of credits	1 192	191
Total:	10 110	3 187

7. Other operating income

	<u>2023 г.</u>	<u>2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Non-credit related service charges	18	11
Lease write-off income	-	1
Proceeds from sale of receivables under assignment	126	-
Other revenue	1	68
Total:	145	80

8. Total administrative and operating expenditure

	<u>2023 г.</u>	<u>2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Salaries and social security expenses	(2 005)	(1 289)
Marketing and sales expenses	(1 471)	(910)
Consultancy and audit costs	(69)	(29)
Guarantee fee	(2 011)	(931)
Management fee	(1 630)	(1 812)
Commission expenses	(212)	(52)
Systems maintenance costs	(366)	(144)
Expenditure on bank charges	(106)	(76)
Postal, courier and telecommunications services	(29)	(34)
Depreciation expense on property, plant and equipment	(37)	(36)
Depreciation and amortisation expense on assets with right of use	(125)	(84)
Material costs	(56)	(51)
Insurance costs	(22)	(5)
Office rental expenses outside the scope of IFRS 16	(40)	(45)
Mission expenses	(26)	(6)
Court and notary fees	(80)	(35)
Costs related to staff selection	(83)	(19)
Expenditure on taxes and fees	(58)	(5)
Expenditure on fines and penalties	(4)	-
Expenditure without document	(4)	-
Security costs	(2)	(2)

Office-related costs	(29)	(18)
Training and qualification costs	(4)	-
Translation services	(2)	(2)
Representational expenses	(30)	(33)
Other operating expenses	(94)	(4)
Total:	(8 595)	(5 622)

9. Interest expenses

	2023 г.	2022 г.
	<i>BGN thousand</i>	<i>BGN thousand</i>
Interest expense on loan from UteGroup AC	(1 140)	(459)
Interest expense under IFRS 16	(65)	(13)
Total:	(1 205)	(472)

The Company is financed by Ute Group AC under a loan agreement.

10. Financial costs

	2023 г.	2022 г.
	<i>BGN thousand</i>	<i>BGN thousand</i>
Foreign exchange loss	(4)	(5)
Total:	(4)	(5)

11. Tax expenses

	2023 г.	2022 г.
	<i>BGN thousand</i>	<i>BGN thousand</i>
Loss before taxes	(4 865)	(6 238)
Statutory tax rate for the year	10%	10%
Estimated cost of taxes	(487)	(624)
Tax effect of permanent differences	2	1
Effect of an unrecognised tax asset	-	34
Total:	(485)	(589)

12. Cash and cash equivalents

	31.12.2023 г.	31.12.2022 г.
	<i>BGN thousand</i>	<i>BGN thousand</i>
Cash in current accounts	551	1 550
Total:	551	1 550

The Company applies the standardized approach for calculating expected credit losses on cash in banks, and for determining the loss given default in the parameters of

The model uses the credit rating of the financial institutions where the Company has deposited its cash. These credit ratings are mainly assigned by the following institutions: Moody's, Standard and Poor's, Fitch,

Credit rating of financial institutions as of 31 December 2023.

The Company has estimated expected credit losses on cash and cash equivalents. The estimated amount is less than 0.1% of the gross value of cash deposited with financial institutions and therefore has been determined to be immaterial and has not been charged to the Company's financial statements.

13. Loans granted to customers

	<u>31.12.2023 г.</u>	<u>31.12.2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Loans granted, gross	21 170	12 322
Interest and fees	2 146	879
Total loans granted, gross	<u>23 316</u>	<u>13 201</u>
Impairment allowance accrued	(5 697)	(4 075)
Loans granted, net	<u>17 619</u>	<u>9 126</u>

All loans are fixed rate.

The change in impairment losses on loans to customers is as follows:

Impairment allowance accrued

	<u>31.12.2023 г.</u>	<u>31.12.2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
The beginning of periods	<u>(4 075)</u>	<u>(669)</u>
Accrued during the year	(5 316)	(3 406)
Written off during the year	3 694	-
At the end of the period	<u>(5 697)</u>	<u>(4 075)</u>

Loans in arrears

	<u>31.12.2023 г.</u>	<u>31.12.2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Loans without default	11 850	7 102
Loans in arrears from 1 to 90 days	4 639	2 519
Loans in arrears over 90 days	4 681	2 701
Total:	<u>21 170</u>	<u>12 322</u>

14. Property, plant and equipment

BGN thousand	Computers and equipment	Other	Total
Reporting value			
Balance at 31 December 2021	30	12	42
Retrieved from	40	-	40
Balance at 31 December 2022	70	12	82
Retrieved from	10	-	10
Balance at 31 December 2023	80	12	92
Depreciation			
Balance at 31 December 2021	(3)	(3)	(6)
Accumulated depreciation	(30)	(6)	(36)
Balance at 31 December 2022	(33)	(9)	(42)
Accumulated depreciation	(34)	(3)	(37)
Balance at 31 December 2023	(67)	(12)	(79)
Carrying amount at 31.12.2022.	37	3	40
Carrying amount at 31.12.2023.	13	-	13

15. Assets with right to use

BGN thousand	Asset with the right to use	Total
Reporting value		
Balance at 31 December 2021	1 6 0	160
Retrieved from	545	545
Retrieved from	(128)	(128)
Balance at 31 December 2022	5 7 7	577
Retrieved from	6	6
Retrieved from	(38)	(38)
Balance at 31 December 2023	5 4 5	545

Depreciation		
Balance at 31 December 2021	(61)	(61)
Accumulated depreciation	(84)	(84)
Amortisation written off	112	112
Balance at 31 December 2022	(33)	(33)
Accumulated depreciation	(125)	(125)
Amortisation written off	38	38
Balance at 31 December 2023	(120)	(120)
Carrying amount at 31.12.2022.	544	544
Carrying amount at 31.12.2023.	425	425

The right-of-use asset represents an office that the Company uses. The term of the agreement is until 31.10.2027.

16. Deferred tax assets

<i>BGN thousand</i>	Tax loss	Other	Total
Balance at 31 December 2021	20	5	21
	8		4
(Expenditure)/income in the 2022 income statement.	585	4	589
Balance at 31 December 2022	79	9	80
	3		3
(Expenditure)/income in the 2023 income statement.	472	13	485
Balance at 31 December 2023	1	22	1
	265		287

Under Bulgarian law, a tax loss incurred during the financial year can be carried forward and set off against future taxable profits in each of the next five financial years.

By 31 December 2023. The Company has tax losses that can be carried forward as a real reduction of future taxable profit.

17. Other current assets

	<u>31.12.2023 г.</u>	<u>31.12.2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Suppliers of advances	42	37
Receivables from accountable persons	1	1
VAT refund	-	26
Other receivables	67	4
Total:	110	68

18. Fixed capital

By 31 December 2023.	Number of shares	Subscribed capital	Contributed capital
Ute Group AC	15 200	15 200 000	15 200 000

By 31 December 2022.	Number of shares	Subscribed capital	Contributed capital
Ute Group AC	8 200	8 200 000	8 200 000

IuteCredit Bulgaria Ltd. is a single-member limited liability company with a registered and fully paid-up capital of BGN 15 200 thousand. The capital is divided into 15 200 shares with a nominal value of BGN 1 000 each, with Ute Group AC holding 100% of the Company's capital. The Company's capital was increased twice in 2023 as follows:

- By a resolution of 23.01.2023 of Jute Group AC /formerly called AC IuteCredit Europe/, a company registered in Estonia, as the sole owner of the capital of IuteCredit Bulgaria Ltd, the capital was increased from BGN 8 200 thousand to BGN 11 200 thousand through contributions of the sole owner with the issuance of 3 000 new shares with a nominal value of BGN 1 000 each. The capital increase was effectively deposited in the account of IuteCredit Bulgaria Ltd. and was entered in the Commercial Register of the Registry Agency on 01.02.2023.
- By the Resolution of 19.05.2023 of Iute Group AC as the sole owner of the capital of IuteCredit Bulgaria Ltd., the capital was increased from BGN 11 200 thousand to BGN 15 200 thousand through contributions of the sole owner with the issuance of 4 000 new shares with a nominal value of BGN 1 000 each. The capital increase was effectively deposited in the account of IuteCredit Bulgaria Ltd. and was entered in the Commercial Register of the Registry Agency on 30.05.2023.
- By a decision of the sole owner dated 14.06.2024 it was decided to increase the capital by BGN 2 000 thousand to BGN 17 200 thousand. After the increase, the capital was divided into 17 200 shares of BGN 1 000 each.

19. Long-term loans received

	<u>31.12.2023 г.</u>	<u>31.12.2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Principal	13 707	9 951
Interest	1 301	160
Total:	<u>15 008</u>	<u>10 111</u>

The Company has obtained a loan from JuteGroup AC, Estonia (parent company) pursuant to a loan agreement dated 24 November 2021, maturing on 1 October 2026.

20. Trade payables

	<u>31.12.2023 г.</u>	<u>31.12.2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Liabilities to local persons	151	63
Liabilities to non-residents	1	-
Liabilities to group entities	288	421
Total:	<u>440</u>	<u>484</u>

21. Lease liabilities

	<u>31.12.2023 г.</u>	<u>31.12.2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Up to 1 year	103	87
Over 1 year	370	473
Total:	<u>473</u>	<u>560</u>

22. Other current liabilities

	<u>31.12.2023 г.</u>	<u>31.12.2022 г.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Obligations to staff	251	105
Untaken leave liabilities	51	25
Liabilities for contributions	35	28
Tax liabilities	39	-
Other obligations	136	82
Liabilities to customers	301	89
Total:	<u>813</u>	<u>329</u>

23. Related persons

Related parties of the Company include the sole shareholder in the form of Ute Group AC, other group companies and key management personnel.

The entity discloses the following related parties:

Owner of the capital:

Jute Group AC, Identification 11551447, foreign legal entity, Country: Estonia.

Enterprises under common control:

- O.C.N. "IUTE CREDIT" S.R.L. ("ICM"), Moldova;
- IuteCredit Albania SH.A ("ICA"), Albania;
- IutePay SH.P.K ("IutePay Albania"), Albania;
- IuteCredit Macedonia DOOEL ("ICMK"), North Macedonia;
- IuteCredit Kosovo JSC ("ICKO"), Kosovo;
- UtePay Bulgaria Ltd, Bulgaria;
- MKD IuteCredit BH d.o.o. Sarajevo ("ICBH"), Bosnia and Herzegovina;
- B.C. Energbank S.A, Estonia;
- IUTE SAFE AD, North Macedonia.

Other enterprises that are related parties:

- OÜ Alarmo Kapital, Estonia;
- OÜ Kavass, Estonia;
- IuteCredit Finance S.à r.l, Luxembourg;
- Super Mart OÜ, Estonia;
- Super Mart Albania SH.P.K, Albania;
- Super Mart Bulgaria EOOD, Bulgaria;
- Super Mart DOOEL Skopje, North Macedonia;
- Arco Vara AS, Estonia;
- Aia Tänav OÜ, Estonia.

Key management personnel of the parent company as at 31 December 2023:

Tarmo Sild - CEO

Alar Ninepu - Chairman of the Supervisory Board

Sild - Member of the Supervisory Board

Janus Otsa - Member of the Supervisory Board

IuteCredit Bulgaria Ltd.

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Key management personnel of the Company as at 31 December 2023:

- Irina Kharalampieva Kraycheva

On January 19, 2024, a change in the governing bodies was registered in the Commercial Register, adding Rosen Georgiev Antov as manager.

In 2023, UteCredit Bulgaria EOOD is conducting transactions with UteGroup AC and UtePay EOOD.

The settlements between UteCredit Bulgaria EOOD and UteGroup AC are as follows:

	<u>31.12.2023 r.</u>	<u>31.12.2022 r.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Loan received	15 008	10 111

The transactions between UteCredit Bulgaria EOOD and UteGroup AC are as follows:

	<u>2023 r.</u>	<u>2022 r.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Interest expenses	(1 140)	(459)
Management fee and guarantee fee costs	(3 357)	(2 464)
	(4 497)	(2 923)

The transactions between UteCredit Bulgaria EOOD and UtePay EOOD are as follows:

	<u>2023 r.</u>	<u>2022 r.</u>
	<i>BGN thousand</i>	<i>BGN thousand</i>
Expenditure on external services	(27)	-

Terms of related party transactions

Loans and related party transactions are at negotiated prices that are not different from market prices. Other than loans received from related parties, the Company does not account for other liabilities arising from financing activities to be disclosed in accordance with paragraphs 44A to 44E of IAS 7.

Cash flows from financing activities

Liabilities arising from financing activities	On 1 January	Cash received resources	Cash paid resources	Accrued interest	At 31 December
	<u>y</u>				
Loans received	10 111	7 668	(3 911)	1 140	15 008

24. Capital management

The Company's management uses the gearing ratio, a ratio of the Company's total debt capital to equity capital, to monitor and plan the capital structure on an ongoing basis.

The gearing ratios at 31 December 2023 and 2022 are as follows:

	<u>31.12.2023</u> <i>BGN thousand</i>	<u>31.12.2022</u> <i>BGN thousand</i>
Total debt capital	16 756	11 502
Reduction by: cash and cash equivalents	(551)	(1 550)
Net debt capital	16 205	9 952
Total equity	3 249	629
Total capital	19 454	10 581
Leverage ratio	0,83	0,94

The specific business of the Company determines the high value of borrowed capital in the statement of financial position.

25. Financial risk management

The Company's operations are exposed to numerous financial risks. Management monitors overall risk and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's management continuously monitors and updates risk management procedures to adapt and make them more effective to the business environment.

Credit risk

Credit risk refers to the possible inability of some borrowers to repay their debt. The assessment of credit risk is made on a portfolio basis, taking into account the probability of non-payment by maturity, expected changes in the macroeconomic environment and other factors.

Maximum exposure to credit risk *Exposure to credit risk on financial position items:*

	<u>31.12.2023 г.</u> <i>BGN thousand</i>	<u>31.12.2022 г.</u> <i>BGN thousand</i>
Cash and cash equivalents	551	1 550
Credits granted	17 619	9 126
Other current assets	110	68
Total:	18 280	10 744

Analysis of loan arrears by days past due:

	31.12.2023 r. BGN thousand	31.12.2022 r. BGN thousand
1 to 90 days	4 639	2 519
From 91-180 days	1 741	1 109
Over 180 days	2 940	1 592
Total:	9 320	5 220

Allocation of loans receivable by impairment level as at 31.12.2023:

BGN thousand	Level 1	Level 2	Level 3	Total
Loans, gross	16 244	779	6 293	23 316
Impairment	(1 150)	(280)	(4 267)	(5 697)
Total loans, net	15 094	499	2 026	17 619

Allocation of loans receivable by impairment level as at 31.12.2022:

BGN thousand	Level 1	Level 2	Level 3	Total
Loans, gross	9 207	433	3 561	13 201
Impairment	(987)	(192)	(2 896)	(4 075)
Total loans, net	8 220	241	665	9 126

Allocation of impairment loss by impairment level:

BGN thousand	Level 1	Level 2	Level 3	Total
Impairment at 01.01.2023.	987	193	2 895	4 075
New financial assets	1 087	258	5 065	6 410
Posagena claims	(924)	(170)	-	(1 094)
Receivables written off	-	-	(3 694)	(3 694)
Impairment at 31.12.2023.	1 150	281	4 266	5 697

Interest rate risk

Interest rate risk relates to the effects of changes in market interest rates on the Company's financial position and cash flows. The interest rates on the loans granted are fixed for the life of the contract.

Liquidity risk

Liquidity risk relates to the negotiation of funding to meet the obligations associated with financial instruments. Activity in 2023 and 2022 is funded by the group to which the Company belongs.

The maturity structure of the financial assets at 31 December 2023 is as follows:

	to 1 year.	From 1 to 5 r.	Over 5 yrs.	Total to 31.12.2023r.
<i>BGN thousand</i>				
Fixed rate financial instruments - principal amount of loans, before impairment	13 773	7 397	-	21 170
Total:	13 773	7 397	-	21 170

The maturity structure of the financial assets at 31 December 2022 is as follows:

	Up to 1 year.	From 1 to 5 r.	Over 5 yrs.	Total by 31.12.2022.
<i>BGN thousand</i>				
Fixed rate financial instruments - principal amount of loans, before impairment	4 785	7 537	-	12 322
Total:	4 785	7 537	-	12 322

The maturity structure of the financial liabilities at 31 December 2023 is as follows:

	to 1 year.	1 to 5 r.	Over 5 yrs.	Total as at 31.12.2023 r
Fixed rate financial instruments	-	15	-	15
		<u>0 0 8</u>		<u>0 0 8</u>
Total:	-	<u>15</u>	-	<u>15</u>
		<u>0 0 8</u>		<u>0 0 8</u>

The maturity structure of the financial liabilities at 31 December 2022 is as follows:

	to 1 year.	1 to 5 r.	Over 5 yrs.	Total as at 31.12.2022 r
Fixed rate financial instruments	-	10	-	10
		<u>1 1 1</u>		<u>1 1 1</u>
Total:	-	<u>10</u>	-	<u>10</u>
		<u>1 1 1</u>		<u>1 1 1</u>

By 31.12.2023. The Company has one loan granted by UteGroup AC in the amount of BGN 15,008 thousand maturing in October 2026.

The Company manages liquidity risk by maintaining adequate funding and continuously monitoring forecast and actual cash flows and comparing the maturity structure of financial assets and liabilities.

Currency risk

Currency risk relates to the risk that the value of financial assets and liabilities may change due to

changes in exchange rates. The Company's receivables and payables are

denominated in BGN or EUR, therefore the Company is not exposed to significant foreign currency risk.

26. Events after the financial statement date

On January 19, 2024, a change in the governing bodies was registered in the Commercial Register, adding Rosen Georgiev Antov as manager.

By a resolution of the sole owner dated 14 June 2024, a decision was taken to increase the capital by BGN 2,000 thousand to BGN 17,200 thousand. After the increase, the capital was divided into 17 200 shares of BGN 1 000 each.

27. Approval of the annual financial statements

The annual financial statements as of December 31, 2023 were approved and adopted by the Governor on September 25, 2024.