IuteCredit Bulgaria EOOD

ANNUAL FINANCIAL STATEMENTS

31 December 2022

Table of Contents

ANNUAL FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

This report on the activities of IuteCredit Bulgaria EOOD (the "Company") presents comments and analysis of the annual Financial Statements and other material information regarding the financial position and results of the Company's operations for 2022. It has been prepared in accordance with the requirements of Art. 39 of the Accountancy Act and the requirements of the Commercial Act.

1. General information about the Company

IuteCredit Bulgaria EOOD (the "Company") is a sole proprietorship with limited liability, registered with the Registry Agency under UIC 205559807, with its main office and registered address at 38 Cherkovna Str., 1st floor, office 4, Oborishte Quarters, Sofia.

IuteCredit Bulgaria EOOD is a financial institution within the meaning of the Credit Institutions Act (CIA), Art. 3 para. 1 and 2, with the main activity of granting loans with funds that are not raised through public attraction of deposits or other repayable funds, as well as performing other financial services permitted under Art. 3 of the Credit Institutions Act.

The Company provides loans to individuals in the amount of up to 7 thousand BGN for a maximum term of 48 months. The Company's clients are local individuals with a good credit history.

The Company has a single-tier management system.

As of 31 December 2021, the Company's share capital is BGN 4,000 thousand distributed into 4,000 shares with a nominal value of BGN 1,000.

As of 31 December 2022, the Company's share capital is BGN 8,200 thousand distributed into 8,200 shares with a nominal value of BGN 1,000. The purpose of the capital increase by BGN 4,200 thousand in 2022 is to secure the development of the business.

The sole owner of the capital is AS IuteCredit Europe (new name from 15.05.2023 - Iute Group AS), Identification No. 11551447, foreign legal entity, Estonia.

As of 31 December 2022, the Company was managed by Irina Kraycheva.

On 19 January 2024, a change in the management bodies was entered in the Commercial Register, with Rosen Antov also being added as a General Manager. On 24 October 2024, Irina Kraycheva was removed as a General Manager. On 4 November 2024, Liga Lemberga was also added as a General Manager.

The General Managers represent the Company jointly and separately.

IuteCredit Bulgaria EOOD offers its clients the opportunity to apply for and receive credit via a web environment, mobile application and through a distribution network.

The Company has four offices in Sofia, Plovdiv, Varna and Stara Zagora. As of 31 December 2022, the Company's staff list under employment law comprises 40 employees (31 December 2021 – 26 employees).

2. Financial results

At the end of 2022, loans granted amounted to BGN 12,322 thousand, while at the end of 2021 their amount was BGN 2,675 thousand, which represents a growth of more than three times.

A main factor for this increase is the significantly higher level of newly granted loans during the year as a result of attracting new customers and retaining existing ones.

The Company finances its activities through financing provided by the parent Company.

The Company received a loan from IuteGroup AS, Estonia (parent Company) pursuant to a loan agreement concluded on 24 November 2021, with maturity until 1 October 2026. The interest rate under the loan agreement is fixed - 10%.

As of 31 December 2022, the loan obligation amounted to BGN 10,111 thousand and as of 31 December 2021 to BGN 1,153 thousand.

The Company's income consists mainly of interest and fees. In 2022, they amounted to BGN 3,187 thousand, compared to BGN 493 thousand at the end of 2021.

Income from interest and fees on loans granted at the end of 2022 includes:

- Interest income on loans granted - BGN 1,201 thousand;
- Income from additional fees and conditions under loan agreements - BGN 1,795 thousand;
- Income from interest on late payment, fees and additional services for loan collection - BGN 191 thousand.

Other income represents 2% of the total income. It amounts to BGN 80 thousand, including:

- Non-lending service fees – BGN 11 thousand;
- Other income – BGN 69 thousand.

Administrative expenses for 2022 amount to BGN 5,622 thousand, compared to BGN 1,194 thousand in 2021, with a significant increase of BGN 4,428 thousand.

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

- Salaries and insurance expenses (BGN 1,289 thousand), (BGN 608 thousand in 2021);
- Marketing and sales expenses (BGN 910 thousand), (BGN 240 thousand in 2021);
- Management fee expenses (BGN 1,812 thousand), (BGN 0.00 thousand in 2021);

Interest expenses during the period are BGN 472 thousand, compared to BGN 19 thousand in 2021, or an increase of BGN 453 thousand, of which:

- Interest expenses on a loan from IuteGroup AS – BGN 459 thousand, (BGN 7 thousand in 2021);
- Interest expenses according to IFRS 16 – BGN 13 thousand, (BGN 12 thousand in 2021)

In 2022, the impairment costs of loans granted amounted to BGN 3,406 thousand, compared to BGN 672 thousand in 2021.

In 2022, the Company realized a net loss of BGN 5,649 thousand (BGN 1,249 thousand at the end of 2021), the main factor being the significant impairment costs of financial assets (BGN 3,406 thousand) as a result of the significant increase in newly granted loans during the year.

3. Associated parties

The Company's associated parties include the sole owner of the capital in the person of AS IuteCredit Europe, other Companies in the group and key management personnel.

The Company discloses the following associated parties:

Owner of the capital:

AS IuteCredit Europe (new name from 15.05.2023 - Iute Group AS), identification No. 11551447, foreign legal entity, country: Estonia.

Entities 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;
- IutePay Bulgaria EOOD, Bulgaria;
- MKD IuteCredit BH d.o.o. Sarajevo ("ICBH"), Bosnia and Herzegovina;
- B.C. Energbank S.A, Moldova;
- IuteCredit Finance S.à r.l, Luxembourg.

Other associated parties:

- OÜ Alarmo Kapital, Estonia;
- OÜ Kavass, Estonia;
- Super Mart OÜ, Estonia;
- Super Mart Albania SH.P.K, Albania;
- Arco Vara AS, Estonia;
- Aia Tänav OÜ, Estonia.

Key management personnel of the parent Company as of 31 December 2022:

Tarmo Sild - Chief Executive Officer

Alar Ninepu - Chairman of the Supervisory Board Christi Sild - Member of the Supervisory Board

Janus Otsa - Member of the Supervisory Board

Key management personnel of the Company as of 31 December 2022:

- Irina Haralampieva Kraycheva

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

Irina Kraycheva owns 50% of the Company shares in Publishing House Oktopod OOD UIC 130133331.

In 2022, IuteCredit Bulgaria EOOD carried out transactions with AS IuteCredit Europe (new name from 15.05.2023 - Iute Group AS).

The settlements between IuteCredit Bulgaria EOOD and AS IuteCredit Europe are as follows:

	31.12.2022	**31.12.2021**
	thousand BGN	*thousand BGN*
Loan granted	**10 111**	**1 153**

The transactions between IuteCredit Bulgaria EOOD and AS IuteCredit Europe are as follows:

	2022	**2021**
	thousand BGN	*thousand BGN*
Interest expenses	(459)	(7)
Management fee and guarantee fee costs	(2 464)	-
	(2 923)	**(7)**

Terms of transactions with associated parties

Loans and transactions with associated parties are at contractual prices that do not differ from market prices.

Apart from loans received from associated parties, the Company does not recognise any other liabilities arising from financing activities that are disclosed in accordance with Paragraphs 44A - 44E of IAS 7.

Cash flows from financing activities

Liabilities arising from financing activities	On January 1st	Cash received	Cash paid	Interest accrued	On January 31st
Loans received	**1 153**	**10 760**	**(2 261)**	**459**	**10 111**

4. Additional information and corporate social responsibility

IuteCredit EOOD continues to develop and improve the products it offers, working to expand the network of partners with whom it cooperates. New functionalities are added to the mobile application and website to make it easier for customers. At the same time, various models for assessing the creditworthiness and solvency of potential and existing customers are being developed and implemented, which will lead to improved collection of receivables and the quality of the loan portfolio.

The Company is actively working to establish itself as one of the leading brands on the Bulgarian financial non-banking market. IuteCredit EOOD is strongly committed to responsible lending, providing clear and transparent conditions and adhering to ethical norms.

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

The Company actively participates in several significant forums for e-commerce, digital services and risk management.

5. Financial risk management

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

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

Credit risk

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

Credit risk exposure by financial position items:

	31.12.2022 *thousand BGN*	**31.12.2021** *thousand BGN*
Cash and cash equivalents	1 550	987
Loans granted	9 126	2 189
Other current assets	68	36
Total:	**10 744**	**3 212**

Analysis of overdue loan receivables by days overdue:

	31.12.2022	31.12.2021
	thousand BGN	*thousand BGN*
From 1 to 90 days	2 519	2 240
From 91-180 days	1 109	375
Over 180 days	1 592	60
Total:	**5 220**	**2 675**

Distribution of receivables on loans granted by impairment levels as of 31.12.2022:

thousand BGN	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**

Distribution of receivables on loans granted by impairment levels as of 31.12.2021:

thousand BGN	Level 1	Level 2	Level 3	Total
Loans, gross	2 070	93	695	2 858
Impairment	(151)	(30)	(488)	(669)
Total loans, net	**1 919**	**63**	**207**	**2 189**

Allocation of impairment loss by impairment level:

thousand BGN	Level 1	Level 2	Level 3	Total
Impairment as of 01.01.2022	**151**	**30**	**488**	**669**
New financial assets	977	187	2 407	3 571
Receivables	(141)	(24)	-	(165)
Impairment as of 31.12.2022	**987**	**193**	**2 895**	**4 075**

Interest rate risk

Interest rate risk is related to the effects of changes in market interest rates on the financial position of the Company and its cash flows. The interest rates on the loans provided are fixed for the entire term of the contract.

Liquidity risk

Liquidity risk is related to the negotiation of financing for the fulfilment of obligations related to financial instruments. The activity in 2022 and 2021 is financed by the group to which the Company belongs.

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

thousand BGN	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**Total as of 31.12.2022**
Fixed interest rate financial instruments – principal on loans, before impairment	4 785	7 537	-	12 322
Total:	**4 785**	**7 537**	**-**	**12 322**

The maturity structure of financial assets as of 31 December 2021 is as follows:

thousand BGN	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**Total as of 31.12.2021**
Fixed interest rate financial instruments – principal on loans, before impairment	1 775	900	-	2 675
Total:	**1 775**	**900**	**-**	**2 675**

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

	Up to 1 year	**1 to 5 years**	**Over 5 years**	**Total as of 31.12.2022**
Fixed interest rate financial instruments	-	10 111	-	10 111
Total:	**-**	**10 111**	**-**	**10 111**

The maturity structure of financial liabilities as of 31 December 2021 is as follows:

	Up to 1 year	**1 to 5 years**	**Over 5 years**	**Total as of 31.12.2021**
Fixed interest rate financial instruments	-	1 153	-	1 153
Total:	**-**	**1 153**	**-**	**1 153**

As of 31.12.2022, the Company has one loan granted by IuteGroup AS in the amount of BGN 10,111 thousand, maturing in October 2026.

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

Currency risk

Currency risk is related to the risk that the value of financial assets and liabilities will change due to changes in the exchange rate. The Company's receivables and payables are denominated in BGN or EUR, therefore the Company is not exposed to significant currency risk.

6. Research and development activities

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

7. The Company has no registered branches.

8. Events after the date of the Financial Statements

On 19 January 2024, a change in the management bodies was entered in the Commercial Register, with Rosen Georgiev Antov being added as a General Manager. On October 24, 2024, Irina Kraycheva was removed as a General Manager. On November 4, 2024, Liga Lemberga was added as a General Manager.

On 23 January 2023, the capital was increased from BGN 8,200 thousand to BGN 11,200 thousand. On May 19, 2023, the capital was increased from BGN 11,200 thousand to BGN 15,200 thousand.

On 14 June 2024, a decision was made to increase the capital by BGN 2,000 thousand to BGN 17,200 thousand. After the increase, the capital was distributed into 17,200 shares of BGN 1,000 each.

Date: 18.02.2025

General Manager

(Liga Lemberga)

LIGA LEMBERGA

Digitally signed by LIGA LEMBERGA
Date: 2025.02.18 11:11:58 +02'00'

REPORT OF THE INDEPENDENT AUDITOR TO THE SOLE PROPRIETOR OF IUTECREDIT BULGARIA EOOD

Opinion

We have audited the Financial Statements of IUTEKREDIT BULGARIA EOOD (the "Company"), which comprise the Statement of Fnancial Position as at 31 December 2022 and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and the notes to the Financial Statements, which contain significant accounting policies 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 2022 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis of Opinion

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

Material Uncertainty Related to the Going Concern Assumption

We draw attention to Note 4. Going Concern to the Financial Statements, which states that the Company reported a net loss of BGN 5,649 thousand during the year ending 31 December2022, the accumulated losses as of 31 December2022 being BGN 1,922 thousand. Cash flows from operating activities are negative in the amount of BGN 12,097 thousand. As of 31 December2022, the subscribed capital of IuteCredit Bulgaria EOOD is BGN 8,200 thousand, which exceeds the net assets of the Company as of that date by BGN 7,571 thousand.

As stated in Appendix 4. Going concern, these events indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Management has assessed the applicability of the going concern basis of accounting, as a

fundamental principle in preparing the Financial Statements. Management does not intend to reduce or cease operations of the Company.

Our opinion has not been modified on this matter.

Other matters

The Company’s comparative reporting period for the year ended 31.12.2021 has not been audited.

Additional information other than the Financial Statements and the auditor’s report thereon

Management is responsible for the additional information. The additional information comprises a report on the activities prepared by the management 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 cover the additional information, and we do not express any form of assurance conclusion thereon, unless and to the extent specifically stated in our report.

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

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

We have nothing to report in this regard.

Additional reporting matters under the Accounting Act

In addition to our responsibilities and reporting under ISAs, with respect to the management report, we have also performed the procedures added to those required under ISAs, in accordance with the Guidelines on New and Extended Audit Reports and Auditor Communication of the professional organization of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures concern checks for the existence, as well as checks on the form and content of this additional information in order to help us in forming an opinion on whether the additional information includes the disclosures and reporting required by Chapter Seven of the Accounting Act, applicable in Bulgaria.

Opinion in relation to Art. 37, para. 6 of the Accounting Act

Based on the procedures performed, our opinion is that:

a) The information included in the management report for the financial year for which the Financial Statements were prepared is consistent with the Financial Statements.

b) The report on the activities 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, as applicable, matters related to the going concern basis of accounting and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic 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 auditor's report that includes our audit opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

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

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of

—

hlb.bg
HLB Bulgaria, 149-151, Konstantin Velichkov Blvd., 1309 Sofia
Tel.: +359 2 920 22 01 **Fax:** +359 2 920 36 65 **E-mail:** office@hlb.bg

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

— Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Auditing company

HLB BULGARIA OOD

Registration number 017

Stoycho Milev
General Manager

STOYCHO KIRILOV MILEV

Digitally signed by STOYCHO KIRILOV MILEV
Date: 2025.02.18 13:03:26 +02'00'

Dimitrina Stoyanova
Registered Auditor, Responsible for the Audit
Registration Number 0880

DIMITRINA YORDANOVA STOYANOVA

Digitally signed by DIMITRINA YORDANOVA STOYANOVA
Date: 2025.02.18 13:01:31 +02'00'

18 February 2025

Statement of Financial Position for the Year Ended 31 December

In thousand BGN	**Appendices**	**31 December 2022**	**31 December 2021**
Assets			
Cash and cash equivalents	12	1 550	987
Loans granted to customers	13	9 126	2 189
Property, machines and equipment	14	40	36
Assets with right of use	15	544	99
Deferred tax assets	16	803	214
Other current assets	17	68	36
Total assets		**12 131**	**3 561**
Equity			
Capital stock	18	8 200	4 000
Accumulated profit/loss		(7 571)	(1 922)
Total equity		**629**	**2 078**
Liabilities			
Commercial liabilities	20	484	80
Lease liabilities	21	560	101
Current tax liabilities		18	13
Other current liabilities	22	329	136
Long-term loans received	19	10 111	1 153
Total liabilities		**11 502**	**1 483**
Total equity and liabilities		**12 131**	**3 561**

The annual financial report was approved by the General Manager of the Company on 18.02.2025.
The explanatory appendices on pages 5 to 37 are an integral part of the annual Financial Statements.

Liga Lemberga General Manager	LIGA LEMBERGA	Digitally signed by LIGA LEMBERGA Date: 2025.02.18 11:11:58 +02'00'	Liliya Stefanova Financial Director	LILIYA HRISTOVA STEFANOVA	Digitally signed by LILIYA HRISTOVA STEFANOVA Date: 2025.02.18 09:49:34 +02'00'

Audit Company

HLB Bulgaria OOD
Reg. No. 017

Stoycho Milev General Manager	STOYCHO KIRILOV MILEV	Digitally signed by STOYCHO KIRILOV MILEV Date: 2025.02.18 13:03:47 +02'00'	Dimitrina Stoyanova Registered auditor responsible for the audit Reg. No. 0880	DIMITRINA YORDANOVA STOYANOVA	Digitally signed by DIMITRINA YORDANOVA STOYANOVA Date: 2025.02.18 13:01:58 +02'00'

Statement of Profit or Loss and Other Comprehensive Income for the year ended on 31 December

In thousand BGN	**Appendices**	**2022**	**2021**
Interest and fees income	6	3 187	493
Other operating income	7	80	8
Loans impairment losses		(3 406)	(672)
Total administrative and operating expenses	8	(5 622)	(1 194)
Interest expenses	9	(472)	(19)
Financial expenses	10	(5)	(4)
Operating loss before taxes		**(6 238)**	**(1 388)**
Tax expenses	11	589	139
Loss for the year		**(5 649)**	**(1 249)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(5 649)**	**(1 249)**

The annual financial report was approved on 18.02.2025 by the General Manager of the Company.
The explanatory appendices on pages 5 to 37 are an integral part of the annual Financial Statements.

Liga Lemberga
General Manager

LIGA LEMBERGA
Digitally signed by LIGA LEMBERGA
Date: 2025.02.18 11:12:57 +02'00'

Liliya Stefanova
Financial Director

LILIYA HRISTOVA STEFANOVA
Digitally signed by LILIYA HRISTOVA STEFANOVA
Date: 2025.02.18 09:50:14 +02'00'

Audit Company

HLB Bulgaria OOD Reg. No. 017

Stoycho Milev
General Manager

STOYCHO KIRILOV MILEV
Digitally signed by STOYCHO KIRILOV MILEV
Date: 2025.02.18 13:03:59 +02'00'

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

DIMITRINA YORDANOVA STOYANOVA
Digitally signed by DIMITRINA YORDANOVA STOYANOVA
Date: 2025.02.18 13:02:11 +02'00'

Statement of Changes in Equity for the year ended on 31 December 2022

In thousand BGN	Capital stock	Accumulated loss	Total equity
Balance on January 1, 2021	**2 000**	**(673)**	**1 327**
Equity increase	2 000	-	2 000
Loss for the year	-	(1 249)	(1 249)
Total comprehensive income for the year	-	(1 249)	(1 249)
Balance on 31 December 2021	**4 000**	**(1 922)**	**2 078**
Equity increase	4 200	-	4 200
Loss for the year	-	(5 649)	(5 649)
Total comprehensive income for the year	-	(5 649)	(5 649)
Balance on 31 December 2022	**8 200**	**(7 571)**	**629**

The annual financial report was approved on 18.02.2025 by the General Manager of the Company.
The explanatory appendices on pages 5 to 37 are an integral part of the annual Financial Statements.

Liga Lemberga
General Manager

LIGA LEMBERGA

Digitally signed by LIGA LEMBERGA
Date: 2025.02.18 11:12:57 +02'00'

Liliya Stefanova
Financial Director

LILIYA HRISTOVA STEFANOVA

Digitally signed by LILIYA HRISTOVA STEFANOVA
Date: 2025.02.18 09:50:14 +02'00'

Audit Company

HLB Bulgaria OOD Reg. No. 017

Stoycho Milev
General Manager

STOYCHO KIRILOV MILEV

Digitally signed by STOYCHO KIRILOV MILEV
Date: 2025.02.18 13:03:59 +02'00'

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

DIMITRINA YORDANOVA STOYANOVA

Digitally signed by DIMITRINA YORDANOVA STOYANOVA
Date: 2025.02.18 13:02:11 +02'00'

Cash flow statement for the year ended 31 December 2022

In thousand BGN	**2022**	**2021**
Cash flow from operating activities		
Payments to personnel	(1 138)	(378)
Payments to suppliers	(3 270)	(506)
Other receipts (payments), net	(396)	(86)
Cash flow from operating activities, net	**(4 804)**	**(970)**
Changes in operating assets and liabilities		
Proceeds from loans granted	10 476	999
Payments on loans granted	(17 769)	(3 498)
Net cash flow from operating activities	**(7 293)**	**(2 499)**
Cash flow from investing activities		
Purchase of loans granted to customers	(39)	(43)
Proceeds from loans granted	-	3 129
Payments on loans granted	-	(1 956)
Interest payments on loans granted	-	173
Net cash flow from investing activities	**(39)**	**1 303**
Cash flow from financing activities		
Proceeds from owner for equity increase	4 200	2 000
Proceeds related to loans received	10 760	1 147
Payments related to loans received	(1 956)	-
Interest payments on loans received	(305)	(1)
Net cash flow from financing activities	**12 699**	**3 146**
Net increase (decrease) in cash and cash equivalents	**563**	**980**
Cash and cash equivalents at the beginning of the year	**987**	**7**
Cash and cash equivalents at the end of the year	**1 550**	**987**

The annual financial report was approved on 18.02.2025 by the General Manager of the Company.
The explanatory appendices on pages 5 to 37 are an integral part of the annual Financial Statements.

Liga Lemberga
General Manager

LIGA LEMBERGA
Digitally signed by LIGA LEMBERGA
Date: 2025.02.18 11:13:11 +02'00'

Liliya Stefanova
Financial Director

LILIYA HRISTOVA STEFANOVA
Digitally signed by LILIYA HRISTOVA STEFANOVA
Date: 2025.02.18 09:52:38 +02'00'

Audit Company

HLB Bulgaria OOD Reg. No. 017

Stoycho Milev
General Manager

STOYCHO KIRILOV MILEV
Digitally signed by STOYCHO KIRILOV MILEV
Date: 2025.02.18 13:04:11 +02'00'

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

DIMITRINA YORDANOVA STOYANOVA
Digitally signed by DIMITRINA YORDANOVA STOYANOVA
Date: 2025.02.18 13:02:25 +02'00'

Explanatory appendices to the annual Financial Statements

1.General information and scope of activity

IuteCredit Bulgaria EOOD ("the Company") is a sole proprietorship with limited liability, registered with the Registry Agency under UIC 205559807, with its registered office and management address at 38 Cherkovna Str., 1st floor, office 4, Oborishte Quarter, Sofia.

The Company's business activities include: financial leasing; guarantee transactions; acquisition of credit receivables and other forms of financing (factoring, forfeiting, etc.); acquisition of participations in a credit institution or in another financial institution; granting loans with funds not raised through public attraction of deposits or other repayable funds; provision of other financial services permitted under Article 3 of the Credit Institutions Act, provided that if, in accordance with applicable legislation, a permit, license or registration is required for carrying out any activity, such activity shall be carried out after obtaining such permit, license or registration.

IuteCredit Bulgaria EOOD is a financial institution within the meaning of the Credit Institutions Act (CIA), Art. 3 para. 1 and 2, with the main activity of granting loans with funds that are not raised through public attraction of deposits or other repayable funds, as well as performing other financial services permitted under Art. 3 of the Credit Institutions Act.

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

As of 31 December 2021, the share capital of the Company is BGN 4,000 thousand distributed in 4,000 shares with a nominal value of BGN 1,000.

The owner of the capital is AS IuteCredit Europe (name in effect from 15.05.2023: Iute Group AS), identification number 11551447, foreign legal entity, Estonia.

As of 31 December 2022, the Company is managed by Irina Kraycheva.

On January 19, 2024. a change in the management bodies was entered in the Commercial Register, as Rosen Antov was added as General Manager. On 24 October 2024 Irina Kraycheva was removed as General Manager. On November 4, 2024. Liga Lemberga was added as General Manager.

The General Managers represent the Company jointly and separately.

As of 31 December 2022, the number of employees of the Company under employment law is 40 employees (31 December 2021 – 26 employees).

2.Basis for the drawing up of the Financial Statements

The Company maintains its accounting records in Bulgarian Lev (BGN), which is its functional currency. The data in the Financial Statements and appendices thereto are presented in thousand BGN.

The annual Financial Statements of the Company have been prepared in accordance with all International Financial Reporting Standards (IFRS), which consist of: Financial Reporting Standards and Interpretations of the IFRS Interpretations Committee (IFRSIC), approved by the International Accounting Standards Board (IASB), and International Accounting Standards (IAS) and Interpretations of the Standing Interpretations Committee (SIC), approved by the International Accounting Standards Committee (IASC), which are effective as of 1 January 2022, and which have been adopted by the Commission of the European Union.

IFRS, as adopted by the EU, is the commonly accepted name for the general-purpose framework - accounting basis equivalent to the framework introduced by the definition under § 1, p. 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 that entered into force for the financial year beginning on 1 January 2022

The Company applies the following new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board, which have an effect on the Company's Financial Statements and are mandatory for application from the annual period beginning on January 1, 2022:

- **Loans granted to customers: Proceeds before intended use - Amendments to IAS 16 - effective date: 1 January 2022**

The amendment to IAS 16 - Loans granted to customers (LGC) prohibits an entity from deducting from the cost of an LGC asset any proceeds from the sale of manufactured items while the entity is preparing the asset for its intended use. It also clarifies that an entity “tests whether the asset is functioning properly” when assessing the technical and physical characteristics of the asset. The financial performance of the asset is not relevant to this assessment.

Entities should disclose separately the amounts of revenue and expenses related to manufactured items that do not arise from the entity’s ordinary activities.

- **Reference to the Conceptual Framework - Amendments to the International Financial Reporting Standards (IFRS) 3 - effective date: 1 January 2022**

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Levy. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

- **Onerous Contracts - Contracts Implementation Costs, Amendments to IAS 37 - effective date: 1 January 2022**

The amendment to IAS 37 clarifies that direct costs to fulfil a contract include both incremental costs to fulfil the contract and allocations of other costs directly attributable to the fulfilment of the contract. Before recognising a separate provision for an onerous contract, an entity recognises any impairment loss incurred on assets used in fulfilling the contract.

- **Annual improvements to IFRSs 2018–2020 - effective date: 1 January 2022**

The following improvements were finalized in May 2020:

- IFRS 9. Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16. Leases - amendment to Illustrative Example 13 to remove the illustration of payments by the lessor related to leasehold improvements to eliminate any confusion about the treatment of lease incentives.
- IFRS 1. First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at the carrying amounts recorded in the accounting records of their parent entities to also measure any translation differences using the amounts reported by the parent entity. This amendment will also apply to associates and joint ventures that have taken the same exemption under IFRS 1.
- IAS 41. Agriculture - removing the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the standard's requirement to discount cash flows on a post-tax basis.

3.2. Standards, amendments and interpretations that are not yet effective and have not been applied from an earlier date by the Company

As of the date of approval of these Financial Statements, new standards, amendments and interpretations to existing standards have been published, but have not yet become effective or have not been adopted by the EU for the financial year beginning on or after 1 January 2022, and have not been applied from an earlier date by the Company. Information about these standards and amendments that have an effect on the Company's Financial Statements is presented below.

Management expects all standards and amendments to be adopted into the Company's accounting policies in the first period beginning after their effective date:

- **IFRS 17 Insurance contracts - effective date: initially 1 January 2021, but extended by the CIAS in March 2020 to 1 January 2023**

IFRS 17 was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts. It requires a current measurement model in which estimates are remeasured for each reporting period. Contracts are measured using the building blocks of:

- probability-weighted discounted cash flows
- explicit risk adjustment and
- Contractual Service Margin (CSM), which is the unrealized profit on the contract that is recognized as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in Other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An additional simplified premium allocation approach is permitted for the remaining coverage obligation under short-term contracts, which are often written by life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders participate in the return on the underlying elements. When the variable fee approach is applied, the entity’s share of changes in the fair value of the underlying items is included in the CSM. Therefore, the results of insurers using this model are likely to be less volatile than under the general model.

The new rules will affect the Financial Statements and key performance indicators of all entities that enter into insurance contracts or investment contracts with discretionary participation features.

The targeted amendments, made in July 2020, were intended to facilitate the application of the standard by reducing implementation costs and making it easier for entities to explain the results of applying IFRS 17 to investors and other users of Financial Statements. The amendments also postponed the effective date of IFRS 17 to 1 January 2023.

Further amendments, made in December 2021, added a transition option that allows an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities that are not related to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a manner that is consistent with how the entity expects those assets to be classified on initial application of IFRS 9. The classification may be applied on an instrument-by-instrument basis.

- **Classification of liabilities as current or non-current - Amendments to IAS 1 - effective date: 1 January 2023**

The narrowly focused amendments to IAS 1 - Presentation of Financial Statements, clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity’s expectations or events after the reporting date (e.g., a gain from a variance or breach of an agreement). The amendments also clarify what IAS 1 means when it refers to the “settlement” of a liability.

The amendments may affect the classification of liabilities, particularly for entities that previously considered management's intentions in determining classification, and for some liabilities that may be converted to Equity.

They should be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- **Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2) for annual reporting periods beginning on or after 1 January 2023.**

The IASB amended IAS 1 to require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments define what constitutes "material accounting policy information" and explain how to determine when accounting policy information is material. They also clarify that immaterial accounting policy information need not be disclosed. If disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement No. 2 *Drawing up Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- **Definition of Accounting Estimates (Amendments to IAS 8) for annual reporting periods beginning on or after 1 January 2023**

The amendment to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, clarifies how Companies should distinguish between changes in accounting policies and changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, while changes in accounting policies are usually applied retrospectively to past transactions and other past events, as well as to the current period.

- **Deferred tax relating to assets and liabilities arising from a single transaction – Amendments to IAS 12, for annual reporting periods beginning on or after 1 January 2023**

The amendments to IAS 12 Income Taxes require Companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They typically apply to transactions such as leases to lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, Companies should recognise deferred tax assets (to the extent that it is probable that they will be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences relating to:

- right-of-use assets and lease liabilities, and

- decommissioning, restoration and similar obligations and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in retained earnings or another component of equity, as appropriate. IAS 12 previously did not address how to account for the tax effects of leases recognized on the balance sheet and similar transactions, and different approaches were considered acceptable. Some entities may already have accounted for such transactions in accordance with the new requirements. These entities will not be affected by the amendments.

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

The IASB has made limited-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The amendments clarify the accounting treatment for sales or contributions of assets between an investor and its 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).

When the non-monetary assets constitute a business, the investor shall 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 shall be recognised by the investor only to the extent of the other investor’s interest in the associate or joint venture. The amendments shall be applied prospectively.

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

4.Going concern

The going concern basis of accounting is a fundamental principle in the preparation of Financial Statements. Under this basis, an entity is generally considered to continue in business for the foreseeable future without either intending or needing to liquidate, cease trading or seek protection from creditors under existing laws or regulations. Accordingly, assets and liabilities are reported on the basis of the entity’s ability to realize its assets and settle its liabilities in the ordinary course of business. In assessing whether the going concern basis of accounting is appropriate, management considers all available information about the foreseeable future, which includes at least, but is not limited to, the twelve months from the end of the reporting period.

As of the date of these Financial Statements, management has made an assessment of the Company’s ability to continue as a going concern based on available information about the foreseeable future. After reviewing the Company's operations, management expects that the Company has sufficient financial resources to continue its operations in the foreseeable future and continues to apply the going concern basis of accounting in the preparation of the Financial Statements.

The Company reported a net loss of BGN 5,649 thousand for the year ended 31 December 2022, accumulated losses as of 31 December 2022 amounted to BGN 1,922 thousand. Cash flows from operating activities were negative in the amount of BGN 4,804 thousand. As of 31 December 2022, the subscribed capital of IuteCredit Bulgaria EOOD amounted to BGN 8,200 thousand, which exceeded the net assets of the Company as of that date by BGN 7,571 thousand.

These events indicate that a material uncertainty exists that could cast significant doubt on the Company's ability to continue as a going concern.

The management has assessed the applicability of the going concern basis of accounting, as a fundamental principle in the preparation of the Financial Statements. 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 principles for valuing all types of assets, liabilities, income and expenses in accordance with IFRS. The bases of valuation are disclosed in more detail later in the accounting policies of the Financial Statements.

5.2. Comparative data

The Company has adopted the policy of presenting comparative information in its Financial Statements for a prior period.

When, for the purposes of more faithful presentation of the reporting entities and transactions, it is necessary to make changes in their classification and presentation as separate components of the annual Financial Statements, comparative data 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 an error from a prior period or change in the presentation of financial information, the correction is reflected retrospectively, and the Company provides an additional statement of financial position as of the beginning of the comparative period.

5.3. Accounting currency

The functional currency of the Company and the reporting currency of the Company's Financial Statements is the Bulgarian lev. Since 1 January 1999 the Bulgarian lev has been fixed to the euro at a rate of 1.95583 leva (BGN) = 1 euro (EUR). Upon initial recognition, a foreign currency transaction is recorded in the functional currency, and the foreign currency amount is applied to the exchange rate at the time of the transaction or operation. Cash and cash equivalents, loans and receivables, investments in securities, loans and other liabilities as monetary reporting items, denominated in foreign currency are reported in the functional currency, applying the exchange rate published daily by the Bulgarian National Bank.

The most significant exchange rates for the Company's operations as of 31 December 2022 are as follows:

	31 December 2022 BGN	31 December 2021 BGN
1 EUR is equal to	1.95583	1.95583

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

5.4. Accounting estimates

The presentation of Financial Statements in accordance with International Financial Reporting Standards requires management to make best estimates, accruals and reasonably justified assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and liabilities at the reporting date. These estimates, accruals and assumptions are based on information available at the reporting date, and therefore actual results may differ from them. Items that involve a higher degree of judgment or complexity, or where assumptions and accounting estimates are material to the Financial Statements, are disclosed in Note 5.16.

5.5. Property, machinery and equipment

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

<u>Initial acquisition</u>

The cost of acquisition includes the purchase price, non-refundable taxes and fees payable upon purchase and all other direct costs necessary to bring the asset to working condition. Direct costs are: site preparation costs, initial delivery and handling costs, installation costs, project related fees, etc. The Company's adopted threshold for recognizing an asset in the Loans granted to customers group is BGN 700, below which acquired assets, regardless of whether they have characteristics of long-term assets, are reported as a current expense.

<u>Subsequent measurement</u>

After initial recognition, non-current assets are reported at cost less accumulated depreciation and accumulated impairment losses.

<u>Subsequent costs</u>

Subsequent costs incurred in replacing a component of property, machinery and equipment that is reported separately are capitalized after the respective separate component has been derecognized. Other subsequent costs are capitalized only if they result in an increase in the economic benefits from the use of the relevant asset beyond those originally identified for the asset. All other subsequent costs associated with maintaining the asset in a usable condition are reported as current in the Statement of Profit or Loss and Other Comprehensive Income.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of depreciable fixed assets. The depreciation period for assets acquired under a lease is the shorter of the lease term and the useful lives of the assets, except when it is virtually certain that ownership will be acquired by the end of the lease.

The estimated useful lives are as follows:

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

At the end of each financial year, a review of the residual values, useful lives and depreciation methods of the assets is carried out and, if significant deviations are identified from the expected future useful life, they are adjusted. The adjustment is treated as a change in accounting estimates and is effective prospectively from the date of the change.

Write-off of non-current assets

Property, machinery and equipment is written off when it is sold or when no future economic benefits are expected from its use. The gains or losses arising on the write-off of the asset (representing the difference between the net proceeds from the sale, if any, and the carrying amount of the asset) are included in the Statement of Profit or Loss and Other Comprehensive Income when the asset is written off.

5.6. Leasing

The Company as a lessee

Lease Recognition Assessment

The Company assesses whether a contract is or contains a lease. A lease is defined as “a contract or part of a contract that conveys 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 assessments:

- whether the contract contains an identified asset that is either explicitly stated in the contract or implicitly stated at the time the asset is made available for use;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, to the extent 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 measurement

At the lease commencement date, 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 is the initial measurement of the lease liability, the initial direct costs incurred by the Company, an estimate of the costs that the lessee will incur to dismantle and remove the underlying asset at the end of the lease term, and any lease payments made prior to the lease commencement date, less lease incentives received.

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

At the lease commencement date, the Company measures the lease liability at the present value of the lease payments not yet paid, discounted at the Company’s incremental borrowing rate.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or is recognized 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 5 thousand euros) using the practical expedients provided in the standard. Instead of recognizing right-of-use assets and lease liabilities, payments related to them are recognized as an expense in profit or loss on a straight-line basis over the term of the lease.

The Company as a 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 incidental to 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 recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Classification

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

The classification of financial assets upon initial recognition depends on the contractual cash flow characteristics of the financial asset and the Company's business model for managing it. The Company's business model for managing its financial assets reflects the way in which the Company manages its financial assets to generate cash flows. The business model determines whether the cash flows result solely from the collection of contractual cash flows, from the sale of financial assets, or both.

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

A financial asset is measured at fair value through Other comprehensive income if the asset is held within a business model whose objective is to collect both contractual cash flows and sell financial assets and gives rise to cash flows that are solely payments of principal and interest.

A financial asset is measured at fair value through profit or loss, unless it is measured at amortized cost or at fair value through Other comprehensive income.

Measurement

Upon 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 related to 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 measured at amortized cost, at fair value through Other comprehensive income or at fair value through profit or loss.

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

Financial assets at amortized cost are measured based on the effective interest rate method. They are subject to impairment. The amortized cost of loans granted includes the portion of the outstanding principal, accrued interest and fee receivables that are part of the exposure of the financial instrument and the amount of the accumulated credit impairment allowance.

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

Derecognition

A financial asset is derecognized when the Company has no reasonable expectations of recovery of the asset. An asset is derecognized 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 assumed the obligation to pay the cash flows received in full, without material delay, to a third party through a transfer agreement. The Company has transferred substantially all the risks and rewards of ownership of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset but has transferred control of it.

Impairment

The Company recognizes an allowance 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 all cash flows that 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 are an integral part of the terms of the contract.

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

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

The analysis of expected impairment takes into account the historical experience of the Company, the credit history of customers and statistical data, and also uses a model for assessing the correlation of the dependence of credit risk on various macroeconomic indicators.

Three levels of credit risk classification have been 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 overdue amount of agreed payments does not exceed 30 days. Level 2 includes instruments whose credit risk has increased significantly since initial recognition, but for which there is still no objective evidence of loss. Level 3 refers to financial instruments for which there is objective evidence of non-performance and/or the agreed payments are overdue by more than 50 days.

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

The amount of impairment 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 loss is estimated as the difference between the carrying amount of the asset and the recoverable amount of the loans, which is the present value of the expected future cash flows, discounted at the original effective interest rate for the loan. The calculations of the impairment amounts are performed by the Company based on internally developed principles, rules and techniques.

The amount of impairment of receivables is calculated based on an aging analysis of receivables, customer relationship history, the presence of problems in the payment status of borrowers, the number of terminated contracts and other factors that help to report 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 recognized in the Statement of 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 the contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted based on currently 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 regularly to reduce differences between estimates and actual 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 recognized, previously recognized impairment losses are reversed by reducing the allowance account for impairment losses.

Financial liabilities

The Company's financial liabilities include trade and other payables, loans and other borrowings.

All liabilities are initially recognised at fair value, and in the case of loans and borrowings, 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 specified 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 discounts or premiums on 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 discharged, 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, such exchange or modification is treated as a derecognition of the original liability and the 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.

Offsetting (netting) of financial instruments

Financial assets and financial liabilities are offset (netted) and the net amount is reported in the statement of financial position, if there is an applicable legal right to offset the recognized amounts and if there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

The criteria that are applied to establish the presence of a current and legally enforceable right to offset are that it does not depend on a future event, i.e. it does not apply only upon the occurrence of some future event, it is possible to exercise and defend by legal means in the ordinary course of business, in the event of default/overdue and in the event of insolvency or bankruptcy.

5.8. Cash and cash equivalents

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

Cash and cash equivalents for the purposes of the cash flow statement consist of cash on hand and on bank accounts - on demand and/or with an original maturity of up to three months, which funds are free of any restrictions.

5.9. Interest income and interest expenses

Interest income and interest expenses for all interest-bearing financial instruments are recognized in Interest income and Interest expenses in the Statement of Profit or Loss and Other Comprehensive Income, applying the effective interest method for all instruments, except those designated as such at fair value. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the interest rate that exactly discounts expected 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 the cash flows by taking into account all contractual terms of the financial instrument but does not take into account future expected credit losses. The calculation includes all agreed 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 financing fee is received by the Company at the inception of the loan agreement and is allocated over the term of the agreement. It is recognized based on the effective interest rate method on the same principle as interest income.

Additionally, the Company realizes income from fees related to services for the subsequent management of the loans provided. These include fees for sending reminder letters, SMS, fees for deferring the maturity of an instalment, etc. These fees are recognized as income on an ongoing basis when the relevant service is performed and the payment for it is made.

5.11. Other income

Other income includes net positive results, as well as gross income that is generated from other activities outside the usual ones for the Company, and/or is incidental. Other income includes operating lease income, in accordance with the accounting policy and IFRS 16 - Leasing, as well as income from sales of receivables and fixed assets. Other income includes written-off and bad debts.

5.12. Administrative and financial expenses

Expenses are recognized when they are incurred based on the principles of current accrual and matching of income and expenses. Recognition of expenses for the current period is made when the corresponding income is accrued.

An expense is recognized immediately in the Statement of Profit or Loss and Other Comprehensive Income when the expense does not create future economic benefits or when and to the extent that the future economic benefits do not meet the requirements or cease to meet the requirements for recognition of an asset in the statement of financial position.

Negative exchange differences are reported as financial expenses. Exchange differences from foreign currency transactions are recognized net in the Statement of Profit or Loss and Other Comprehensive Income.

5.13. Staff income

Employee benefits include all forms of remuneration for work performed by employees and the relevant social security contributions required by law. In accordance with the requirements of IAS 19, accrued short-term employee benefits arising from unused employee leave and accrued based on current insurance rates, social security contributions on these benefits and other long-term benefits are also included.

<u>Short-term employee benefits</u>

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

The Company recognizes short-term liabilities for compensable leave arising from unused paid annual leave in cases where it is expected to be used within 12 months after the date of the reporting period during which the employees have performed the work related to these leaves.

<u>Long-term employee benefits</u>

Defined contribution plans

The main obligation of the Company as an employer in the Republic of Bulgaria is to provide mandatory social security for its employees.

The amounts of social security contributions are approved by the Law on the Budget of the Social Insurance Institution for the respective year. The contributions are distributed between the employer and the insured person in a ratio that changes annually and is determined by the Social Insurance Code.

These mandatory insurance pension plans, implemented by the Company in its capacity as an employer, are defined contribution plans.

The contributions due by the Company under the defined contribution plans for social and health insurance are recognized as a current expense in the statement of comprehensive income (in profit or loss), unless an IFRS requires this amount to be capitalized in the cost of a specific asset.

Defined benefit plans

According to the Labor Code, the Company, as an employer in the Republic of Bulgaria, is obliged to pay to the personnel upon retirement a benefit in the amount of two to six times the employee's salary, depending on the length of service with the Company at the date of termination of the employment relationship. The payment of these benefits depends not only on financial variables, but also on assumptions regarding demographic factors. At each reporting date, management estimates the approximate amount of potential costs payable at the current level of remuneration.

5.14. Taxes

Current taxes

The Company’s current tax liabilities do not arise from contractual relationships and are not classified as financial liabilities. Current tax is recognized as a liability to the extent that it has not been paid.

Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation 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 recognized 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.

Deferred tax liabilities are recognized for all future tax amounts related to taxable temporary differences.

Deferred tax assets are recognized for the recoverable amounts of taxes in future periods related to deductible temporary differences, carry forwards of unused tax losses and credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized.

At each balance sheet date, the Company reviews unrecognized deferred tax assets. The Company recognizes unrecognized deferred tax assets in prior periods to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

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 utilized. Any such reduction is reversed to the extent that it has become probable that sufficient taxable profit will be available.

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/repaid, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Current and deferred tax are recognised as income or expense and are 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 EOOD is a sole proprietorship with limited liability, registered in the Commercial Register.

The Company's capital consists of Capital stock, presented at nominal value according to the decision for registration in the Commercial Register, which is fully paid, and financial result, including at the date of the financial statement uncovered loss from previous years and loss for the current year.

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

As of 31 December 2021, the Company's share capital is BGN 4,000 thousand, distributed into 4,000 shares with a nominal value of BGN 1,000.

All income and expense items recognized for the period are included in profit or loss for the year, unless an IFRS standard or interpretation requires otherwise.

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

The preparation of Financial Statements in accordance with IFRS requires Management to make estimates, accruals 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 estimates and assumptions applied in these Financial Statements are as follows:

Fair value

According to IFRS 13, fair value is defined as the price for selling an asset or transferring a liability in an orderly transaction between market participants at the measurement date in a principal (or most advantageous) market under current market conditions.

In making the measurement, the Company uses a hierarchy of valuation methods according to the degree of observability of the inputs used to measure 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 quoted prices in an active market for identical assets or liabilities.

Level 2 – Fair value measurement based on observable inputs other than those in Level 1 but based directly or indirectly on them and attributable 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 carrying amount.

The Company does not have financial assets and liabilities for which the disclosed fair value is different from Level 3 of the hierarchy introduced above.

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

Impairment of loans and receivables

The Company applies the requirements for impairment of financial assets by recognizing a loss allowance for expected credit losses in accordance with IFRS 9. To the extent that the Company only assumes credit risks related to the implementation of its main business, namely - granting loans, the receivables subject to review for impairment are current receivables for principal, interest and fees from due instalments, as well as receivables arising from terminated loan agreements. All receivables are subject to review for indications of impairment at the date of the statement of financial position.

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

Stage 1 – serviced loans without a significant increase in credit risk since initial recognition;

Stage 2 – serviced loans with a significant increase in credit risk since initial recognition;

Stage 3 – loans past due more than 50 days for which the Company believes that the debtor is unlikely to pay its obligations in full.

An impairment loss is recognized when there are indications that the Company will not be able to collect all receivables and is recognized in the Statement of Profit or Loss and Other Comprehensive Income. The impairment loss on receivables represents the difference between the carrying amount of the receivable and its expected recoverable amount. As of 31 December 2022, the Company's management has made an assessment of the collectability of its receivables related to lease agreements.

Related to leasing contracts

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

5.17. Error reporting policy

Prior period errors are omissions or misstatements of the Company's Financial Statements for one or more prior periods that result from the failure to use or misuse of reliable information that was available when the Financial Statements for those periods were authorized for issue and that could have been reasonably obtained and taken into account in the preparation and presentation of those Financial Statements.

These errors include the effects of mathematical errors, errors in the application of accounting policies, and oversights or misstatements of facts.

Errors can arise in the recognition, measurement, presentation or disclosure of components of the Financial Statements. Potential current period errors discovered in the current period are corrected before the Financial Statements are authorized for issue. However, errors are sometimes discovered in a subsequent period and these prior period errors are corrected.

A prior period error is 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 date of the statement of financial position

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the Financial Statements are authorised for issue.

Two types of events are distinguished:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date);
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

The Company adjusts the amounts recognised in the Financial Statements to reflect adjusting events after the balance sheet date and updates the disclosures. When non-adjusting events after the balance sheet date are so material that non-disclosure would influence the ability of users of the Financial Statements to make business decisions, the Company discloses the following information for each material category of non-adjusting event after the balance sheet 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. Associated parties and transactions with them

For the purposes of these Financial Statements, the Company presents as Associated parties the owners, their subsidiaries and associates, key management personnel, as well as close members of their families, including Companies controlled by all of the above-listed persons, are considered and treated as Associated parties.

5.20. Contingent assets and liabilities

A contingent liability is:

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

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

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

6. Interest and fees income

	2022	**2021**
	thousand BGN	*thousand BGN*
Interest income on loans granted	1 201	267
Income from additional fees and conditions under loan agreements	1 795	224
Income from interest on late payments, fees and additional services for loan collection	191	2
Total:	**3 187**	**493**

7. Other operating income

	2022	2021
	thousand BGN	*thousand BGN*
Non-lending service fees	11	-
Lease write-off income	1	-
Other income	68	8
Total:	**80**	**8**

8. Total administrative and operating expenses

	2022	2021
	thousand BGN	*thousand BGN*
Salaries and social security expenses	(1 289)	(608)
Marketing and sales expenses	(910)	(240)
Consulting and audit expenses	(29)	(25)
Guarantee fee	(931)	-
Management fee	(1 812)	-
Commission expenses	(52)	(2)
System maintenance expenses	(144)	(39)
Bank fees expenses	(76)	(15)
Postal, courier and telecommunications services	(34)	(14)
Amortization expenses for loans granted to customers	(36)	(6)
Amortization expenses for right-of-use assets	(84)	(61)
Material expenses	(51)	(50)
Insurance expenses	(5)	-
Office rental expenses outside the scope of IFRS 16	(45)	(32)
Business travel expenses	(6)	(19)
Court and notary fees	(35)	(24)
Recruitment costs	(19)	(15)
Tax expenses and fees	(5)	(1)
Security costs	(2)	(3)
Office-related expenses	(18)	(13)
Translation services	(2)	(2)
Entertainment expenses	(33)	(11)
Other operating expenses	(4)	(14)
Total:	**(5 622)**	**(1 194)**

9. Interest expenses

	2022	2021
	thousand BGN	*thousand BGN*
Interest expenses on loan from AS IuteCredit Europe	(459)	(7)
Interest expenses according to IFRS 16	(13)	(12)
Total:	**(472)**	**(19)**

The Company is financed by AS IuteCredit Europe (new name from 15.05.2023. - Iute Group AS) pursuant to a concluded loan agreement.

10. Financial expenses

	2022	2021
	thousand BGN	*thousand BGN*
Loss from exchange rate differences	(5)	(4)
Total:	**(5)**	**(4)**

11. Tax expenses

	2022	2021
	thousand BGN	*thousand BGN*
Loss before taxes	(6 238)	(1 389)
Statutory tax rate for the year	*10%*	*10%*
Expected Tax expenses	(624)	(139)
Tax effect of permanent differences	1	-
Effect of unrecognized tax asset	34	-
Total:	**(589)**	**(139)**

12. Cash and cash equivalents

	31.12.2022	31.12.2021
	thousand BGN	*thousand BGN*
Cash on current accounts	1 550	987
Total:	**1 550**	**987**

The Company applies the standardized approach for calculating expected credit losses on cash in banks, and to determine the loss given default in the model parameters, the credit rating of the financial institutions in which the Company has deposited its cash is used. These credit ratings are mainly assigned by the following institutions: Moody’s, Standard and Poor’s, Fitch.

Credit rating of the financial institutions as of 31 December 2022: Eurobank Bulgaria AD – BBB.

The Company has performed an assessment of expected credit losses on cash and cash equivalents. The assessed value is less than 0.1% of the gross value of cash deposited with financial institutions, therefore it is determined as immaterial and is not accrued in the Company’s Financial Statements.

13.Loans granted to customers

	31.12.2022 г.	31.12.2021 г.
	thousand BGN	*thousand BGN*
Loans granted, gross	12 322	2 675
Interest and fees	879	183
Total loans granted, gross	**13 201**	**2 858**
Impairment allowance accrued	(4 075)	(669)
Loans granted, net	**9 126**	**2 189**

All loans have a fixed interest rate.
The movement in impairment losses on customer loans is as follows:

Impairment allowance accrued

	31.12.2022 г.	31.12.2021 г.
	thousand BGN	*thousand BGN*
At the beginning of period	**(669)**	**-**
Accrued during the year	(3 406)	(672)
Written off during the year	-	3
At the end of the period	**(4 075)**	**(669)**

Overdue loans

	31.12.2022 г.	31.12.2021 г.
	thousand BGN	*thousand BGN*
Loans not overdue	7 102	1 518
Loans overdue from 1 to 90 days	2 519	721
Loans overdue over 90 days	2 701	436
Total:	**12 322**	**2 675**

14.Properties, machines and equipment

thousand BGN	Computers and equipment	Other	Total
Accounted value			
Balance as of 31 December 2020.	**-**	**-**	**-**
Received	30	12	42
Balance as of 31 December 2021	**30**	**12**	**42**
Received	40	-	40
Balance as of 31 December 2022	**70**	**12**	**82**

Depreciation

Balance as of 31 December 2020.	**-**	**-**	**-**
Depreciation accrued	(3)	(3)	(6)
Balance as of 31 December 2021	**(3)**	**(3)**	**(6)**
Depreciation accrued	(30)	(6)	(36)
Balance as of 31 December 2022	**(33)**	**(9)**	**(42)**
Carrying amount as of 31.12.2021	**27**	**9**	**36**
Carrying amount as of 31.12.2022	**37**	**3**	**40**

15. Right-of-use assets

thousand BGN	**Right-of-use asset**	**Total**
Accounting value		
Balance as of 31 December 2020.	**-**	**-**
Entered	160	160
Balance as of 31 December 2021	**160**	**160**
Entered	545	545
Exited	(128)	(128)
Balance as of 31 December 2022	**577**	**577**
Depreciation		
Balance as of 31 December 2020.	**-**	**-**
Depreciation accrued	(61)	(61)
Balance as of 31 December 2021	**(61)**	**(61)**
Depreciation accrued	(84)	(84)
Depreciation written off	112	112
Balance as of 31 December 2022	**(33)**	**(33)**
Carrying amount as of 31.12.2021	**99**	**99**
Carrying amount as of 31.12.2022	**544**	**544**

The right-of-use asset represents an office that the Company uses. The term of the contract is until 31.10.2027. The contract was concluded with Offices Cherkovna EOOD.

16. Deferred tax assets

thousand BGN	Tax loss	Other	Total
Balance as of 31 December 2020.	**74**	**1**	**75**
(Expense)/income in the income statement 2021	134	5	139
Balance as of 31 December 2021	**208**	**6**	**214**
(Expense)/income in the income statement 2022	585	4	589
Balance as of 31 December 2022	**793**	**10**	**803**

According to Bulgarian law, tax loss incurred during the financial year can be carried forward and offset against future taxable profits in each of the next five financial years.

As of 31 December 2022 the Company has tax losses that can be carried forward as a real reduction of future taxable profit.

17. Other current assets

	31.12.2022 *thousand BGN*	**31.12.2021** *thousand BGN*
Suppliers on advances	37	22
Receivables from accountable persons	1	-
VAT for refund	26	-
Other receivables	4	14
Total:	**68**	**36**

18. Capital stock

As of 31 December 2022	**Number of shares**	**Subscribed capital**	**Paid-in capital**
AS IuteCredit Europe	8 200	8 200 000	8 200 000

As of 31 December 2021	**Number of shares**	**Subscribed capital**	**Paid-in capital**
AS IuteCredit Europe,	4 000	4 000 000	4 000 000

IuteCredit Bulgaria EOOD is a sole proprietorship with an equity of 8,200 thousand BGN, subscribed and fully paid. The equity is divided into 8,200 shares with a nominal value of 1,000 BGN each, with AS IuteCredit Europe (new name from 15.05.2023. - Iute Group AS) owning 100% of the Company's equity. The Company's equity was increased in 2022, as follows:

- on 06.04.2022, the equity was increased from 4,000 thousand BGN to 7,000 thousand BGN through contributions from the sole owner with the issuance of 3,000 new shares with a nominal value of 1,000 BGN each.
- on 12.12.2022, the equity was increased from 7,000 thousand BGN to 8,200 thousand BGN through contributions from the sole owner with the issuance of 1,200 new shares with a nominal value of 1,000 BGN each.

19. Long-term loans received

	31.12.2022	**31.12.2021**
	thousand BGN	*thousand BGN*
Principal	9 951	1 147
Interest	160	6
Total:	**10 111**	**1 153**

The Company has received a loan from AS IuteCredit Europe, Estonia (parent Company) pursuant to a loan agreement dated November 24, 2021, maturing on October 1, 2026. The interest rate under the loan agreement is fixed – 10%.

20. Commercial liabilities

	31.12.2022	**31.12.2021**
	thousand BGN	*thousand BGN*
Liabilities to residents	63	79
Liabilities to non-residents	-	1
Liabilities to group persons	421	-
Total:	**484**	**80**

21. Lease liabilities

	31.12.2022	**31.12.2021**
	thousand BGN	*thousand BGN*
Up to 1 year	87	81
Over 1 year	473	20
Total:	**560**	**101**

22.Other current liabilities

	31.12.2022 г.	31.12.2021 г.
	thousand BGN	*thousand BGN*
Liabilities to personnel	105	77
Liabilities for unused vacations	25	24
Liabilities for social security contributions	28	21
Other liabilities	82	14
Liabilities to customers	89	-
Total:	**329**	**136**

23.Associated parties

Associated parties of the Company include the sole owner of the capital in the person of AS IuteCredit Europe (new name from 15.05.2023. - Iute Group AS), other Companies of the group and key management personnel.

The Company discloses the following associated parties:

Owner of capital:

AS IuteCredit Europe (new name from 15.05.2023. - Iute Group AS), 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;
- IutePay Bulgaria EOOD, Bulgaria;
- MKD IuteCredit BH d.o.o. Sarajevo (ICBH), Bosnia and Herzegovina;
- B.C. Energbank S.A, Moldova;
- • IuteCredit Finance S.à r.l, Luxembourg.

Other enterprises that are associated parties:

- OÜ Alarmo Kapital, Estonia;
- OÜ Kavass, Estonia;
- Super Mart OÜ, Estonia;
- Super Mart Albania SH.P.K, Albania;
- Arco Vara AS, Estonia;

- Aia Tänav OÜ, Estonia.

Key management personnel of the parent Company as of 31 December 2022:

Tarmo Sild - CEO

Alar Ninepu - Chairman of the Supervisory Board

Kristi Sild - Member of the Supervisory Board

Janus Otsa - Member of the Supervisory Board

Key management personnel of the Company as of 31 December 2022:

- Irina Haralampieva Kraycheva

In 2022, IuteCredit Bulgaria EOOD carries out transactions with JSC IuteCredit Europe (new name from 15.05.2023 - Iute Group JSC).

The settlements between IuteCredit Bulgaria EOOD and AS IuteCredit Europe are as follows:

	31.12.2022	31.12.2021
	thousand BGN	*thousand BGN*
Loan granted	**10 111**	**1 153**

The transactions between IuteCredit Bulgaria EOOD and AS IuteCredit Europe are as follows:

	2022	2021
	thousand BGN	*thousand BGN*
Interest expenses	(459)	(7)
Management fee and guarantee fee costs	(2 464)	-
	(2 923)	**(7)**

Terms of transactions with associated parties

Loans and transactions with associated parties are at agreed prices that are not different from market prices. Apart from loans received from associated parties, the Company does not recognise any other liabilities arising from financing activities that are disclosed in accordance with Paragraphs 44A - 44E of IAS 7.

Cash flows from financing activities

Liabilities arising from financing activities	On January 1st	Cash received	Cash paid	Interest accrued	On January 31st
Loans received	**1 153**	**10 760**	**(2 261)**	**459**	**10 111**

24. Capital management

For ongoing monitoring and planning of the capital structure, the Company's management uses the gearing ratio, the ratio between total debt capital and the Company's capital.

The gearing ratio as of 31 December 2022 and 2021 is as follows:

	31.12.2022	31.12.2021
	thousand BGN	*thousand BGN*
Total debt capital	**11 502**	**1 483**
Decrease by cash and cash equivalents	(1 550)	(987)
Net debt capital	**9 952**	**496**
Total capital	629	2 078
Total capital	**10 581**	**2 574**
Gearing ratio	**0,94**	**0,19**

The specific activity 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 a number of financial risks. Management monitors the overall risk and seeks to minimize potential adverse effects on the Company's financial performance.

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

Credit risk

Credit risk refers to the potential inability of some borrowers to repay their obligations. Credit risk is assessed on a portfolio basis, taking into account the probability of default, expected changes in the macroeconomic environment and other factors.

Credit risk exposure by financial position items:

	31.12.2022	31.12.2021
	thousand BGN	*thousand BGN*
Cash and cash equivalents	1 550	987
Loans granted	9 126	2 189
Other current assets	68	36
Total:	**10 744**	**3 212**

Analysis of overdue loan receivables by days overdue:

	31.12.2022	31.12.2021
	thousand BGN	*thousand BGN*
From 1 to 90 days	2 519	722
From 91-180 days	1 109	375
Over 180 days	1 592	60
Total:	**5 220**	**1 157**

Distribution of receivables on loans granted by impairment levels as of 31.12.2022:

thousand BGN	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**

Distribution of receivables on loans granted by impairment levels as of 31.12.2021:

thousand BGN	Level 1	Level 2	Level 3	Total
Loans, gross	2 070	93	695	2 858
Impairment	(151)	(30)	(488)	(669)
Total loans, net	**1 919**	**63**	**207**	**2 189**

Allocation of impairment loss by impairment level:

thousand BGN	Level 1	Level 2	Level 3	Total
Impairment as of 01.01.2022	**151**	**30**	**488**	**669**
New financial assets	977	187	2 407	3 571
Receivables	(141)	(24)	-	(165)
Impairment as of 31.12.2022	**987**	**193**	**2 895**	**4 075**

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will have an impact on the Company's financial position and cash flows. The interest rates on the loans granted are fixed for the entire term of the contract.

Liquidity risk

Liquidity risk is associated with arranging financing to meet obligations related to financial instruments. The activity in 2022 and 2021 is financed by the group to which the Company belongs.

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

thousand BGN	Up to 1 year	1 to 5 years	Over 5 years	Total as of 31.12.2022г.
Fixed interest rate financial instruments – principal on loans, before impairment	4 785	7 537	-	12 322
Total:	**4 785**	**7 537**	**-**	**12 322**

The maturity structure of financial assets as of 31 December 2021 is as follows:

thousand BGN	Up to 1 year	1 to 5 years	Over 5 years	Total as of 31.12.2021
Fixed interest rate financial instruments – principal on loans, before impairment	1 775	900	-	2 675
Total:	**1 775**	**900**	**-**	**2 675**

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

	Up to 1 year	1 to 5 years	Over 5 years	Total as of 31.12.2022
Fixed interest rate financial instruments	-	10 111	-	10 111
Total:	**-**	**10 111**	**-**	**10 111**

The maturity structure of financial liabilities as of 31 December 2021 is as follows:

	Up to 1 year	1 to 5 years	Over 5 years	Total as of 31.12.2021
Fixed interest rate financial instruments	-	1 153	-	1 153
Total:	**-**	**1 153**	**-**	**1 153**

As of 31.12.2022 the Company has one loan granted by IuteGroup AS in the amount of BGN 10,111 thousand, maturing in October 2026.

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

Currency risk

Currency risk is the risk that the value of financial assets and liabilities will fluctuate 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 currency risk.

26. Events after the date of the Financial Statements

On January 19, 2024, a change in the management bodies was entered in the Commercial Register, adding Rosen Antov as General Manager. On October 24, 2024, Irina Kraycheva was removed as General Manager. On November 4, 2024, Liga Lemberga was added as General Manager.

On January 23, 2023, the capital was increased from BGN 8,200 thousand to BGN 11,200 thousand. On May 19, 2023, the capital was increased from BGN 11,200 thousand to BGN 15,200 thousand.

On June 14, 2024, a decision was made 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 report as of 31 December 2022 was approved and accepted by the General Manager in 18.02.2025.