Translation from Bulgarian

“IuteCredit Bulgaria” EOOD

ANNUAL FINANCIAL STATEMENTS

December 31, 2023

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ANNUAL ACTIVITY REPORT
AS OF DECEMBER 31, 2023

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 activities for 2023. It has been prepared in accordance with the requirements of Art. 39 of the Accounting Act and the requirements of the Commercial Act.

1. General information about the Company

“IuteCredit Bulgaria” EOOD ("the Company") is a sole-owner limited liability company, registered with the Registry Agency under UIC 205559807, and its registered office and address of management is Sofia City, Oborishte district, 38 Cherkovna Street, floor 1, office 4.

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

The Company provides loans to individuals in the amount of up to BGN 10 thousand 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 December 31, 2022, the Company's share capital is BGN 8,200 thousand distributed into 8,200 share units with a nominal value of BGN 1,000 each.

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

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

As of December 31, 2023, the Company is managed by Irina Kraycheva.

On January 19, 2024, a change in the management bodies was entered in the Commercial Register, and Rosen Antov was added as a manager of the Company.

The managers represent the Company jointly and separately

“IuteCredit Bulgaria” EOOD offers clients the opportunity to apply and receive loans via a web environment, mobile application and through a distribution network.

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

As of December 31, 2023, the Company's staff working under employment contract relationship is 40 employees (December 31, 2022 - 38 employees).

2. Financial results

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

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

As of December 31, 2023, the loan obligation amounts to BGN 15,008 thousand, and as of December 31, 2022 - BGN 10,111 thousand.

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

Income from interest and fees under loans granted at the end of 2023, in turn, includes:

• Income from interest on loans granted - BGN 3,484 thousand;

• Income from additional fees and conditions under loan agreements - BGN 5,434 thousand;

• Income from interest on late payment, fees and additional services for loan collection - BGN 1,192 thousand.

Other income represents less than 1% of the total income. Their amount amounts to BGN 145 thousand, including:

• Service fees not related to lending - BGN 18 thousand;

• Income from sale of receivables by assignment - BGN 126 thousand;

• Other income - BGN 1 thousand.

Administrative expenses for 2023 amounted to BGN 8,595 thousand, compared to BGN 5,622 thousand in 2022, with an increase of BGN 2,973 thousand, or 53%.

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

• Remuneration and social security expenses (BGN 2,005 thousand), (BGN 1,289 thousand for 2022);

• Guarantee fee (BGN 2,011 thousand), (BGN 931 thousand for 2022);

• Management fee (BGN 1,630 thousand), (BGN 1,812 thousand for 2022);
• Marketing and sales expenses (BGN 1,471 thousand), (BGN 910 thousand for 2022);

Interest expenses during the period are BGN 1,205 thousand, compared to BGN 472 thousand for 2022, or an increase of BGN 733 thousand. Of which:

• Interest expenses on a loan from IuteGroup AS - BGN 1,140 thousand, (BGN 459 thousand for 2022);

• Interest expenses according to IFRS 16 - BGN 65 thousand, (BGN 13 thousand for 2022)

In 2023, the expenses from the impairment of the loans provided amounted to BGN 5,316 thousand, compared to BGN 3,406 thousand for 2022.

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

3. Related parties

The Company's related parties include the sole owner of the capital in the person of Iute Group AS, the other companies in the Group and the key management personnel.

The Company discloses the following related parties:

Owner of capital:
Iute Group AS, Identification 11551447, foreign legal entity, country: Estonia.

Undertakings under common control:
• O.C.N. "IUTE CREDIT" SRL. ("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 IIuteCredit BH d.o.o. Sarajevo ("ICBH"), Bosnia and Herzegovina;
• B.C. Energbank S.A, Estonia;
• IUTE SAFE AD, North Macedonia.

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

Key management personnel of the parent company as of December 31, 2023:
Tarmo Sild – Chief Executive Officer
Allar Niinepuu - 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 December 31, 2023:

• Irina Haralampieva Kraycheva

On January 19, 2024, a change in the management bodies was entered in the Commercial Register, with Rosen Georgiev Antov also being added as a manager.

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

Irina Kraycheva is the owner of 50% of the company share units in "Publishing House Oktopod" OOD UIC 130133331.

In 2023, “IuteCredit Bulgaria” EOOD carried out transactions with IuteGroup AS and IutePay EOOD.

The settlements between “IuteCredit Bulgaria” EOOD and IuteGroup AS are as follows:

	31.12.2023	**31.12.2022**
	BGN`000	BGN`000
Received loan	**15,008**	**10,111**

The transactions between “IuteCredit Bulgaria” EOOD and IuteGroup AS are as follows:

	31.12.2023	**31.12.2022**
	BGN`000	BGN`000
Interest expenses	(1,140)	(459)
Expenses for management fee and guarantee fee	(3,357)	(2,464)
	(4,497)	**(2,923)**

The transactions between “IuteCredit Bulgaria” EOOD and “IutePay” EOOD are as follows:

	31.12.2023	**31.12.2022**
	BGN`000	BGN`000
External services expenses	**(27)**	**-**

Terms of transactions with related parties

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

Apart from loans received from related parties, the Company does not recognize 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 1**	**Received cash**	**Paid cash**	**Interest accrued**	**On December 31**
Loans received	**10,111**	**7,668**	**(3,911)**	**1,140**	**15,008**

4. Other information and corporate social responsibility

“IuteCredit” EOOD continues to develop and improve the products offered, working to expand the network of partners with whom it cooperates. New functionalities are added to the mobile application and the 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.

In 2023, “IuteCredit” EOOD won three awards at Career Show 2023 - "Best Employer in the Startup Category", "Feedback Strategy" and "Eco Employer".

For the second consecutive year, the Company was included in the top 100 of the best employers in Bulgaria.

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

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

5. Activities in the field of research and development

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

6. The Company has no registered branches.

7. Events after the date of the financial statement

On January 19, 2024, in the Commercial Register a change in the management bodies was entered, and Rosen Georgiev Antov was added as a manager of the Company.

By decision of the sole owner of 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 distributed into 17,200 share units of BGN 1,000 each.

Date: September 25, 2024

Manager: /digitally signed/
/Irina Kraycheva/

HLB BULGARIA

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
"IUTECREDIT BULGARIA" EOOD

Opinion

We have audited the financial statements of "IUTECREDIT BULGARIA" EOOD ("the Company"), which comprise the statement of financial position as at December 31, 2023 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 of December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the section of our report entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including the International Standards on Independence) of the International Ethics Standards Board for Accountants (the IESBA Code), together with the ethical requirements of the Independent Financial Audit Act (IFAA) applicable to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and 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 4,380 thousand for the year ended December 31, 2023, as of this date current liabilities exceed current assets by BGN 428 thousand. Accumulated losses as of December 31, 2023 amount to BGN 7,571 thousand. Cash flows from operating activities are negative in the amount of BGN 8,341 thousand. As of December 31, 2023, the subscribed capital of “IuteCredit Bulgaria” EOOD amounts to BGN 15,200 thousand, which exceeds the net assets of the Company as of this date by BGN 11,951 thousand. The Company is in a state of over-indebtedness within the meaning of Art. 742 of the Commercial Act.

As stated in Note 4 "Going concern" these events indicate that a material uncertainty exists that could cast significant doubt on the Company's ability to continue as a going concern. Management has received a formal guarantee by the owners of the capital to provide the necessary support for the Company to be able to meet its obligations. Our opinion is not modified in relation to this matter.

Other matters

The Company's comparative reporting period for the year ended December 31, 2022 has not been audited.

Other information other than the financial statements and the auditor's report thereon

Management is responsible for the other information. The other information consists of an activity report prepared by 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 other 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 other information and, in doing so, consider whether the other 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 other 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 activity 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 other information in order to assist us in forming an opinion on whether the other 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 activity report for the financial year for which the financial statements were prepared is consistent with the financial statements.

b) The activity report has been prepared in accordance with the requirements of Chapter Seven of the Accounting Act.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs 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 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 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.

Audit company
HLB BULGARIA OOD
Registration number 017
Stoycho Milev /digitally signed/
Manager

Dimitrina Stoyanova
Registered Auditor responsible for the audit
Registration number 0880 /digitally signed/

September 25, 2024

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Statement of financial position for the year ending on December 31

In BGN’000	Notes	31.12.2023	31.12.2022
Assets			
Cash and cash equivalents	12	551	1,550
Loans granted to customers	13	17,619	9,126
Property, plant and equipment	14	13	40
Right-of-use assets	15	425	544
Deferred tax assets	16	1,287	803
Other current assets	17	110	68
Total assets		**20,005**	**12,131**
Equity			
Basic capital	18	15,200	8,200
Uncovered loss from previous years		(7,571)	(1,922)
Loss for the financial years		(4,380)	(5,649)
Total equity		**3,249**	**629**
Liabilities			
Trade liabilities	20	440	484
Lease liabilities	21	473	560
Current tax liabilities		22	18
Other current liabilities	22	813	329
Long-term loans received	19	15,008	10,111
Total liabilities		**16,756**	**11,502**
Total equity and liabilities		**20,005**	**12,131**

The annual financial statements were approved on September 25, 2024 by the Manager of the Company.
The notes on pages 5 to 37 are an integral part of the annual financial statements.

Irina Kraycheva: /digitally signed/
Manager

Liliya Stefanova: /digitally signed/
Financial Director

Audit company
HLB BULGARIA OOD
Registration number 017
Stoycho Milev: /digitally signed/
Manager

Dimitrina Stoyanova: /digitally signed/
Registered auditor responsible for the audit
Registration number 0880

“IuteCredit Bulgaria” EOOD
Annual financial statements for the year ending on December 31, 2023

Statement of profit and loss and other comprehensive income for the year ending on December 31

In BGN’000	Notes	2023	2022
Interest and fee income	6	10,110	3,187
Other operating income	7	145	80
Loan impairment loss		(5,316)	(3,406)
Total administrative and operating expenses	8	(8,595)	(5,622)
Interest expenses	9	(1,205)	(472)
Financial expenses	10	(4)	(5)
Operating loss before tax		**(4,865)**	**(6,238)**
Tax expenses	11	485	589
Loss for the year		**(4,380)**	**(5,649)**
Other comprehensive income			
Total comprehensive income for the years		**(4,380)**	**(5,649)**

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Stoycho Milev: /digitally signed/
Manager

Dimitrina Stoyanova: /digitally signed/
Registered auditor responsible for the audit
Registration number 0880

Statement of changes in equity for the year ending on December 31, 2023

	Basic capital	Uncovered loss	Current loss	Total equity
In BGN’000				
Balance on January 01, 2022	**4,000**	**-**	**(1,922)**	**2,078**
Capital increase	4,200	-	-	4,200
Loss for the year	-	-	(5,649)	(5,649)
Total comprehensive income for the year	-	-	(5,649)	(5,649)
Carried to uncovered loss	-	(1,922)	1,922	-
Balance on December 31, 2022	**8,200**	**(1,922)**	**(5,649)**	**629**
Capital increase	7,000	-	-	**7,000**
Loss for the year	-	-	(4,380)	(4,380)
Total comprehensive income for the year	-	-	(4,380)	(4,380)
Carried to uncovered loss	-	(5,649)	5,649	-
Balance on December 31, 2023	**15,200**	**(7,571)**	**(4,380)**	**3,249**

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“IuteCredit Bulgaria” EOOD
Annual financial statements for the year ending on December 31, 2023

Statement of cash flows for the year ending on December 31, 2023

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

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Manager

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Registration number 017
Stoycho Milev: /digitally signed/
Manager

Dimitrina Stoyanova: /digitally signed/
Registered auditor responsible for the audit
Registration number 0880

Explanatory notes to the annual financial statements

1. General information and scope of activity

“IuteCredit Bulgaria” EOOD ("the Company") is a sole-owner limited liability company, registered with the Registry Agency under UIC 205559807, with its registered office and address of management in Sofia, Oborishte district, 38 Cherkovna Str., 1st floor, office 4.

The Company's scope of activity is: 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 that are not raised through public attraction of deposits or other repayable funds; provision of other financial services permitted under Art. 3 of the Credit Institutions Act, provided that if, in accordance with the 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 providing other financial services permitted under Art. 3 of the Credit Institutions Act.

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

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

The owner of the capital is Iute Group AS, identification number 11551447, a foreign legal entity, Estonia.

As of December 31, 2023, the Company is managed by Irina Kraycheva.

On January 19, 2024, a change in the management bodies was entered in the Commercial Register, with Rosen Antov being added as a manager.

The managers represent the Company jointly and severally.

As of December 31, 2023, the Company's employees working under employment contract relationship was 40 employees (December 31, 2022 - 38 employees).

2. Basis for preparation of the financial statements

The Company maintains its accounting records in Bulgarian lev (BGN), which is its reporting currency for presentation. The data in the financial statements and the notes thereto are presented in thousands of 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 (ICIFRS), 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 on January 1, 2023, and which have been adopted by the Commission of the European Union.

IFRS, as adopted by the EU, is the generally accepted name of the general purpose framework - an accounting basis equivalent to the framework introduced by the definition pursuant to § 1, item 8 of the Supplementary Provisions of the Accounting Act under the name "International Accounting Standards" (IAS).

3. Changes in accounting policies

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

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

• Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Statements for Appendix 2: Disclosure of Accounting Policies effective from January 1, 2023, adopted by the EU

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

• Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", effective from January 1, 2023, adopted by the EU

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 that help entities distinguish changes in accounting estimates from changes in accounting policies. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, while changes in accounting policies are usually applied retrospectively to past transactions and other past events, as well as to the current period. The amendments will help entities improve the quality of accounting policy disclosures so that the information is more useful to investors and other primary users of financial statements.

• Amendments to IAS 12 "Income Taxes": Deferred taxes related to assets and liabilities arising from single transactions, effective from January 1, 2023, adopted by the EU

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

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

The amendments to IAS 12 are:
- An exception to the requirements of IAS 12 for an entity not to recognise and disclose information about deferred tax assets and liabilities relating to OECD Pillar Two income taxes. An entity shall disclose that it has applied the exception.
- A disclosure requirement requiring an entity to disclose separately its current tax expense (income) relating to Pillar Two income taxes.
- A disclosure requirement requiring that, in periods in which Pillar Two legislation is enacted or substantially enacted but not yet effective, an entity disclose known or reasonably estimable information that helps users of financial statements understand the exposure the enterprise's second-pillar income taxes arising from this legislation.
- The requirement for an entity to apply the exception and the requirement to disclose that it has applied the exception immediately after the amendments are issued and retrospectively in accordance with IAS8.

• IFRS 17 "Insurance Contracts", effective from January 1, 2023, adopted by the EU

IFRS 17 replaces IFRS 4 Insurance Contracts. It requires the application of a current measurement model under which estimates are reviewed at each reporting period. Contracts are measured using:
- probability-weighted discounted cash flows;
- an explicit risk adjustment; and
- a service mark-up representing the unrealised contract profit that is recognised as revenue over the coverage period.

The standard allows an entity to elect to recognise changes in the discount rate either in profit or loss or in other comprehensive income. The new rules will be reflected in the financial statements and key performance indicators of all companies that issue insurance contracts.

• Amendments to IFRS 17 "Insurance Contracts": Initial application of IFRS 17 and IFRS 9 - Comparative information effective from January 1, 2023, adopted by the EU

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

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

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

3.2. Standards and interpretations issued by the IASB that are not yet effective and not early adopted by the Company

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

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

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

- the classification of liabilities as current or non-current should be based on existing rights at the end of the reporting period and to align the wording in all affected paragraphs to clarify the "right" to defer settlement of the liability for at least twelve months. It is explicitly stated that only rights available "at the end of the reporting period" should affect the classification of the liability;
- the classification is not affected by the Company's expectations of whether it will exercise its right to defer settlement of the liability; and
- the liability can be settled by transferring cash, equity instruments, other assets or services to the counterparty.

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

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

• Amendments to IFRS 14 "Deferred Accounts at Regulated Prices" effective from January 1, 2016, not adopted by the EU

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

• Amendments to IFRS 16 "Leases": Lease Obligations on Sale and Leasebacks effective no earlier than January 1, 2024, adopted by the EU

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

• Amendments to IAS 21 "Effects of Changes in Foreign Exchange Rates", effective from January 1, 2025, not adopted by the EU

The amendments to IAS 21 on lack of interchangeability will clarify when a currency is convertible into another currency and when it is not - a currency is convertible when the entity is able to convert that currency into the other currency through markets or exchange facilities that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency cannot be converted into another currency if the entity can obtain only an insignificant amount of the other currency.

Determining how the entity determines the exchange rate that applies when the currency is not convertible - when the currency is not convertible at the measurement date, the entity estimates the spot exchange rate as the rate that would apply in an orderly transaction between market participants at the measurement date and that would faithfully reflect prevailing economic conditions.

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

• Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the accounting treatment of 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 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 are applied prospectively.

* In December 2015, the IASB decided to defer the effective date of this amendment until the IASB finalises 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 be continuing in business for the foreseeable future without either intending or needing to liquidate, cease trading or seek relief 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 preparation 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 preparing the financial statements. Management has assessed the applicability of the going concern basis of accounting as a fundamental principle in preparing the financial statements.

The Company reported a net loss of BGN 4,380 thousand for the year ended December 31, 2023, with current liabilities exceeding current assets by BGN 428 thousand as of that date. Accumulated losses as of December 31, 2023 amounted to BGN 7,571 thousand. Cash flows from operating activities were negative at BGN 8,341 thousand. As of December 31, 2023, the subscribed capital of “IuteCredit Bulgaria” EOOD amounted to BGN 15,200 thousand, which exceeds the net assets of the Company as of that date by BGN 11,951 thousand. The Company is in a state of over-indebtedness within the meaning of Art. 742 of the Commercial Act.

The Management has received an official guarantee from the owners of the capital to provide the necessary support for the Company to be able to fulfil its obligations. The Management expects that during the next reporting period the Company will stabilize its financial position. The Management has no intention of reducing or terminating the Company's activities.

5. Significant accounting policy information

5.1. General provisions

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

The financial statements have been prepared in compliance with the principles for valuing all types of assets, liabilities, income and expenses in accordance with IFRS. The bases for valuation are disclosed in more detail further in the accounting policy of the financial statements.

5.2. Comparative data

The Company has agreed to present comparative information in its financial statements for a previous period.

When, for the purposes of more reliable 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 statement, comparative data for the previous period are reclassified in order to achieve comparability with the current reporting period. In the event of a change in accounting policy, correction of an error from a previous 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. Reporting currency

The functional currency of the Company and the reporting currency of presentation of the Company's financial statements is the Bulgarian lev. Since January 1, 1999, the Bulgarian lev has been fixed to the Euro at an exchange rate of 1.95583 Bulgarian levs (BGN) = 1 euro (EUR). Upon initial recognition, a foreign currency transaction is recorded in the functional currency, and the foreign currency amount is translated at 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 recorded 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 December 31, 2023 are as follows:

	December 31, 2023	December 31, 2022
	BGN	BGN
EUR 1 equals 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, estimates and reasonably justified assumptions that affect the reported amounts of assets and liabilities, income and expenses, as well as the disclosure of contingent assets and liabilities at the reporting date. These estimates, estimates and assumptions are based on information available at the date of the financial statements, and therefore future actual results could differ from them. Items that involve a higher degree of subjective judgment or complexity, or where assumptions and accounting estimates are significant to the financial statements, are disclosed in Note 5.16.

5.5. Property, plant and equipment

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

Initial acquisition

The 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, fees for persons related to the project, etc. The value threshold adopted by the Company for recognizing an asset in the property, plant and equipment group is BGN 700, below which acquired assets, regardless of having characteristics of fixed assets, are reported as a current expense.

Subsequent measurement

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

Subsequent costs

Subsequent costs incurred in replacing a separately recognised component of property, plant and equipment are capitalised after the relevant component has been derecognised. Other subsequent costs are capitalised only if they result in an increase in the economic benefits from the use of the asset beyond those initially identified for the asset. All other subsequent costs incurred in maintaining the asset in working condition are recognised as current in the statement of profit or loss and other comprehensive income.

Depreciation

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

The expected useful lives are as follows:

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

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

Derecognition of fixed assets

A property, plant 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 from the writing-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. Leases

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 judgements:
• 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, within the specified scope of its right to use the asset under the contract;
• the Company has the right to direct the use of the identified asset throughout the period of use.

Initial recognition and measurement

At the inception date of the lease, the Company recognises the right-of-use asset and the lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is the amount of the initial measurement of the lease liability, the initial direct costs incurred by the Company, an estimate of the costs, that the lessee will make to dismantle and move the underlying asset at the end of the lease and any lease payments made before 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 outstanding at that date, 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 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 EUR 5 thousand) using the practical expedients provided for 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 lease term.

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

<u>Recognition</u>

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

<u>Classification</u>

Upon initial recognition, financial assets are classified into three groups, based on 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.

An asset is measured at fair value through other comprehensive income if the asset is held within a business model 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.

<u>Measurement</u>

On initial recognition, the company measures a financial asset at its fair value. In the case of financial assets not carried at fair value through profit or loss, direct transaction costs attributable 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 their initial recognition, financial assets are reported 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 part 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: cash and cash equivalents, 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 delivered to the customer.

Derecognition

A financial asset is derecognized when the entity has no reasonable expectation 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 entity has assumed an obligation to pay the cash flows received in full, without material delay, to a third party through a transfer agreement. The entity has transferred substantially all the risks and rewards of ownership of the asset, or the entity 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 forecast 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 includes financial instruments for which there is objective evidence of default and/or the overdue payments exceed 50 days.

At the end of each reporting period, the company's management makes an assessment of which level a given financial asset belongs to. 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 age 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. Upon initial recognition, they are classified as liabilities at amortized cost.

Initially, all liabilities are recognized at fair value, and in the case of loans and borrowings, also trade and other payables, net of directly attributable transaction costs.

Financial liabilities are measured at amortized cost, with the exception of liabilities at fair value through profit or loss, financial guarantee contracts and others specifically specified in IFRS 9.

After initial recognition, the company measures interest-bearing loans received at amortized cost using the effective interest rate method. The amortized cost is calculated by taking into account any discounts or premiums on acquisition, as well as fees or costs that are an integral part of the effective interest rate. Amortization is included as a finance expense in the statement of profit or loss and other comprehensive income.

Financial liabilities are derecognized when the obligation is extinguished, or terminated, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are significantly 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 recognized 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 a legally enforceable right to offset the recognized amounts and 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 in the simultaneous existence of assets and liabilities, 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 set off are that it does not depend on a future event, i.e. it is not applicable only upon the occurrence of some future event, it is possible to exercise and defend by legal means in the course of ordinary activity, 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 in hand and in 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 expense

Interest income and interest expense for all interest-bearing financial instruments are recognized in interest income and interest expense in the Statement of Profit or Loss and Other Comprehensive Income, applying the effective interest rate method for all instruments, except those designated as such at fair value. The effective interest rate 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 considering all contractual terms of the financial instrument, but does not consider future expected credit losses. The calculation includes all contractual cash outflows and inflows that are an integral part of the effective interest rate, transaction costs, and all other premiums and discounts.

5.10. Fee and commission income

The financing fee is received by the Company at the beginning 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 subsequent management of the loans provided. These include fees for sending reminder letters, SMS, fees for postponing 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 realized 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 non-current assets. Other income includes written-off and unearned liabilities.

5.12. Administrative and financial expenses

Expenses are recognized when they arise based on the principles of current accrual and comparability between 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. Employee benefits

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 originating 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.

Short-term employee benefits

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 that amount as a result of past service rendered 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.

Long-term employee benefits

Defined contribution plans

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

The amounts of insurance 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. The total amount of the contribution for mandatory state social security and health insurance for 2023 is 32.7% for employees working under the conditions of the third category of labor.

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 in its capacity as an employer in Bulgaria is obliged to pay the staff upon retirement a compensation in the amount of two to six salaries 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 tax authorities, using tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are 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.

A deferred tax liability is 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, carryforward of unused tax losses and credits to the extent that it is probable that taxable profit will be available against which the 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 more probable that future taxable profit will be available against which the 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 asset or all of the deferred tax asset to be utilized. Any such decrease is reversed to the extent that it is more probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period in which the asset is realized or the liability is settled/repaid, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Current and deferred taxes are recognized 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 recognized 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 equity consists of share capital, presented at nominal value according to a decision for registration in the Commercial Register, which is fully paid, and financial result, including at the date of the financial statement an uncovered loss from previous years and a loss for the current year.

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

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

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

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

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

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

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

<u>Fair value</u>

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

In making the measurement, the Company uses a hierarchy of valuation techniques based on 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 measurements based directly on quoted market prices for identical assets or liabilities

Level 2 - Fair value measurements 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 measurements 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 fair value information for those assets and liabilities for which observable market information is available and whose fair value is materially different from the carrying amount.

The Company does not have any 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. As the Company assumes only 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:

Phase 1 - performing loans without a significant increase in credit risk since initial recognition;

Phase 2 - performing loans with a significant increase in credit risk since initial recognition;

Phase 3 - loans overdue for more than 50 days for which the Company believes that the debtor is unlikely to pay its obligations in full.

An impairment loss is made 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 December 31, 2023, the Company's management has made an assessment of the degree of collectability of its receivables.

Related to lease contracts

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

5.17. Policy for recording errors

Prior period errors are omissions or misstatements of the Company’s financial statements for one or more prior periods that arise from the failure to use or misuse of reliable information that was available at the time 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, oversights or misstatements of facts.

Errors can arise in connection with the recognition, measurement, presentation or disclosure of components of the financial statements. Potential errors for the current period discovered in the same 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 balance sheet date

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 date of the financial statement 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 date of the financial statement - the nature of the event, and an estimate of its financial effect or a statement that such an estimate cannot be made.

5.19. Related parties and transactions with them

For the purposes of these financial statements, the company presents as related 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, which are considered and treated as related parties.

5.20. Contingent assets and liabilities

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events 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 whose existence 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 fee income		
	2023	**2022**
	BGN'000	**BGN'000**
Interest income on loans granted	3,484	1,201
Income from additional fees and conditions under loan agreements	5,434	1,795
Income from interest on late payments, fees and additional services for loan collection	1,192	191
Total:	**10,110**	**3,187**

7. Other operating income		
	2023	**2022**
	BGN'000	**BGN'000**
Non-lending service fees	18	11
Income from lease write-off	-	1
Income from sale of receivables under assignment	126	-
Other income	1	68
Total:	**145**	**80**

8. Total administrative and operating expenses		
	2023	**2022**
	BGN'000	**BGN'000**
Salaries and social security expenses	(2 005)	(1 289)
Marketing and sales expenses	(1 471)	(910)
Consulting and audit expenses	(69)	(29)
Warranty fee	(2 011)	(931)
Management fee	(1 630)	(1 812)
Commission expenses	(212)	(52)
System maintenance expenses	(366)	(144)
Bank fees	(106)	(76)
Postal, courier and telecommunications services	(29)	(34)
Depreciation costs of property, plant and equipment	(37)	(36)
Depreciation costs of right-of-use assets	(125)	(84)
Costs of materials	(56)	(51)
Insurance expenses	(22)	(5)
Office rental expenses outside the scope of IFRS 16	(40)	(45)
Business travel expenses	(26)	(6)
Court and notary fees	(80)	(35)
Expenses related to staff selection	(83)	(19)
Tax and fee expenses	(58)	(5)
Expenses for fines and penalties	(4)	-
Expenses without a document	(4)	-
Security costs	(2)	(2)
Office-related expenses	(29)	(18)
Education and qualification expenses	(4)	-
Translation services	(2)	(2)
Entertainment expenses	(30)	(33)
Other operating expenses	(94)	(4)
Total:	**(8,595)**	**(5,622)**

9. Interest expenses		
	2023	**2022**
	BGN'000	**BGN'000**
Interest expenses on loan from Iute Group AS	(1,140)	(459)
Interest expenses under IFSR 16	(65)	(13)
Total:	(1,205)	472

The Company is financed by Iute Group AS according to a loan agreement.

10. Financial expenses		
	2023	**2022**
	BGN'000	**BGN'000**
Loss from exchange rate differences	(4)	(5)
Total:	**(4)**	**(5)**

11. Tax expenses		
	2023	**2022**
	BGN'000	**BGN'000**
Pre-tax loss	(4,865)	(6,238)
Statutory tax rate for the year	*10%*	*10%*
Estimated tax expenses	(487)	(624)
Tax effect of permanent differences	2	1
Effect of unrecognized tax assets	-	34
Total:	**(485)**	**(589)**

12. Cash and cash equivalents		
	31.12.2023	**31.12.2022**
	BGN'000	**BGN'000**
Cash on current accounts	551	1,550
Total:	**551**	**1,550**

The Company applies the standardized approach for calculating estimated 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 financial institutions as of December 31, 2023:

Eurobank Bulgaria AD - BBB

The Company has performed an assessment of estimated credit losses on cash and cash equivalents. The estimated 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 provided to customers		
	31.12.2023	**31.12.2022**
	BGN'000	**BGN'000**
Loans provided, gross	21,170	12,322
Interest and charges	2,146	879
Total loans provided, gross	**23,316**	**13,201**
Impairment allowance accrued	(5,697)	(4,075)
Loans provided, net	**17,619**	**9,126**

All loans have a fixed interest rate

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

Impairment allowance accrued

	31.12.2023	**31.12.2022**
	BGN'000	**BGN'000**
At the beginning of periods	**(4 075)**	**(669)**
Accrued during the year	(5 316)	(3 406)
Written off during the year	3 694	-
At the end of the period	**(5 697)**	**(4 075)**

Loans in arrears

	31.12.2023	**31.12.2022**
	BGN'000	**BGN'000**
Loans without arrears	11,850	7,102
Loans in arrears from 1 to 90 days	4,639	2,519
Loans in arrears over 90 days	4,681	2,701
Total:	**21,170**	**12,322**

14. Property, plant & equipment			
BGN'000	**Computers and equipment**	**Other**	**Total**
Carrying amount			
Balance as of December 31, 2021	**30**	**12**	**42**
Acquired	40	-	40
Balance as of December 31, 2022	**70**	**12**	**82**
Acquired	10	-	10
Balance as of December 31, 2023	**80**	**12**	**92**
Depreciation			
Balance as of December 31, 2021	**(3)**	**(3)**	**(6)**
Accrued depreciation	(30)	(6)	(36)
Balance as of December 31, 2022	**(33)**	**(9)**	**(42)**
Accrued depreciation	(34)	(3)	(37)
Balance as of December 31, 2023	**(67)**	**(12)**	**(79)**
Book value as of 31.12.2022	**37**	**3**	**40**
Book value as of 31.12.2023	**13**	**-**	**13**

15.Right-of-use assets		
BGN'000	**Right-of-use assets**	**Total**
Carrying amount		
Balance as of December 31, 2021	**160**	**160**
Acquired	545	545
Written off	(128)	(128)
Balance as of December 31, 2022	**577**	**577**
Acquired	6	6
Written off	(38)	(38)
Balance as of December 31, 2023	**545**	**545**
Depreciation		
Balance as of December 31, 2021	**(61)**	**(61)**
Accrued depreciation	(84)	(84)
Written off depreciation	112	112
Balance as of December 31, 2022	**(33)**	**(33)**
Accrued depreciation	(125)	(125)
Written off depreciation	38	38
Balance as of December 31, 2023	**(120)**	**(120)**
Book value as of 31.12.2022	544	544
Book value as of 31.12.2023	425	425

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			
BGN'000	**Tax losses**	**Other**	**Total**
Balance as of December 31, 2021	**208**	**5**	**214**
(Expense)/Revenue in the 2022 Income Statement	585	4	589
Balance as of December 31, 2022	**793**	**9**	**803**
(Expense)/Revenue in the 2023 Income Statement	472	13	485
Balance as of December 31, 2023	**1,265**	**22**	**1,287**

According to Bulgarian law, a 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 December 31, 2023, the Company has tax losses that can be carried forward as a real reduction of future taxable profit.

17. Other current assets		
	31.12.2023	**31.12.2022**
	BGN'000	BGN'000
Suppliers on advances	42	37
Receivables from accountable persons	1	1
Refundable VAT	-	26
Other receivables	67	4
Total:	**110**	**68**

18. Basic capital			
As of 31 December 2023	**Number of participatory shares**	**Registered capital**	**Paid in capital**
Iute Group AS	15,200	15,200,000	15,200,000
As of 31 December 2022	**Number of participatory shares**	**Registered capital**	**Paid in capital**
Iute Group AS	8,200	8,200,000	8,200,000

„IuteCredit Bulgaria" EOOD is a Single-Member Limited Liability Company with a capital of BGN 15,200,000, subscribed and fully paid. The capital is divided into 15,200 participatory shares with a nominal value of BGN 1,000 each, with Iute Group AS owning 100% of the Company's capital. The company's capital was increased twice in 2023, as follows:

- By decision of 23.01.2023 of Iute Group AS /previously named UteCredit Europe AS/, a company registered in Estonia, in its capacity as sole owner of the capital of „IuteCredit Bulgaria" EOOD, the capital was increased from BGN 8,200,000 to BGN 11,200,000 through contributions by the sole owner by the issuance of 3,000 new participatory shares, with a nominal value of BGN 1,000 each. The capital increase was effectively deposited into the account of „UteCredit Bulgaria" EOOD and was entered in the Commercial Register to the Registry Agency on 01.02.2023.

- By a decision of 19.05.2023 of Iute Group AS in its capacity as the sole owner of the capital of „IuteCredit Bulgaria" EOOD, the capital was increased from BGN 11,200,000 to BGN 15,200,000 and through contributions by the sole owner with the issuance of 4,000 new shares with a nominal value of BGN 1,000 each. The capital increase was effectively deposited into the account of „IuteCredit Bulgaria" EOOD and was entered in the Commercial Register to the Registry Agency on 30.05.2023.

- By a decision of the sole owner of 14.06.2024, a decision was made to increase the capital by BGN2,000,000 up to BGN 17,200,000. After the increase, the capital was distributed into 17,200 participatory shares, each by BGN 1,000.

19. Long-term loans received		
	31.12.2023	**31.12.2022**
	BGN'000	BGN'000
Principal amount	13,707	9,951
Interest	1,301	160
Total:	**15,008**	**10,111**

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

20. Trade payables		
	31.12.2023	**31.12.2022**
	BGN'000	BGN'000
Liabilities to local persons	151	63
Liabilities to foreign persons	1	-
Liabilities to group members	288	421
Total:	440	484

21. Lease liabilities		
	31.12.2023	**31.12.2022**
	BGN'000	BGN'000
Up to	103	87
Over 1 year	370	473
Total:	**473**	**560**

22. Other current liabilities		
	31.12.2023	**31.12.2022**
	BGN'000	BGN'000
Liabilities to personnel	251	105
Unused leave liabilities	51	25
Social security liabilities	35	28
Tax liabilities	39	-
Other liabilities	136	82
Liabilities to customers	301	89
Total:	**813**	**329**

23. Related parties

The Company's related parties include the sole owner of capital of the Company, Iute Group AS, other companies from the group and the key management personnel.
The Company discloses the following related parties:

Owner of the capital:

Iute Group AS, UIC 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, Estonia;
• IUTE SAFE AD, North Macedonia.

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

Key management personnel of the parent company as of 31 December 2023:
Tarmo Sild – Director General
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 December 31, 2023:

• Irina Haralampieva Kraycheva

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

In 2023, „IuteCredit Bulgaria” EOOD carried out transactions with IuteGroup AS and IutePay EOOD.

The settlements between „IuteCredit Bulgaria” EOOD and IuteGroup AS are as follows

	31.12.2023	**31.12.2022**
	BGN'000	BGN'000
Loan received	**15,008**	**10,111**

The transactions between „IuteCredit Bulgaria” EOOD and IuteGroup AS are as follows:

	2023	**2022**
	BGN'000	BGN'000
Interest expenses	(1,140)	(459)
Management fee and guarantee fee costs	(3,357)	(2,464)
	(4,497)	**(2,923)**

The transactions between “IuteCredit Bulgaria” EOOD and IutePay EOOD are as follows:

	2023	**2022**
	BGN'000	BGN'000
Outside services expenses	**(27)**	**-**

Terms of transactions with related parties

Loans and transactions with related parties are at agreed prices that do not differ from market prices.

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

Cash flows from financing activities

Liabilities arising from financial activities	**On the 1st of January**	**Cash received**	**Cash paid**	**Interest accrued**	**On the 31th of December**
Loans received	**10,111**	**7,668**	**(3,911)**	**1,140**	**15,008**

24. Capital management

The Company's management uses the gearing ratio, a ratio between total debt capital and the Company's equity, for ongoing monitoring and planning of the capital structure:

The gearing ratio as of December 31, 2023 and 2022 is as follows:

	31.12.2023	31.12.2022
	BGN'000	BGN'000
Total debt capital	**16,756**	**11,502**
Decrease by: cash and cash equivalents	(551)	(1,550)
Net debt capital	**16,205**	**9,952**
Total equity	3,249	629
Total capital	**19,454**	**10,581**
Debt ratio	**0.83**	**0.94**

The Company's specific activity determines the high value of the borrowed capital in the statement of financial position.

25. Financial risk management

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

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

Credit risk

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

Maximum credit risk exposure. Credit risk exposure by financial position items:

	31.12.2023	31.12.2022
	BGN'000	BGN'000
Cash and cash equivalent	551	1,550
Loans provided	17,619	9,126
Other current assets	110	68
Total:	**18,280**	**10,744**

Analysis of overdue loan receivables by days overdue:

	31.12.2023	31.12.2022
	BGN'000	BGN'000
From 1 up to 90 days	4,639	2,519
From 91 -180 days	1,741	1,109
Over 180 days	2,940	1,592
Total:	**9,320**	**5,220**

Distribution of receivables on loans granted by impairment levels as of 31.12.2023:

BGN'000	Level 1	Level 2	Level 3	Total
Loans, gross	16,244	779	6,293	23,316
Impairment	(1,150)	(280)	(4,267)	(5,697)
Total loan, net	**15,094**	**499**	**2,026**	**17,619**

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

BGN'000	Level 1	Level 2	Level 3	Total
Loans, gross	9,207	433	3,561	13,201
Impairment	(987)	(192)	(2,896)	(4,075)
Total loan, net	**8,220**	**241**	**665**	**9,126**

Distribution of impairment loss by impairment levels:

BGN'000	Level 1	Level 2	Level 3	Total
Impairment as of 01.12.2023	**987**	**193**	**2,895**	**4,075**
New financial assets	1,087	258	5,065	6,410
Repaid receivable	(924)	(170)	-	(1,094)
Written off receivable	-	-	(3,694)	(3,694)
Impairment as of 31.12.2023	**1,150**	**281**	**4,266**	**5,697**

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 2023 and 2022 is financed by the group to which the Company belongs.

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

BGN'000	Up to 1 year	From 1 up to 5	Over 5 years	Total as of 31.12.2023
Fixed interest rate financial instruments – principal on loans, before impairment	13,773	7,397	-	21,170
Total:	**13,773**	**7,397**	**-**	**21,170**

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

BGN'000	Up to 1 year	From 1 up to 5	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 liabilities as of December 31, 2023 is as follows:

BGN'000	Up to 1 year	From 1 up to 5	Over 5 years	Total as of 31.12.2023
Fixed interest rate financial instruments	**-**	**15,008**	**-**	**15,008**
Total:	**-**	**15,008**	**-**	**15,008**

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

BGN'000	Up to 1 year	From 1 up to 5	Over 5 years	Total as of 31.12.2022
Fixed interest rate financial instruments	-	10,111	-	10,111
Total:	**-**	**10,111**	**-**	**10,111**

As of 31.12.2023, the Company has one loan granted by IuteGroup AS in the amount of BGN 15,008,000, 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.

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, and Rosen Georgiev Antov was added as a manager.

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

27. Approval of the annual financial statement

The annual financial statement as of December 31, 2023 was approved and adopted by the Manager on September 25, 2024.

I, the undersigned Maria Nikolova Jekova-Momchilova, hereby certify that the above translation, consisting of forty one pages, is a true and correct English translation of the attached document – ANNUAL FINANCIAL STATEMENTS 31.12.2023.
Signature: Maria Nikolova Jekova-Momchilova