IuteCredit Bulgaria EOOD

ANNUAL FINANCIAL STATEMENTS
Unaudited figures

31 December 2024

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Statement of Financial Position for the Year Ended 31 December

In thousand BGN	**Appendices**	**31 December 2024**	**31 December 2023**
Assets			
Cash and cash equivalents	12	2 291	551
Loans granted to customers	13	31 730	17 619
Property, machines and equipment	14	42	13
Assets with right of use	15	365	425
Deferred tax assets	16	1 505	1 287
Other current assets	17	87	110
Total assets		**36 020**	**20 005**
Equity			
Capital stock	18	17 200	15 200
Accumulated profit/loss		(11 951)	(7 571)
Accumulated profit/loss		(2 270)	(4 380)
Total equity		**2 979**	**3 249**
Liabilities			
Long-term loans received	19	30 778	15 008
Commercial liabilities	20	840	440
Lease liabilities	21	424	473
Tax current liabilities		27	22
Other liabilities	22	972	813
Total liabilities		**33 041**	**16 756**
Total equity and liabilities		**36 020**	**20 050**

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

In thousand BGN	**Appendices**	**2024**	**2023**
Interest and fees income	6	17 272	10 110
Other operating income	7	1 926	145
Loans impairment losses		(8 306)	(5 316)
Total administrative and operating expenses	8	(11 038)	(8 595)
Interest expenses	9	(2 335)	(1 205)
Financial expenses	10	(6)	(4)
Operating loss before taxes		**(2 487)**	**(4 865)**
Tax expenses	11	217	485
Loss for the year		**(2 270)**	**(4 380)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(2 270)**	**(4 380)**

Statement of Changes in Equity for the year ended on 31 December 2024

In thousand BGN	**Capital stock**	**Accumulated loss**	**Total equity**
Balance on January 1, 2023	**8 200**	**(7 571)**	**629**
Equity increase	7 000	-	7 000
Loss for the year	-	(4 380)	(4 380)
Total comprehensive income for the year	-	(4 380)	(4 380)
Balance on 31 December 2023	**15 200**	**(11 951)**	**3 249**
Equity increase	2 000	-	2 000
Loss for the year	-	(2 270)	(2 270)
Total comprehensive income for the year	-	(2 270)	(2 270)
Balance on 31 December 2024	**17 200**	**(14 221)**	**2 979**

Cash flow statement for the year ended 31 December 2024

In thousand BGN	**2024**	**2023**
Cash flow from operating activities		
Payments to personnel	(1 904)	(1 250)
Payments to suppliers	(8 062)	(6 284)
Other receipts (payments), net	(1 134)	(807)
Cash flow from operating activities, net	**(11 100)**	**(8 341)**
Changes in operating assets and liabilities		
Net cash flow from operating activities	**(2 604)**	**(3 405)**
Cash flow from investing activities		
Purchase of loans granted to customers	(51)	(10)
Net cash flow from investing activities	**(51)**	**(10)**
Cash flow from financing activities		
Proceeds from owner for equity increase	2 000	7 000
Proceeds related to loans received	14 473	7 668
Payments related to loans received	(978)	(3 911)
Net cash flow from financing activities	**15 495**	**10 757**
Net increase (decrease) in cash and cash equivalents	**1 740**	**(999)**
Cash and cash equivalents at the beginning of the year	**551**	**1 550**
Cash and cash equivalents at the end of the year	**2 291**	**551**

Explanatory appendices to the annual Financial Statements

1.General information and scope of activity

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

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

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

As of 31 December 2024, the share capital of the Company is BGN 17,200 thousand distributed in 17,200 shares with a nominal value of BGN 1,000.

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

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

As of 31 December 2024, the Company is managed by Liga Lemberga.

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

The General Managers represent the Company jointly and separately.

As of 31 December 2024, the number of employees of the Company under employment law is 53 employees (31 December 2023 – 40 employees).

2.Basis for the drawing up of the Financial Statements

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

The annual Financial Statements of the Company have been prepared in accordance with all International Financial Reporting Standards (IFRS), which consist of: Financial Reporting Standards and Interpretations of the IFRS Interpretations Committee (IFRSIC), approved by the International Accounting Standards Board (IASB), and International Accounting Standards (IAS) and Interpretations of the Standing Interpretations Committee (SIC), approved by the International Accounting Standards Committee (IASC), which are effective as of 1 January 2024, and which have been adopted by the

Commission of the European Union.

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

3. Changes in accounting policy

The Company applies the following new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board, which have an effect on the Company's Financial Statements and are mandatory for application from the annual period beginning on January 1, 2024.

4. Going concern

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

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

The management has assessed the applicability of the going concern basis of accounting, as a fundamental principle in the preparation of the Financial Statements. Management has no intention of reducing or discontinuing the Company's operations.

5. Significant accounting policy information

5.1. General provisions

The most significant accounting policies applied in the preparation of the Financial Statements are set out below.

The Financial Statements have been prepared in accordance with the principles for valuing all types of assets, liabilities, income and expenses in accordance with IFRS. The bases of valuation are disclosed in more detail later in the accounting policies of the Financial Statements.

5.2. Comparative data

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

When, for the purposes of more faithful presentation of the reporting entities and transactions, it is necessary to make changes in their classification and presentation as separate components of the annual

Financial Statements, comparative data for the prior period are reclassified to achieve comparability with the current reporting period. In the event of a change in accounting policy, correction of an error from a prior period or change in the presentation of financial information, the correction is reflected retrospectively, and the Company provides an additional statement of financial position as of the beginning of the comparative period.

5.3. Accounting currency

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

The most significant exchange rates for the Company's operations as of 31 December 2024 are as follows:

	31 December 2024 BGN	31 December 2023 BGN
1 EUR is equal to	1.95583	1.95583

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

5.4. Accounting estimates

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

5.5. Property, machinery and equipment

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

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, project related fees, etc. The Company's adopted threshold for recognizing an asset in the Loans granted to customers group is BGN 700, below which acquired assets, regardless of whether they have characteristics of long-term assets, are reported as a current expense.

Subsequent measurement

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

Subsequent costs

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

Depreciation

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

The estimated useful lives are as follows:

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

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

Write-off of non-current assets

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

5.6. Leasing

The Company as a lessee

Lease Recognition Assessment

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

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

- the Company has the right to direct the use of the identified asset throughout the period of use.

Initial recognition and measurement

At the lease commencement date, the Company recognises the right-of-use asset and the lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is the initial measurement of the lease liability, the initial direct costs incurred by the Company, an estimate of the costs that the lessee will incur to dismantle and remove the underlying asset at the end of the lease term, and any lease payments made prior to the lease commencement date, less lease incentives received.

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

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

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

The Company has elected to account for short-term leases (up to 12 months) and leases of low-value assets (up to 5 thousand euros) using the practical expedients provided in the standard. Instead of recognizing right-of-use assets and lease liabilities, payments related to them are recognized as an expense in profit or loss on a straight-line basis over the term of the lease.

The Company as a lessor

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

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

5.7. Financial instruments

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

Financial assets

Recognition

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

Classification

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

The classification of financial assets upon initial recognition depends on the contractual cash flow characteristics of the financial asset and the Company's business model for managing it. The

Company's business model for managing its financial assets reflects the way in which the Company manages its financial assets to generate cash flows. The business model determines whether the cash flows result solely from the collection of contractual cash flows, from the sale of financial assets, or both.

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

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

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

<u>Measurement</u>

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

After initial recognition, financial assets are measured at amortized cost, at fair value through Other comprehensive income or at fair value through profit or loss.

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

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

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

<u>Derecognition</u>

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

<u>Impairment</u>

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

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

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

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

Three levels of credit risk classification have been introduced, with specific requirements for each level. Level 1 includes those financial instruments for which there has been no significant change in credit risk since initial recognition and the overdue amount of agreed payments does not exceed 30 days. Level 2 includes instruments whose credit risk has increased significantly since initial recognition, but for which there is still no objective evidence of loss. Level 3 refers to financial instruments for which there is objective evidence of non-performance and/or the agreed payments are overdue by more than 50 days.

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

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

The amount of impairment of receivables is calculated based on an aging analysis of receivables, customer relationship history, the presence of problems in the payment status of borrowers, the number of terminated contracts and other factors that help to report the collectability of the receivable.

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

Financial liabilities

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

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

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

Subsequent to initial recognition, the Company measures interest-bearing borrowings at amortised cost using the effective interest rate method. The amortised cost is calculated by taking into account any discounts or premiums on acquisition and any fees or costs that are an integral part of the effective interest rate. Amortisation is included as a finance cost in the Statement of Profit or Loss and Other Comprehensive Income.

Financial liabilities are derecognised when the liability is discharged, or terminated, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are materially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new one. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Offsetting (netting) of financial instruments

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

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

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

5.8. Cash and cash equivalents

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

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

5.9. Interest income and interest expenses

Interest income and interest expenses for all interest-bearing financial instruments are recognized in Interest income and Interest expenses in the Statement of Profit or Loss and Other Comprehensive Income, applying the effective interest method for all instruments, except those designated as such at fair value. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the interest rate that exactly discounts expected future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

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

5.10. Income from fees and commissions

The financing fee is received by the Company at the inception of the loan agreement and is allocated over the term of the agreement. It is recognized based on the effective interest rate method on the same principle as interest income.

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

5.11. Other income

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

5.12. Administrative and financial expenses

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

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

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

5.13. Staff income

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

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 this amount as a result of past service provided by employees, and the obligation can be reliably measured.

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

Long-term employee benefits

Defined contribution plans

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

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

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

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

Defined benefit plans

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

5.14. Taxes

Current taxes

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

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

Deferred tax assets and liabilities

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

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

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

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

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

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

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

5.15. Capital and reserves

IuteCredit Bulgaria EOOD is a sole proprietorship with limited liability, registered in the Commercial Register.

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

As of 31 December 2024, the Company's share capital is BGN 17,200 thousand, distributed into 17,200 shares with a nominal value of BGN 1,000.

As of 31 December 2023, the Company's share capital is BGN 15,200 thousand, distributed 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 an IFRS standard or interpretation requires otherwise.

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

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

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

The key estimates and assumptions applied in these Financial Statements are as follows:

<u>Fair value</u>

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

In making the measurement, the Company uses a hierarchy of valuation methods according to the degree of observability of the inputs used to measure fair value. Observable inputs reflect market information obtained from an independent source, while unobservable inputs reflect the Company's market assumptions. The two types of inputs define the following three levels in the fair value hierarchy:

Level 1 – Fair value measurement based directly on quoted prices in an active market for identical assets or liabilities.

Level 2 – Fair value measurement based on observable inputs other than those in Level 1 but based directly or indirectly on them and attributable to the asset or liability.

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

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

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

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

<u>Impairment of loans and receivables</u>

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

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

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

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

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

An impairment loss is recognized when there are indications that the Company will not be able to collect all receivables and is recognized in the Statement of Profit or Loss and Other Comprehensive Income. The impairment loss on receivables represents the difference between the carrying amount of the receivable and its expected recoverable amount. As of 31 December 2024, the Company's management has made an assessment of the collectability of its receivables related to lease agreements.

Related to leasing contracts

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

5.17. Error reporting policy

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

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

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

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

5.18. Events after the date of the statement of financial position

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

Two types of events are distinguished:

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

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

5.19. Associated parties and transactions with them

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

5.20. Contingent assets and liabilities

A contingent liability is:

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

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

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

6. Interest and fees income

	2024	**2023**
	thousand BGN	*thousand BGN*
Interest income on loans granted	7 232	3 484
Income from additional fees and conditions under loan agreements	7 148	5 434
Income from interest on late payments, fees and additional services for loan collection	1 756	1 192
Insurance revenue	1 136	-
Total:	**17 272**	**10 110**

7. Other operating income

	2024	**2023**
	thousand BGN	*thousand BGN*
Non-lending service fees	27	18
Revenue from debt sale	1 826	126
Other income	73	1
Total:	**1 926**	**145**

8. Total administrative and operating expenses

	2024	2023
	thousand BGN	*thousand BGN*
Salaries and social security expenses	(2 771)	(2 005)
Marketing and sales expenses	(2 020)	(1 471)
Consulting and audit expenses	(29)	(69)
Guarantee fee	(3 392)	(2 011)
Management fee	(1 086)	(1 630)
Commission expenses	(289)	(212)
System maintenance expenses	(487)	(366)
Bank fees expenses	(121)	(106)
Postal, courier and telecommunications services	(39)	(29)
Depreciation expenses for PPE	(22)	(37)
Depreciation expenses for right-of-use assets	(129)	(125)
Material expenses	(73)	(56)
Insurance expenses	-	(22)
Office rental expenses outside the scope of IFRS 16	(34)	(40)
Business travel expenses	(73)	(26)
Court and notary fees	(82)	(80)
Recruitment costs	(137)	(83)
Tax expenses and fees	(23)	(58)
Fees for penalties	(4)	(4)
Expenses without document	(10)	(4)
Security costs	(2)	(2)
Office-related expenses	(23)	(29)
Training costs	(54)	(4)
Translation services	(2)	(2)
Representative expenses	(14)	(30)
Other operating expenses	(122)	(94)
Total:	**(11 038)**	**(8 595)**

9. Interest expenses

	2024	2023
	thousand BGN	*thousand BGN*
Interest expenses on loan from AS IuteCredit Europe	(2 275)	(1 140)
Interest expenses according to IFRS 16	(60)	(65)
Total:	**(2 335)**	**(1 205)**

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

10.Financial expenses

	2024	**2023**
	thousand BGN	*thousand BGN*
Loss from exchange rate differences	(6)	(4)
Total:	**(6)**	**(4)**

11.Tax expenses

	2024	**2023**
	thousand BGN	*thousand BGN*
Loss before taxes	(2 487)	(4 865)
Statutory tax rate for the year	*10%*	*10%*
Expected Tax expenses	(249)	(487)
Tax effect of permanent differences	2	2
Effect of written off tax asset for tax loss 2019	30	-
Total:	**(217)**	**(485)**

12.Cash and cash equivalents

	31.12.2024	**31.12.2023**
	thousand BGN	*thousand BGN*
Cash on current accounts	2 291	551
Total:	**2 291**	**551**

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

Credit rating of the financial institutions as of 31 December 2024: Eurobank Bulgaria AD – BBB.

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

13.Loans granted to customers

	31.12.2024 г.	**31.12.2023 г.**
	thousand BGN	*thousand BGN*
Loans granted, gross	35 254	21 170
Interest and fees	4 055	2 146
Total loans granted, gross	**39 309**	**23 316**
Impairment allowance accrued	(7 579)	(5 697)
Loans granted, net	**31 731**	**17 619**

All loans have a fixed interest rate.

The movement in impairment losses on customer loans is as follows:

Impairment allowance accrued

	31.12.2024 г.	**31.12.2023 г.**
	thousand BGN	*thousand BGN*
At the beginning of period	**(5 697)**	**(4 075)**
Accrued during the year	(10 996)	(5 316)
Written off during the year	9 114	3 694
At the end of the period	**(7 579)**	**(5 697)**

Overdue loans

	31.12.2024 г.	**31.12.2023 г.**
	thousand BGN	*thousand BGN*
Loans not overdue	20 934	11 850
Loans overdue from 1 to 90 days	7 055	4 639
Loans overdue over 90 days	7 265	4 681
Total:	**35 254**	**21 170**

14.Properties, machines and equipment

thousand BGN	**Computers and equipment**	**Other**	**Total**
Accounted value			
Balance as of 31 December 2022	**70**	**12**	**82**
Received	10	-	10
Balance as of 31 December 2023	**80**	**12**	**92**
Received	34	17	51
Balance as of 31 December 2024	**114**	**29**	**143**
Depreciation			
Balance as of 31 December 2022	**(33)**	**(9)**	**(42)**
Depreciation accrued	(34)	(3)	(37)
Balance as of 31 December 2023	**(67)**	**(12)**	**(79)**
Depreciation accrued	(19)	(3)	(22)
Balance as of 31 December 2024	**(86)**	**(15)**	**(101)**
Carrying amount as of 31.12.2023	**13**	**-**	**13**
Carrying amount as of 31.12.2024	**28**	**14**	**42**

15. Right-of-use assets

thousand BGN	Right-of-use asset	Total
Accounting value		
Balance as of 31 December 2022	**577**	**577**
Entered	6	6
Exited	(38)	(38)
Balance as of 31 December 2023	**545**	**545**
Entered	69	69
Exited	-	-
Balance as of 31 December 2024	**614**	**614**
Depreciation		
Balance as of 31 December 2022	**(33)**	**(33)**
Depreciation accrued	(125)	(125)
Depreciation written off	38	38
Balance as of 31 December 2023	**(120)**	**(120)**
Depreciation accrued	(129)	(129)
Depreciation written off	-	-
Balance as of 31 December 2024	**(249)**	**(249)**
Carrying amount as of 31.12.2023	**425**	**425**
Carrying amount as of 31.12.2024	**365**	**365**

The right-of-use asset represents an office that the Company uses. The term of the contract is until 01.01.2030. The contract was concluded with Offices Cherkovna EOOD.

16. Deferred tax assets

thousand BGN	Tax loss	Other	Total
Balance as of 31 December 2022	**793**	**9**	**802**
(Expense)/income in the income statement 2023	472	13	485
Balance as of 31 December 2023	**1 265**	**22**	**1 287**
(Expense)/income in the income statement 2024	228	(10)	218
Balance as of 31 December 2024	**1 493**	**12**	**1 505**

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

As of 31 December 2024 the Company has tax losses that can be carried forward as a real reduction of future taxable profit.

17. Other current assets

	31.12.2024	**31.12.2023**
	thousand BGN	*thousand BGN*
Suppliers on advances	52	42
Receivables from accountable persons	-	1
VAT for refund	-	-
Other receivables	35	67
Total:	**87**	**110**

18. Capital stock

As of 31 December 2024	**Number of shares**	**Subscribed capital**	**Paid-in capital**
Iute Group AS	17 200	17 200 000	17 200 000

As of 31 December 2023	**Number of shares**	**Subscribed capital**	**Paid-in capital**
Iute Group AS	15 200	15 200 000	15 200 000

19.Long-term loans received

	31.12.2024	31.12.2023
	thousand BGN	*thousand BGN*
Principal	28 180	13 707
Interest	2 598	1 301
Total:	**30 778**	**15 008**

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

20.Commercial liabilities

	31.12.2024	31.12.2023
	thousand BGN	*thousand BGN*
Liabilities to residents	92	151
Liabilities to non-residents	2	1
Liabilities to group persons	746	288
Total:	**840**	**440**

21.Lease liabilities

	31.12.2024	31.12.2023
	thousand BGN	*thousand BGN*
Up to 1 year	133	103
Over 1 year	291	370
Total:	**424**	**473**

22. Other current liabilities

	31.12.2024 г.	31.12.2023 г.
	thousand BGN	*thousand BGN*
Liabilities to personnel	174	251
Liabilities for unused vacations	49	51
Liabilities for social security contributions	50	35
Tax liabilities	51	39
Other liabilities	183	136
Liabilities to customers	465	301
Total:	**972**	**813**

23. Associated parties

Associated parties of the Company include the sole owner of the capital in the person of Iute Group AS, other Companies of the group and key management personnel.

The Company discloses the following associated parties:

Owner of capital:

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

Key management personnel of the parent Company as of 31 December 2024:

Tarmo Sild - CEO

Alar Ninepu - Chairman of the Supervisory Board

Kristi Sild - Member of the Supervisory Board

Janus Otsa - Member of the Supervisory Board

Key management personnel of the Company as of 31 December 2024:

- Liga Lemberga

In 2024, IuteCredit Bulgaria EOOD carries out transactions with Iute Group JSC.

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

	31.12.2024	31.12.2023
	thousand BGN	*thousand BGN*
Loan granted	**30 778**	**15 008**

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

	2024	2023
	thousand BGN	*thousand BGN*
Interest expenses	(2 275)	(1 140)
Management fee and guarantee fee costs	(4 478)	(3 357)
	(6 753)	**(4 497)**

Terms of transactions with associated parties

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

24.Financial risk management

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

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

Credit risk

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

Credit risk exposure by financial position items:

	31.12.2024	31.12.2023
	thousand BGN	*thousand BGN*
Cash and cash equivalents	2 291	551
Loans granted	31 730	17 619
Other current assets	87	110
Total:	**34 108**	**18 280**

Analysis of overdue loan receivables by days overdue:

	31.12.2024	31.12.2023
	thousand BGN	*thousand BGN*
From 1 to 90 days	7 055	4 639
From 91-180 days	2 877	1 741
Over 180 days	4 387	2 940
Total:	14 319	9 320

Interest rate risk

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

Liquidity risk

Liquidity risk is associated with arranging financing to meet obligations related to financial instruments. The activity in 2024 and 2023 is financed by the group to which the Company belongs.

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

Currency risk

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

25.Events after the date of the Financial Statements

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

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