ACCESS FINANCE LTD
Report on the Activities
Independent Auditor’s Report
Separate Financial Statements

for the year ended 31 December 2021

Management presents its Separate Financial Statements for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards adopted by EU (EU-adopted IFRS). These Separate Statements are audited by MGI Delta LLC.

CORPORATE INFORMATION

ACCESS FINANCE Ltd. (the 'Company') is a Limited Liability Company established on 7 November 2013 and operating in Bulgaria as a non-banking financial institution. The registered address of the Company is Ivan Vazov Residential District, 1 Balsha Street, Block 9, 2nd floor, Sofia, Bulgaria. The Company is represented by the CEO Tsvetan Petkov Krastev.

Access Finance Ltd. is a non-banking financial institution with a focus on microlending and granting credits through credit cards using the White Card trademark. The Company grants small unsecured loans to low- and middle-income customers. The Company has subsidiaries in Romania and Spain and has no branches.

As of 31 December 2021, the total number of staff amounted to 224 employees (31 December 2020: 223 employees).

As of 31 December 2021, the capital of the Company amounted to BGN 1,270,000.00 divided into 1,270,000.00 shares of BGN 1.00 each as follows:

Partner	Number of shares	Amount of a share in BGN	Total amount in BGN	% of the capital
Management Financial Group JSco	958 750	1.00	958 750	75.49%
Tsvetan Petkov Krastev	125 000	1.00	125 000	9.84%
Svetoslav Georgiev Radovenski	62 500	1.00	62 500	4.92%
Ivan Paskalev Arnaudov	62 500	1.00	62 500	4.92%
Apostol Ustiyanov Mushmov	26 250	1.00	26 250	2.07%
Antoniya Vasileva Sabeva	25 000	1.00	25 000	1.97%
Angel Vasilev Madzhirov	1 250	1.00	1 250	0.10%
Ivelina Tskanova Kavurska	1 250	1.00	1 250	0.10%
Peter Blagovestov Damyanov	1 250	1.00	1 250	0.10%
Filip Georgiev Kadiyski	1 250	1.00	1 250	0.10%
Dimiter Alexandrov Prodanski	1 250	1.00	1 250	0.10%
Blagovest Yordanov Vitanov	625	1.00	625	0.05%
Maria Stavreva Velkova	625	1.00	625	0.05%
Pravda Georgieva Baremova	625	1.00	625	0.05%
Radostin Yuriyev Bogdanov	625	1.00	625	0.05%
Martin Staykov Yanev	625	1.00	625	0.05%
Gergana Milkova Dimitrova	625	1.00	625	0.05%
Total capital	1 270 000	1.00	1 270 000	100%

Each share gives the right to one vote at the General Meeting of Partners, the right to dividend and liquidation quota. The right to dividend and liquidation quota is determined in proportion to the nominal value of the shares. In 2021, the Company did not acquire or transfer own shares and as at 31 December 2021 and 31 December 2020, the Company had no treasury shares.

OVERVIEW

In 2021, Access Finance Ltd. managed to strengthen its market positions despite increasing competition in the sector and achieved good results. As of 31 December 2021, the Company has provided financing through 162,597 active credit cards (BGN 139,692 as of 31 December 2020) with an average amount of utilized limit of BGN 281 (BGN 240 as of 31 December 2020). The gross loan portfolio of the Company increased 29% on an annual basis and reached BGN 51,924 thousand at the end of 2021 (BGN 36,851 thousand as of 31 December 2020). The Company's revenues increased by 20% on an annual basis to BGN 40,011 thousand, and the net profit increased by 12% due to the good management of the cost structure.

In 2021, the Company operated in the context of a global coronavirus pandemic (COVID 19). During the year, the pandemic did not have significant negative effects on the Company. The Company does not expect the pandemic to have significant negative consequences in 2022.

Access Finance Ltd. operates in a highly developed and competitive financial services market and is exposed to price risk. Some of the Company's competitors are banking and nonbank financial institutions with access to cheap financial resources and advantage in pricing of competing products.

Access Finance Ltd. manages the risk of customers' default on loans and interest due through developed internal rules for credit risk management. The rules regulate the requirements for granting loans, classification of risk exposures and formation of provisions for impairment losses.

In order to manage credit risk, the Company has developed strict procedures for analysis and evaluation of potential borrowers, including scoring procedures and detailed verification of the provided data. Access Finance operates an effective system for monitoring of payments, as well as active measures for collection of receivables. Management closely monitors exposure to credit risk at each stage of credit process.

In terms of liquidity, the Company maintains liquid assets (including cash on hand and cash in current accounts) at all times, sufficient to meet the demand for loans and cover current payments.

The Company does not perform activities in the field of research and development.

Detailed overview of the financial results of the Company is available on pages 6 – 30.

Markets

Access Finance Ltd. successfully operates on the domestic market in Bulgaria by providing unsecured credits through White Card credit card. The main users of the financial product are individuals for whom quick and easy access to financing is important.

Significant events after the end of the reporting period

Influence of the military conflict between Russia and Ukraine on the activities of the company.

Following the Russian military build-up on the Russian-Ukrainian border at the end of 2021, the conflict deepened significantly and Russia launched a full-scale invasion of Ukraine on 24 February 2022. A large part of the international community condemned Russia for its actions and accused Russia of violating international laws and Ukrainian sovereignty. Many countries have introduced economic sanctions against Russia, Russian individuals or companies.

The company's management has analysed the impact of the military conflict on the Company's activities and has not identified any notable effects or risks. There is no direct relationship between the activity carried out by the Company and the military conflict.

Company's expected development and prospects

In 2022, the Company will focus on customer satisfaction in service and use of the products. One of the main highlights of the Company's activities in 2022 will be on loyal customers. The Company plans to launch new credit products, initiatives and programs for recurring customers.

The objectives of Access Finance Ltd. include increasing activities of sales team through active marketing systems and development of promotional schemes of the financial services offered. The future development of the Company is related to business expansion by attracting new customers and establishing its leading position in the market.

Responsibilities of the management

The management of Access Finance Ltd. has prepared the Financial Statements for 2021 which give a true and fair view of the state of the Company's affairs at the end of the year and its accounting results. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Management confirms that it has consistently applied adequate accounting policies and that the principle of prudence in assessing assets, liabilities, income and expenses is complied with when preparing the Financial Statements as of 31 December 2021.

Management also confirms that it has adhered to the applicable accounting standards, and the Financial Statements have been prepared on the going concern basis.

Management is responsible for the proper keeping of accounting records, proper management of assets and for taking the necessary measures to avoid and detect possible misuse and other irregularities.

Tsvetan Krastev
Manager

Date: 15 April 2022

ACCESS FINANCE LTD
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021
(All amounts are presented in BGN'000 unless otherwise stated)

	Note	2021	2020
Interest, fees and penalties income	3	40 011	31 847
Interest expense and bank fees	4	(1 453)	(939)
Net income from interest rates, fees and penalties		**38 558**	**30 908**
Other operating income, net	5	1 687	1 275
Impairment of financial assets, net	6	(15 185)	(12 036)
Impairment of investments in subsidiaries	13	(637)	(20)
Personnel costs	7	(5 416)	(4 295)
Total administrative and other operating expenses	8	(11 401)	(8 365)
Operating profit before tax		**7 606**	**7 467**
Corporate income tax	9	(763)	(747)
Profit for the period		**6 843**	**6 720**
Other comprehensive income		-	-
Total comprehensive income		**6 843**	**6 720**

The accompanying notes shall form an integral part of these financial statements.

This financial statement has been approved on 15 April 2022.

Manager	Prepared by
Tsvetan Krastev	Irena Davidkova

As per an Independent Auditor's Report
Audit company MGI Delta LLC

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

ACCESS FINANCE LTD
SEPARATE STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(All amounts are presented in BGN'000 unless otherwise stated)

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	10	876	951
Microloans granted to individuals	11	42 668	31 295
Loans granted to related parties	12	2 886	626
Investments in subsidiaries	13	4 385	3 652
Property, plant and equipment	14	430	159
Intangible assets	15	9	19
Right-of-use assets	16	1 309	340
Other assets	17	7 847	4 799
Deferred tax assets	18	24	19
TOTAL ASSETS		**60 434**	**41 860**
LIABILITIES			
Loans	19	20 723	9 425
Lease	20	1 309	395
Trade and other payables	21	2 283	2 283
Corporate tax payables		268	749
TOTAL LIABILITIES		**24 583**	**12 852**
EQUITY			
Registered capital		1 270	1 270
Retained profit		34 581	27 738
TOTAL EQUITY	22	**35 851**	**29 008**
TOTAL LIABILITIES AND EQUITY		**60 434**	**41 860**

The accompanying notes shall form an integral part of these financial statements.

This financial statement has been approved on 15 April 2022.

Manager Prepared by

Tsvetan Krastev Irena Davidkova

As per an Independent Auditor's Report
Audit company MGI Delta LLC

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

(All amounts are presented in BGN'000 unless otherwise stated)

	Registered capital	**Retained profit**	**Total equity**
Balance as at 1 January 2020	1 250	21 518	22 768
Total comprehensive income for the period			
Profit for the period	-	6 720	6 720
Transactions with owner, recognised directly in equity			
Dividends paid	-	(500)	(500)
Capital increase	20	-	20
Balance as at 31 December 2020	1 270	27 738	29 008
Total comprehensive income for the period			
Profit for the period	-	6 843	6 843
Balance as at 31 December 2021 г.	**1 270**	**34 581**	**35 851**

The accompanying notes shall form an integral part of these financial statements.

This financial statement has been approved on 15 April 2022.

Manager Prepared by

Tsvetan Krastev Irena Davidkova

As per an Independent Auditor's Report
Audit company MGI Delta LLC

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

ACCESS FINANCE LTD
SEPARATE CASH FLOW STATEMENT
for the year ended 31 December 2021

(All amounts are presented in BGN’000 unless otherwise stated)

	Note	2021	2020
Cash flows from operating activities			
Cash disbursed on microloans granted to individuals		(209 139)	(148 750)
Cash collected from microloans granted to individuals		220 903	167 339
Cash disbursed on loans granted to related parties		(5 775)	(1 560)
Payments related to staff		(5 270)	(4 168)
Other cash receipts from customers		1 634	1 650
Payments to suppliers		(9 391)	(7 292)
Payment of corporate tax		(1 248)	-
Other payments for operating activities, net		(1 113)	1 642
Net cash used for operating activities		**(9 399)**	**8 861**
Cash flows from investing activities			
Acquisition of fixed assets		(168)	(125)
Net cash used for investing activities		**(168)**	**(125)**
Cash flows from financial activities			
Loans received		22 446	300
Repayments of loans received, including interest rates		(12 469)	(8 200)
Payments related to lease agreements		(485)	(416)
Dividends paid		-	(494)
Capital increase		-	20
Net cash used for financing activities		**9 492**	**(8 790)**
Net increase/(decrease) in cash and cash equivalents		**(75)**	**(54)**
Cash and cash equivalents at the beginning of the period		**951**	**1 005**
Cash and cash equivalents at the end of the period	10	**876**	**951**

The accompanying notes shall form an integral part of these financial statements.

This financial statement has been approved on 15 April 2022.

Manager Prepared by

Tsvetan Krastev Irena Davidkova

As per an Independent Auditor’s Report
Audit company MGI Delta LLC

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

(All amounts are presented in BGN'000 unless otherwise stated)

1. General information

1.1 Legal status

ACCESS FINANCE Ltd. (the 'Company'), UIC: 202806978 is a Limited Liability Company established on 7 November 2013 and operating in Bulgaria as non-banking financial institution. The registered address of the Company is Ivan Vazov Residential District, 1 Balsha Street, Block 9, 2nd floor, Sofia, Bulgaria. The Company is represented by the CEO Tsvetan Petkov Krastev.

As of 31 December 2021, the capital of the Company amounted to BGN 1,270,000.00 divided into 1,270,000.00 shares of BGN 1.00 each as follows:

-	Management Financial Group JSco	-	958 750 shares of BGN 1.00 each	-	BGN 958 750.00
-	Tsvetan Petkov Krastev	-	125 000 shares of BGN 1.00 each	-	BGN 125 000.00
-	Svetoslav Georgiev Radovenski	-	62 500 shares of BGN 1.00 each	-	BGN 62 500.00
-	Ivan Paskalev Arnaudov	-	62 500 shares of BGN 1.00 each	-	BGN 62 500.00
-	Apostol Ustiyanov Mushmov	-	26 250 shares of BGN 1.00 each	-	BGN 26 250.00
-	Antoniya Vasileva Sabeva	-	25 000 shares of BGN 1.00 each	-	BGN 25 000.00
-	Angel Vasilev Madzhirov	-	1 250 shares of BGN 1.00 each	-	BGN 1 250.00
-	Ivelina Tsankova Kavurska	-	1 250 shares of BGN 1.00 each	-	BGN 1 250.00
-	Peter Blagovestov Damyanov	-	1 250 shares of BGN 1.00 each	-	BGN 1 250.00
-	Filip Georgiev Kadiyski	-	1 250 shares of BGN 1.00 each	-	BGN 1 250.00
-	Dimiter Alexandrov Prodanski	-	1 250 shares of BGN 1.00 each	-	BGN 1 250.00
-	Blagovest Yordanov Vitanov	-	625 shares of BGN 1.00 each	-	BGN 625.00
-	Maria Stavreva Velkova	-	625 shares of BGN 1.00 each	-	BGN 625.00
-	Pravda Georgieva Baremova	-	625 shares of BGN 1.00 each	-	BGN 625.00
-	Radostin Yuriyev Bogdanov	-	625 shares of BGN 1.00 each	-	BGN 625.00
-	Martin Staykov Yanev	-	625 shares of BGN 1.00 each	-	BGN 625.00
-	Gergana Milkova Dimitrova	-	625 shares of BGN 1.00 each	-	BGN 625.00

1.2 Activities

Access Finance Ltd. is a non-banking financial institution with a focus on microlending and granting credits through credit cards using the White Card brand. The Company grants small unsecured loans to low- and middle-income customers.

As of 31 December 2021, the total number of staff amounted to 224 employees (31 December 2020: 223 employees).

In accordance with the requirements of IFRS 10 'Consolidated Financial Statements', the Company also prepares consolidated financial statements.

2. Accounting policy

The main accounting policies applied in the preparation of these Separate Financial Statements are set out below. These policies are systematically applied to all reporting periods presented, unless otherwise stated.

The separate financial statement includes: Annual Statement of Comprehensive Income, Statement of Financial Position as of 31 December, Annual Statement of Changes in Equity, Annual Cash Flow Statement, and Notes to Financial statements. The financial statements have been prepared on a historical cost basis, except for items in the Statement of Financial Position requiring to be recognised at fair value in accordance with the applicable accounting standards. The company classifies expenses according to their nature.

2.1 Basis of preparation of separate financial statements

These financial statements have been prepared in all essentials aspects in accordance with the International Financial Reporting Standards adopted by the European Union (EU-adopted IFRS). The accounting framework of EU-adopted IFRS is regulated under section 8 of the Additional Provisions to the Accounting Act, such as the International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 and including the International Accounting Standards, the International Financial Reporting Standards and related interpretations, subsequent amendments to these standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board.

2.1.1 Comparative information

The Company provides comparative information in its financial statements for one previous period.

When for the purposes of more reliable presentation of reporting objects and operations it is necessary to make changes in their classification and their presentation as separate components of the financial statements, the comparative information for the previous period is reclassified in order to achieve comparability with the current reporting period. In case of a change in the accounting policy, correction of an error from a previous period or a change in the presentation of financial information, the adjustment shall be reflected retrospectively and the Company shall provide an additional Statement of Financial Position at the beginning of the comparative period.

2.1.2 Going concern principle

These Separate Financial Statements have been prepared on the going concern basis. As of the date of preparation of the Separate Financial Statements, the management has made an assessment of the Company's ability to continue its activities as a going concern, taking into account all available information about the foreseeable future, which is at least, but not limited to twelve months from the date of the Statement of Financial Position. The management of the Company has not identified potential risks and uncertainties due to Covid-19 that would affect the assessment of a going concern.

2.1.3 Changes in accounting policies and errors

The Company takes into account the changes in accounting policy retrospectively by adjusting the balance of each affected capital item at beginning of the previous period, as well as the other comparative amounts disclosed in the previous period, as if the newly adopted accounting policy has always been applied.

The Company shall correct retrospectively any material errors from previous periods by recalculating the comparative amounts for the previous period in which the error occurred.

2.1.4 New standards and clarifications

Initial application of new amendments to existing standards and interpretations effective in the current period

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU have entered into force for the current reporting period:

- **Amendment to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases** – Interest Rate Benchmark Reform – adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021);
- **Amendment to IFRS 16 Leases** – Covid-19 Related Rent Concessions beyond 30 June 2021 (adopted by the EU on 30 August 2021 for financial years beginning on or after 1 January 2021);

- **Amendment to IFRS 4 Insurance Contracts 'Extension of the Temporary Exemption from Applying IFRS 9'**, adopted by the EU on 16 December 2020 (the expiry date of the temporary exemption from IFRS 9 has been extended from 1 January 2021 to annual periods beginning on or after 1 January 2023);

The adoption of these amendments to the existing standards did not lead to significant changes in the financial statements of the Company.

Standards and amendments to existing standards issued by the IASB and adopted by the EU that have not yet entered into force

As of the date of approval of these financial statements, the following new standards issued by the IASB and adopted by the EU have not yet entered into force:

- **Amendment to IAS 16 Property, Plant and Equipment** – Proceeds before intended use, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- **Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets –** Onerous Contracts — Cost of Fulfilling a Contract, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- **Amendment to IFRS 3 Business Combinations –** Reference to the Conceptual Framework with the amendments to IFRS 3, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- **IFRS 17 Insurance Contracts –** including amendments to IFRS 17 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to various standards due to 'Improvements to IFRS (2018 – 2020 cycle)',** arising from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41), mainly in order to eliminate inconsistencies and clarify the wording (the amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 is for illustrative purposes only and therefore no effective date is specified).

New standards and amendments to existing standards issued by the IASB and adopted by the EU that have not been adopted by the EU yet

At present, IFRSs adopted by the EU do not differ materially from those adopted by the IASB, except for the following new standards, amendments to existing standards and new interpretations that have not yet been approved by the EU as of the date of approval of these financial statements (the effective dates below are for the complete IFRS):):

- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after 1 January 2016) – the EU has decided not to start the process of adopting this intermediate standard and to wait for the final standard;
- **IFRS 17 Insurance contracts,** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- **Amendment to IAS 1 Presentation of Financial Statements:** Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023);
- **Amendment to IAS 1 Presentation of Financial Statements:** Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023);
- **Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:** Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023);
- **Amendment to IAS 12 Income Taxes -** Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023);
- **Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures -** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and

subsequent amendments (the effective date has been postponed indefinitely until the completion of the equity valuation method);

- **Amendment to IFRS 17 Insurance contracts – Initial Application of IFRS 17 and IFRS 9 -** Comparative information (effective for annual periods beginning on or after 1 January 2023).

The Company expects that the adoption of these new standards, amendments to existing standards and new interpretations will not have a material effect on the Company's financial statements in the period of their initial application.

Hedge accounting for portfolios of financial assets and liabilities where principles have not been adopted by the EU is still unregulated.

In the Company' s judgement, the application of hedge accounting to financial asset and liability portfolios under **IAS 39 Financial Instruments - Recognition and Measurement** will not have a material effect on the financial statements, if applied at the reporting date.

2.2 Foreign currency transactions

(a) Functional and presentation currency

The individual items of the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The separate financial statements are presented in thousands of BGN, which is the functional and presentation currency.

The Bulgarian lev is pegged to the euro (EUR) through the currency board mechanism introduced in the Republic of Bulgaria as from 1 January 1999.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the Bulgarian National Bank's exchange rate at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from revaluation of assets and liabilities denominated in foreign currencies using the closing exchange rate are generally recognised in the income statement.

Foreign currency transaction gains and losses that relate to receivables and cash are presented in the income statement as 'financial income or expense'. All other foreign exchange gains and losses are presented in the income statement as 'other (losses)/gains – net'.

Monetary assets and liabilities denominated in foreign currencies are reported at the closing exchange rate of the BNB as at the balance sheet date.

Significant exchange rates:

	31 December 2021 BGN	**31 December 2020 BGN**
1 US dollar is equivalent to	1.72685	1.59386
1 euro is equivalent to	1.95583	1.95583

2.3 Revenue and expense recognition

Interest income and expenses

For all financial instruments carried at amortised cost, interest-bearing financial assets classified as available-for-sale and financial instruments recognised at fair value, interest income and expense are reported as 'interest income' and 'interest expense' in the financial statements using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset or financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows for the life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment options), but it does not consider future credit losses. The calculation includes all fees and commissions paid or received between the contractual parties that form an integral part of the effective interest rate, transaction costs and all other premiums and discounts granted or received.

Fees and commissions income and expenses

Fees and commissions income is recognised at the time of providing the service. Fees received for the provision of services for a certain period of time shall be charged within that period of time. Lending fees applicable to loans that are most likely to be disbursed and other loan-related fees are deferred (along with any additional costs) and recognised by changing the effective interest rate on the loan. Dividends are recognised as income in the Statement of Comprehensive Income after the right to receive such dividends has been established.

Income from penalties

Income from penalties and default of borrowers on loans granted are recognised in proportion to the duration of the loan. In case of early repayment, the residual amount of receivables is recognised as income on the date of early repayment.

Income from assigned receivables

Income from assigned receivables is comprised of amounts collected in excess of the carrying amount of the assigned receivables.

Dividend income

Dividend income is recognised at the time the right to receive the payment is established.

Revenue from contracts with customers

Company recognises revenue from contracts with customers in accordance with the settlement of the performance obligation as set out in the contract, in compliance with the rules of IFRS 15 Revenue from Contracts with Customers, namely:

- if the performance obligation is satisfied at a certain point in time ('time point'), the relevant revenue is recognised in profit or loss when the service is provided;
- if the performance obligation is satisfied over time, the relevant revenue is recognised in profit or loss to reflect the progress of fulfilment of such obligation.

To determine whether and how to recognise revenue, the Company applies the following 5 steps:

1. Identify the contract with a customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when the performance obligations are satisfied

Operating expenses are recognised in profit or loss when the services are used or at the date of their incurring.

2.4 Financial instruments

Classification

In accordance with IFRS 9 Financial Instruments, the Company classifies financial assets based on the financial asset management business model and the characteristics of the contractual cash flows of the financial asset as (1) measured at amortised cost, (2) measured at fair value through other comprehensive income and (3) measured at fair value through profit or loss.

A financial asset is classified as measured at amortised cost if the following conditions are met:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets which are measured at amortised cost are debt instruments (loans granted) whose business model is held for collecting cash flows. The business model may have the objective assets to be held for collecting contractual cash flows, even if the Company sells the financial assets when there is an increase in the credit risk of the asset. In order to determine whether there has been an increase in the credit risk of the assets, the Company shall take into account all reasonable and substantiated information, including forward-looking information. Regardless of their frequency and amount, sales initiated due to an increase in the credit risk of assets are not incompatible with a business model whose objective is financial assets to be held for collecting contractual cash flows, as the credit quality of financial assets is relevant to the Company's ability to collect contractual cash flows. The business model used by the Company for loans granted is 'held for collection'. The Company sells a financial asset when there is an increase in the credit risk of the asset, which is not inconsistent with this model.

A financial asset is classified as measured at fair value through other comprehensive income, if the following conditions are met:

- the financial asset is held in a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is classified as measured at fair value through profit or loss, if it is not measured at amortised cost or fair value through other comprehensive income.

Initial recognition

The Company recognises a financial asset or financial liability in the Statement of Financial Position when it becomes a party to a contract for a financial instrument. When the Company initially recognises a financial asset or liability, it shall classify and measure it in compliance with the requirements of IFRS 9 mentioned above.

The trade date is the date on which the Company commits itself to purchase or sell a financial asset or financial liability. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the Company had not acquired, issued or disposed of the financial instrument. Transaction costs include fees and commission paid to brokers, consultants and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Financial liabilities are initially recognised at fair value which are the proceeds from their issuance (fair value of the consideration received) net of transaction costs when they are material. Subsequently, they are presented at amortised cost and any difference between the net proceeds and the redemption value is recognised in profit or loss during the period of the loan using the effective interest rate method.

Subsequent measurement

After initial recognition, the Company shall measure financial instruments at:

- amortised cost; or
- fair value through other comprehensive income; or
- fair value through profit or loss.

The amortised cost is equal to:

- the amount at which the financial asset was measured at initial recognition
- minus the principal repayments
- plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, adjusted for impairment loss.

When applying the effective interest rate method, the Company identifies the fees that are an integral part of the effective interest rate of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument shall be treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, the change in fair value being recognised in profit or loss. In such cases, fees shall be recognised as income or expense upon initial recognition of the instrument.

Measurement at fair value

Fair value is the price that would be received upon sale of an asset or would be paid to transfer a liability in an ordinary transaction between market participants at the measurement date (in the main or most advantageous market) on market terms (i.e. exit price) irrespective of whether the price can be directly monitored or determined by other valuation methods.

In order to improve consistency and comparability in the measurement of fair value and related disclosures, the Company complies with IFRS 13, which defines a fair value hierarchy that categorises into three levels the inputs used in valuation methods used to measure fair value. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

Impairment

At each reporting date, the Company estimates the impairment loss for a financial instrument at a value equal to the expected credit losses over the entire term of the instrument, if the credit risk of the financial instrument has increased significantly since initial recognition. If the credit risk of the financial instrument has not increased significantly from initial recognition, the Company estimates the impairment loss for the financial instrument at a value equal to the expected credit losses for 12 months. If the Company has measured the impairment loss for a financial instrument at a value that is equal to the expected credit losses over the entire term of the instrument in previous reporting periods, but determines that the requirements for the expected credit losses for the entire term of the instrument are no longer met in the current reporting period, the Company shall measure the impairment loss at a value that is equal to the expected credit losses for 12 months as of the current reporting period. The Company recognises as impairment profit or loss in the income statement the amount of expected credit losses (or reversal) that is required to be adjusted for impairment loss at the reporting date.

Impairment loss is equal to the expected credit losses for 12 months (stage 1), if there is no significant increase in the credit risk as of the reporting date since initial recognition. Impairment loss is equal to the expected credit losses over the life of the instrument, if there is a significant increase in the credit risk as of the reporting date since initial recognition (stage 2) or if there is a default of the asset since initial recognition (stage 3). The transaction is always in stage 1 as of the initial date. Financial instruments with a maturity of less than 12 months are allocated to stage 1 or stage 2, but the relevant expected credit losses shall always be calculated taking into account the lifetime of the instrument that is less than 12 months - stage 1.

In accordance with the general approach, the criterion for transferring from one stage to another is symmetrical at transaction level. In particular, if in subsequent reporting periods the credit risk quality of the financial asset allocated to stage 2 improves and there is no longer a significant increase in credit risk since initial recognition, then the asset is allocated to stage 1.

The criterion for recognising an impairment loss equal to the expected credit losses over the life of the instrument could, in some cases, be based only on quality information or only on quantitative information. In other cases, quality information and quantitative information shall also be taken into account to determine the transfer criterion.

Financial liabilities

This category includes loans from banks, related parties and P2P investors. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are written off and through the amortisation process using the effective interest rate method.

Loans from P2P investors

The company has signed a cooperation agreement with an operator of an online peer-to-peer (P2P) investment platform regulated under the laws of the Republic of Estonia. The aim of the cooperation agreement is to attract funding through the P2P platform.

The P2P platform enables individual and corporate investors to receive pro rata interest cash flows and principal cash flows from debt instruments (receivables under microloans granted to individuals) issued by the Company in return for a prepayment. These rights are established through transfer agreements between investors and the P2P platform, which acts as an agent on behalf of the Company. The investor can choose how much to invest in a loan, the maximum threshold being up to 70% of the principal. The Company must pay to the investor the pro rata share of the funds borrowed for each debt instrument under the terms and conditions of the relevant individual agreement concluded between the Company and the customer.

The transfer agreements are (assignment) agreements with the right of recourse that require the Company to guarantee that the remaining part of the principal will be fully repaid to the investor in case that the client of the Company delays his/her payment of more than 60 days (buy-back guarantee). Transfers with rights of recourse ensure direct recourse to the Company, therefore they do not meet the requirements to be classified as passing agreements in accordance with IFRS 9. In particular, neither the investors nor the P2P platform bear any risks in relation to the creditworthiness of the Company's customer. In fact, the Company retains the risks and benefits of ownership of the financial asset. Therefore, these debt instruments of the Company are not eligible for consideration for partial write-off, and the Company does not write off the loans transferred through the P2P platform from the Statement of Financial Position. On the other hand, payables to investors are recognised in the Statement of Financial Position as payables on loans received.

Payables arising from assignments with right of recourse are initially recognised at cost, which is the fair value of the remuneration received from investors.

After initial recognition, funding attracted through a P2P platform is subsequently measured at amortised cost using the effective interest rate method. Amortised cost shall be calculated taking into account all issue costs and any discount or premium at settlement. Gains and losses are recognised as interest income/expenses in profit or loss when liabilities are written off. Expenses for interests paid to investors are presented as gross Interest expenses in the Statement of Comprehensive Income, calculated using the effective interest rate method.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position in cases where there is an enforceable right to offset the recognised amounts and it is intended to settle the asset or the liability on a net basis or to realise the asset and settle the liability at the same time.

2.5 Cash and cash equivalents

Cash and cash equivalents presented in the cash flow statement include cash, current accounts and bank deposits with an original maturity of less than three months.

2.6. Property, plant and equipment

Initial measurement

Plant and equipment (tangible fixed assets) are initially measured at cost, including the cost of acquisition, including customs fees and any direct costs of bringing the asset to working condition. Direct costs include: costs for a site preparation, costs for primary delivery and processing, installation costs, expenses for fees paid to people involved in the project, non-refundable taxes, etc. The company has set a threshold of BGN 700 and assets acquired at a cost below that threshold shall be treated as current expenses at the time of acquisition, irrespective whether they have the characteristics of fixed assets.

Subsequent measurement

The approach chosen by the Company for subsequent measurement of tangible fixed assets is the cost model as per IAS 16 Property, Plant and Equipment - asset is carried at cost less accumulated depreciation and impairment losses.

Depreciation methods

The Company uses the straight-line method for depreciation of tangible fixed assets. Land is not depreciated. Useful life by groups of assets is determined depending on the physical wear and tear of assets, the specific features of the equipment, the future uses and the presumed obsolescence.

Useful life by groups of assets is as follows:

- Buildings 25 years
- Equipment 25 years
- Computers and peripherals 2 years
- Vehicles 4 years
- Office furniture 6-7 years

The useful life of tangible fixed assets shall be reviewed at each financial year end and in case of significant deviations from the expected term of use of the assets, they shall be adjusted prospectively.

Subsequent costs

Expenses for repairs and maintenance are recognised as current expenses for the period when they are incurred. Any subsequent expenses related to tangible fixed assets, whose nature is associated with replacement of specific main parts, or with reorganisation and reconstruction, are capitalised at the book value of the relevant asset and the remaining useful life is reviewed as of the date of capitalisation. At the same time, the nondepreciated part of replaced components is written off from the asset's book value and is recognised in the current expenses for the period of reconstruction.

Impairment of assets

The carrying amount of tangible fixed assets is subject to impairment review in case of events or changes in circumstances that indicate that the asset's carrying amount could be permanently different from its recoverable amount. If case such of indicators, the assets shall be tested for impairment and if the recoverable amount of an asset is lower than its carrying amount, the carrying amount shall be reduced to its recoverable amount. The recoverable amount of tangible fixed assets is the higher of the fair value less disposal costs of an asset and its value in use. In measuring asset's value in use, future cash flows are discounted to their current value by using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks specific to the asset. Impairment loss is recognised in the Statement of Comprehensive Income.

Gain or loss on sale

Fixed tangible assets are derecognised from the Statement of Financial Position when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Gain or loss on sale of individual assets is determined by comparing revenues from their sale and their carrying amount at the date of sale. They are recognised net in 'Other operating income' in the Statement of Comprehensive Income.

2.7 Intangible assets

Intangible assets are measured at cost, less accumulated depreciation and impairment losses.

The Company uses straight-line method for depreciation of intangible fixed assets with a useful life of 2 years.

The carrying amount of intangible assets shall be tested for impairment in case of events or changes in circumstances indicating that their carrying value may exceed their recoverable value. Then impairment is included as an expense in the Statement of Comprehensive Income (in profit or loss for the year).

Expenses related to the maintenance of intangible assets are capitalised only in case of increase in the future economic benefit of the asset. All other expenses are recognised in the Statement of Comprehensive Income (in profit or loss for the year).

Intangible assets are derecognised from the Statement of Financial Position when they are permanently withdrawn from use and no future economic benefits are expected from their disposal.
Gain or loss on sale of individual intangible assets is determined by comparing revenues from their sale and their carrying amount at the date of sale. They are recognised net in 'Other operating income/(loss)' in the Statement of Comprehensive Income (in profit or loss for the year).

2.8 Investments in subsidiaries

Long-term investments in shares in subsidiaries are recognised at cost which is the fair value of the remuneration paid, including the direct costs for the investment less accumulated impairment.

The Company's investments in subsidiaries shall be tested for impairment. If impairment is established, it shall be recognised in the Statement of Comprehensive Income (in profit or loss for the year).

Investments in subsidiaries are derecognised when the rights deriving from them are transferred to another person based on legal grounds, and thus control over economic benefits of the relevant investment is lost. Gain or loss on their sale is recognised in 'Financial income' or 'Financial expenses' in the Statement of Comprehensive Income (in profit or loss for the year).

2.9 Lease

At the lease commencement date, whichever is earlier - the date of the lease agreement or the date of the parties binding with the main terms and conditions of the lease agreement, the Company shall assess whether the agreement constitutes or contains a lease. An agreement constitutes or contains a lease, if by virtue of that agreement the right to control the use of an asset for a certain period of time is conveyed for a consideration.

Lessee

The Company uses a uniform model for recognition and valuation of all lease agreements, except for short-term lease agreements (with a duration of up to 12 months from the commencement date of the lease and which do not have a purchase option) and lease agreements for low-value assets (such as tablets, personal computers, telephones, office equipment, etc.).

The Company has not used the practical expedient under IFRS 16, according to which a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company shall apply a policy to allocate the consideration in the contract that contain lease or non-lease components, on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

a) right-of-use assets

The Company shall recognise a right-of-use asset in the Statement of Financial Position at the commencement date of the lease, i.e. the date on which the underlying asset is available for use by the Company.

Right-of-use assets are recognised in the Statement of Financial Position at cost, less accumulated depreciation and impairment losses and adjustments due to revaluations and adjustments of lease liability. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;
- initial direct costs incurred by the Company in its capacity as lessee;
- recovery costs to be incurred by the Company for dismantling and removing the underlying asset, restoring the site on which the asset is located, or restoring the underlying asset to the condition required under the contract.

The Company shall depreciate the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the underlying asset is transferred under the lease agreement by the end of the lease term, it shall be depreciated over its useful life. Depreciation starts to accrue from the commencement date of the lease.

The Company has chosen to apply the cost model for all right-of-use assets.

Right-of-use assets are tested for impairment as per IAS 36 Impairment of Assets, applying impairment measurement and reporting policy similar to that applied to property, plant and equipment. The recoverable amount of right-of-use assets is the higher of the fair value less disposal costs of an asset and its value in use. In measuring asset's value in use, future cash flows are discounted to their current value by using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks specific to the asset. Impairment loss is defined as the difference between the recoverable amount and the carrying amount.

Right-of-use assets are recognised in 'Property, plant and equipment' in the Statement of Financial Position, and their depreciation – in 'Depreciation expenses' in the Statement of Comprehensive Income.

b) lease liabilities

The Company recognises lease liabilities at the commencement date of the lease, measured at the present value of the lease payments that are not paid at that date. They include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date of the lease;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease agreement, if the lease term reflects the Company-lessee exercising an option to terminate the lease;
- amounts that the Company expected to be payable by the lessors under residual value guarantees.

Variable lease payments that do not depend on indices or revaluations are associated with the performance or use of the underlying asset are not included in the valuation of the lease liability and the right-of-use asset. They shall be recognised as current expenses in the period when the event or circumstance giving rise to those payments occurs.

Lease payments shall be discounted at the interest rate set out in the contract, if it cannot be determined directly or at the Company's differential interest rate which it would pay, if it borrows the financial resources necessary to obtain an asset whose value is similar to the value of the right-of-use asset, for a similar period of time, with similar collateral and in a similar economic environment.

Lease payments (installments) contain in a certain ratio the financial expenses (interest rate) and the remaining part of the lease liability (principal). The interest expense on the lease is recognised in the Company's Statement of Comprehensive Income (in profit or loss for the year) regularly for the lease term, so as to achieve a permanent interest rate for the remaining part of the principal under the lease liability, and is recognised as 'Financial expenses'.

Lease liabilities are disclosed in separate lines in the Statement of Financial Position: 'Lease liabilities – long-term' - the non-current part of liabilities, 'Lease liabilities - short-term' - the current part of liabilities

The Company shall subsequently measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount of the lease liability to reflect any reassessment or lease modifications;
- residual value guarantees are reviewed and adjusted at the end of each reporting period, if necessary.

The Company shall remeasure its lease liabilities (and shall also record corresponding information for the relevant right-of-use assets ') when:

- there is a change in the lease term or in case of an event or circumstance that resulted to a change in the valuation of the purchase option whereby the adjusted lease liabilities are recalculated at an adjusted discount rate;
- there is a change in lease payments resulting from a change in the index or percentage, or there is a change in the amounts expected to be payable on the residual value guarantees, whereby the adjusted lease liabilities are restated at the unchanged (original) discount rate (unless the change in lease payments results from a change in floating interest rates, in which case an adjusted discount rate is used to reflect changes in the interest rate);
- the lease agreement has been modified and this modification has not been reflected as separate lease, and in such case the lease liability is recalculated based on the term of the modified lease, discounting the modified lease payments at an adjusted discount rate at the effective date of the amendment.

c) Short-term leases and lease agreements for which the underlying asset is of low value

The Company applies the exemption under IFRS 16 from the requirement to recognise a right-of-use asset and lease liability for its short-term leases on buildings and vehicles and for its leases on low-value assets, i.e. printers and other devices, which the Company considers to be of low value being new and used individually within the Company, without being dependent on and closely related to other assets.

Short-term lease payments and leases where the underlying asset is of low value are recognised directly as current expense in the Statement of Comprehensive Income (in profit or loss for the year) on a straight-line basis over the lease term.

2.10 Income taxes

Current income taxes

Current income taxes of the Company are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate in Bulgaria for 2021 is 10% (2020: 10%).

Deferred income tax

Deferred income taxes are determined using the balance sheet method on all temporary differences as of the financial statements date, between the carrying amounts of the assets and liabilities and their tax bases. A deferred tax liability is recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and the carryforward of unused tax losses, to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences can be utilised, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit (loss) as of the transaction date.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary differences will occur in the same period, whereby they could be deducted.

Deferred taxes related to items directly recognised in equity or other as other components of comprehensive income, balance sheet item or other component of comprehensive income are also reported directly in the relevant equity component, balance sheet item, or other component of comprehensive income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset will be realised, and the liabilities will be settled (repaid) on the basis of the tax laws that have been enacted or are expected to be enacted with a high degree of certainty.

As of 31 December 2021, the deferred tax assets and liabilities of the Company were measured at a rate of 10% (31 December 2020: 10%).

2.11 Employee benefits

Short-term benefits

Short-term employee benefits (other than employment termination benefits) include salaries, bonuses, compensation for unused leave, social and health insurance contributions.

The undiscounted amount of short-term employee benefits expected to be paid is recognised by the Company as an expense in the period when the personnel provided the services related to these benefits (regardless of the date of payment) corresponding to other liabilities in the financial statements.

Short-term employee benefits resulting from unused leave shall be calculated as the number of days of unused paid leave of each employee multiplied by his/her gross daily wage.

Long-term benefits

The liabilities of the Company arising from long-term employee benefits other than pension plans include future employee benefits payable in exchange for services rendered to the Company in the current or prior periods that are not payable wholly within 12 months of completion of the services.

The Company has an approved supplementary pension plan. Pursuant to the Labor Code, upon termination of employment, after the employee has acquired the right to retirement and old age pension, the Company is obliged to pay them a benefit equal to double the gross monthly salary at the date of termination of employment relationship. If the employee has worked for the Company for the last 10 years, the amount of the compensation shall be equal to the six-month amount of his/her gross remuneration.

2.12 Provisions

A provision is recognised when:

- the Company has a present (legal or constructive) obligation as a result of past events;
- there is a likelihood that an outflow of resources containing economic benefits will be required to settle the obligation;
- a reliable estimate of the value of the liability can be made.

Amounts recognised as provisions are the best estimates of the expenditure required to settle present obligations. The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

In cases where there are multiple obligations of a similar nature, the likelihood of settlement is determined by examining those similar obligations in general. A provision is recognised even if the probability of payment of a separate liability by the group of similar liabilities is low. Provisions are discounted when the effect is material, in which case the amount of the provision represents the present value of the payments expected to be made to cover the liability. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount rates should not reflect risks for which future cash flow estimates have been adjusted. The increase in the provision due to the passage of time is recognised as an interest expense.

In the next reporting period, the expenses actually incurred to repay the present obligation are reported not as current expenses, but as a reduction to the provisions previously accrued. After the obligation is fully repaid, the unused provisions, if any, shall be written off.

2.13 Equity

Equity is the Company's registered capital based on the applicable legal provisions and the Articles of Association. The nominal amount of the Company's registered capital is specified in the Articles of Association and in the Commercial Register.

Retained profit includes net profit (loss) for the year recognised in the Statement of Comprehensive Income and accumulated gains (losses) from previous years.

2.14 Distribution of dividends

The distribution of dividends to the partners of the Company is recognised as a liability in the financial statements of the Company in the period in which it was approved by the partners of the Company.

2.15 Related parties

For the purposes of these financial statements, the Company presents as related parties the parent company, its subsidiaries and associates, managerial staff, as well as close members of their families, including companies controlled by all the above persons.

2.16 Significant accounting estimates, judgements and assumptions when applying the accounting policy

When preparing these financial statements in compliance with IFRSs, the management has made judgements, estimates and assumptions that affect the application of accounting policies and reported assets and liabilities, income and expenses.

(All amounts are presented in BGN'000 unless otherwise stated)

These estimates are based on the information available as of the date of preparation of the financial statements and actual results may differ from these estimates. Adjustments to estimates are recognised in the period in which the estimates are adjusted and in all relevant future periods.

The main areas that require estimates and judgements are as follows:

- Impairment losses on receivables - Note 2.4
- Recognition of deferred tax assets – Note 2.7
- Recognition of a right-of-use asset and liability under lease agreements – Note 2.8
- Determination of fair value – Note 2.4

3. Interest, fees and penalties income

	2021	2020
Interest income	15 700	10 640
Income from penalties	24 311	21 207
Interest, fees and penalties income	**40 011**	**31 847**

4. Interest expense and bank fees

	2021	2020
Interest expenses for loans granted by nonrelated parties	40	-
Interest expenses for loans granted by related parties	1 153	852
Interest expenses related to lease agreements	7	18
Interest expenses for loans granted by P2P platforms	127	-
Expenses for bank fees	126	69
	1 453	**939**

5. Other operating income, net

	2021	2020
Income from cession of receivables	1 647	1 678
Income from foreign exchange transactions and revaluations	-	1
Revenue from services	1 615	543
Receivables write off	(1 560)	(937)
Loss from foreign exchange transactions and revaluations	(15)	(30)
	1 687	**1 275**

6. Impairment of financial assets, net

	2021	2020
Impairment expense microloans granted to individuals, net	12 542	8 231
Impairment expense loans granted to related parties	2 643	3 805
	15 185	**12 036**

7. Personnel costs

	2021	2020
Salaries and remuneration	4 664	3 670
Social insurance	735	611

(All amounts are presented in BGN'000 unless otherwise stated)

Expenses for payables to personnel upon retirement	17	14
	5 416	**4 295**

8. Total administrative and other operating expenses

	2021	2020
Advertising and marketing	3 457	2 551
Telecommunication and postage costs	2 020	1 622
Commission expense	1 210	790
Expenses for ATM fees	1 185	951
Consulting services	865	271
Depreciation and amortization	482	441
Plastic cards	471	670
Fees for card services	340	273
Subscriptions and licenses	332	314
Fees paid to the Central Credit Register and the National Social Security Institute (NSSI)	164	125
Repair and technical support	160	163
Fines and penalties	111	-
Utility costs	61	41
Short-term rent	41	38
Other operating expenses	502	115
	11 401	**8 365**

9. Corporate income tax

	2021	2020
Profit before tax	7 606	7 467
Tax rate	10%	10%
Expected income tax expense	761	747
Tax effects from increases and reductions in the financial result for tax purposes	7	2
Current income tax expense	**768**	**749**
Deferred income tax related to arising and reversal of temporary differences	(5)	(2)
Total income tax expense reported in the Statement of Comprehensive Income	**763**	**747**

10. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include the following:

	31 December 2021	31 December 2020
Cash in bank accounts	873	949
Cash on hand	2	2

(All amounts are presented in BGN'000 unless otherwise stated)

Cash equivalents	1	-
	876	**951**

Cash and cash equivalents are denominated in BGN.
Cash on hand is not interest-bearing, whereas cash in bank accounts is interest-bearing at a variable interest rate.

11. Microloans granted to individuals

	31 December 2021	31 December 2020
Trade receivables from microloans granted, gross	51 924	36 851
Impairment loss reserve	(9 256)	(5 556)
	42 668	**31 295**

Changes in impairment reserve of receivables from microloans are as follows:

	2021	2020
Balance as at 1 January	**5 556**	**4 920**
Impairment expense for the period	12 895	8 231
Reversed impairment	(353)	-
Write off of receivables	(8 842)	(7 595)
Balance as at 31 December	**9 256**	**5 556**

12. Loans granted to related parties

	31 December 2021	31 December 2020
Loans granted to related parties, including accrued interest	10 064	5 161
Impairment loss reserve	(7 178)	(4 535)
	2 886	**626**

Changes in loss due to impairment of receivables from loans granted to related parties are as follows:

	2021	2020
Balance as at 1 January	**4 535**	**730**
Impairment expense for the period	2 643	3 805
Write off of receivables	-	-
Balance as at 31 December	**7 178**	**4 535**

13. Investments in subsidiaries

	As at 31 December 2021			**As at 31 December 2020**		
	Investment, gross	*Impairment loss*	*Investment, net*	*Investment, gross*	*Impairment loss*	*Investment, net*
Axi Finance IFN SA, Romania	5 036	(657)	4 379	3 666	(20)	3 646
Access Finance S.L.,	6	-	6	6	-	6

(All amounts are presented in BGN'000 unless otherwise stated)

Spain						
	5 042	**(657)**	**4 385**	**3 672**	**(20)**	**3 652**

The Company owns 99.999% of Axi Finance IFN SA (Subsidiary). The subsidiary was registered in accordance with Romanian law in October 2015. The subsidiary has a license for a non-banking financial institution granted by the Romanian National Bank, which was obtained in April 2016.

The Company owns 100% of Access Finance S.L. – Spain. The Subsidiary is established under the Spanish laws and carries out activities in granting unsecured loans by a credit card.

Changes in Impairment loss reserve of investments in subsidiaries are as follows:

	2021	**2020**
Balance as at 1 January	**20**	**7 864**
Impairment loss for the period	637	20
Wite off of investments	-	(7 864)
Balance as at 31 December	**657**	**20**

14. Property, plant and equipment

	Computer equipment	**Plant and equipment**	**Other**	**Capitalised expenses**	**Total**
Book value					
As at 1 January 2020	320	48	9	-	377
Newly acquired	70	63	6	-	139
Written off	(2)	-	-	-	(2)
As at 31 December 2020	388	111	15	-	514
Newly acquired	76	92	-	224	392
Written off	(2)	-	-	-	(2)
As at 31 December 2021	**462**	**203**	**15**	**224**	**904**
Accumulated depreciation					
As at 1 January 2020	226	33	8	-	267
Accrued depreciation	64	23	2	-	89
Derecognised depreciation	(1)	-	-	-	(1)
As at 31 December 2020	289	56	10	-	355
Accrued depreciation	86	34	1	-	121
Derecognised depreciation	(2)	-	-	-	(2)
As at 31 December 2021	**373**	**90**	**11**	**-**	**474**
Book value					
As at 31 December 2021	89	113	4	224	430
As at 31 December 2020	99	55	5	-	159
As at 1 January 2020	94	15	1	-	110

(All amounts are presented in BGN’000 unless otherwise stated)

15. Intangible assets

	Software	Total
Book value		
As at 1 January 2020	157	157
Newly acquired	19	**19**
Written off	176	176
Newly acquired	-	**-**
As at 31 December 2021	**176**	**176**
Accumulated depreciation		
As at 1 January 2020	145	145
Accrued depreciation	12	12
As at 31 December 2020	157	157
Accrued depreciation	10	10
As at 31 December 2021	**167**	**167**
Book value		
As at 31 December 2021	9	9
As at 31 December 2020	19	19
As at 1 January 2020	12	12

16. Right-of-use assets

	Buildings	Total
As at 31 December 2021		
As at 1 January 2020	1 068	1 068
Newly acquired	(33)	**(33)**
As at 31 December 2020	1 035	1 035
Newly acquired	1 331	**1 331**
As at 31 December 2021	**2 366**	**2 366**
Accumulated depreciation		
As at 1 January 2020	356	356
Accrued depreciation	339	339
As at 31 December 2020	695	695
Accrued depreciation	362	362
As at 31 December 2021	**1 057**	**1 057**
Book value		
As at 31 December 2021	1 309	1 309
As at 31 December 2020	340	340
As at 1 January 2020	712	712

Amounts recognised in profit or loss	**2021**	**2020**
Costs for depreciation of right-of-use assets	352	339

(All amounts are presented in BGN'000 unless otherwise stated)

Interest expenses related to lease payables	7	18
Expenses for short-term rent	41	38

17. Other assets

	31 December 2021	31 December 2020
Guarantee receivables	3 086	2 745
Receivables from intermediaries of loans granted	2 912	745
Trade receivables	956	428
Receivables from cessions	470	355
Advance payments made	218	339
Inventories	126	124
Prepaid expenses	12	-
Other	67	63
	7 847	**4 799**

18. Deferred tax assets

In compliance with IAS 12 Income Taxes, the Company recognised as deferred tax assets the amount of income taxes that will be recoverable in the future periods, in relation to deductible temporary differences and carried forward unused tax losses, as follows:

	Unused leaves	Retirement benefit	Other	Total
As at 01 January 2020	13	2	2	17
(Expense)/income in the income statement	1	2	(1)	2
As at 01 January 2021	14	4	1	19
(Expense)/income in the income statement	3	2	-	5
As at 31 December 2021	17	6	1	24

19. Loans

	Average interest rate	Period	31 December 2021	31 December 2020
Loans from related parties	9%	2024	14 981	9 425
Loans from P2P investors	9.5%	2022	5 742	-
Total, including:			**20 723**	9 425
Noncurrent			14 981	9 425
Current			5 742	-

20. Lease

During the reporting period the Company has been a party of many lease agreements as a tenant of offices.

Maturity structure of lease payables	31 December 2021	31 December 2020

(All amounts are presented in BGN'000 unless otherwise stated)

Long-term part	873	-
Short-term part	436	395
	1 309	**395**

21. Trade and other payables

	31 December 2021	31 December 2020
Personnel and social insurance payables	695	554
Trade payables	1 412	405
Tax payables, different from corporate tax	120	99
Other payables	56	1 225
	2 283	**2 283**

Personnel and social insurance payables

	31 December 2021	31 December 2020
Personnel payables, including:	*555*	*431*
Current payables for remunerations	341	279
Current payables for unused paid leave	146	116
Long-term payables to personnel upon retirement	54	36
Food coupons	14	-
	555	**431**
Social insurance payables, including:	*140*	*123*
Current payables	140	123
	140	**123**
Total	**695**	**554**

Long-term payables to personnel upon retirement

	2021	2020
Current payables as at 1 January	*36*	*22*
Expenses for current length of service	10	14
Interest expense	-	-
Benefits paid upon retirement during the period	(2)	-
Actuarial (profit) loss for the period	10	-
Current payables as at 31 December	*54*	*36*

The principal assumptions used when estimating payables for benefits paid to employees upon their retirement are described below:

	2021	2020
Discount rate	0.6%	0.5%
Future increase in remunerations	5%	2%

The average length of the liability to pay benefits to employees upon their retirement is 22 years.

(All amounts are presented in BGN'000 unless otherwise stated)

The table below provides a sensitivity analysis considering the significant assumptions made as of 31 December 20221 and calculated based on a method that extrapolates the effects on the liability to pay benefits to employees upon their retirement, with a reasonable change in principal assumptions as of the end of the reporting period.

Significant assumptions	Change	Absolute effect	Relative effect
Discount rate	+0,50%	(5)	-10%
Discount rate	-0,50%	5	10%
Remuneration	+0,50%	5	10%
Remuneration	-0,50%	(5)	-10%

The following amounts are expected to be payable as of 31 December 2021 in relation to the liability to pay benefits to employees upon their retirement:

	Expected payments
Payments in 2022	4
Payments in 2023	1
Payments in 2024	1
Payments in 2025	1
Payments in 2026	1

22. Equity

As of 31 December 2021 the registered capital has not been changed compared to the end of the previous reporting period. As of 31 December 2020, the number of shares is 1,270,000.00, each with a nominal value of BGN 1.00, and the total amount of registered capital is BGN 1,270 thousand. The majority owner of the Company is Management Financial Group JSCo and owns 75.49% of the Company.

Retained profit

	31 December 2021	31 December 2020
Retained profit of past years	27 738	21 018
Current profit	6 843	6 720
	34 581	**27 738**

The changes in equity in 2020 were as follows:

- The profit reported for the period amounts to BGN 6,720 thousand.
- The partners decided to distribute dividends in the amount of BGN 500 thousand. The dividends were paid by bank transfer.

The changes in equity in 2021 were as follows:

- The profit reported for the period amounts to BGN 6,843 thousand
- No dividends were distributed by the Company for the reporting period.

23. Changes in liabilities arising from financial activities

	01 January 2021	Cash flows from financial activities	Nonmonetary changes - new lease agreements	31 December 2021
Loans from related parties	9 425	5 556	-	14 981

(All amounts are presented in BGN'000 unless otherwise stated)

Loans from P2P investors	-	5 742	-	5 742
Lease payables	395	(478)	1 392	1 309
	9 820	**10 820**	**1 392**	**22 032**

	01 January 2020	Cash flows from financial activities	Nonmonetary changes - new lease agreements	31 December 2020
Loans from related parties	16 473	(7 048)	-	9 425
Loans from P2P investors	-	-	-	-
Lease payables	779	(398)	14	395
	17 252	**(7 446)**	**14**	**9 820**

24. Financial risk management

The nature of the Company's operations requires the assumption and professional management of certain financial risks, which include their identification, measurement and management. The Company regularly reviews its policies and risk management systems to reflect changes in markets, products and/or market practices.

The objective of the Company is to strike an appropriate balance between the risks assumed and the return received, as well as minimize the potential adverse effects on the financial results. In this context, risk is defined as the likelihood of incurring loss or loss of profit due to internal or external factors. Risk management is performed within rules and procedures approved by the Management. The Company identifies, assesses and manages financial risks in close interaction with the operating units. The Management sets the principles for overall risk control and management, as well as written policies for company-specific areas. The risks that arise in connection with financial instruments to which the Company is exposed include credit risk, liquidity risk, market risk and operational risk, as disclosed below.

A. Credit risk

Credit risk is related to financial losses incurred due to failure to fulfil the obligations of the Company's customers, suppliers and creditors. Credit risk is primarily related to warranty services provided to customers by the Company.

The Company's credit policy and its implementation are analysed on an ongoing basis and if necessary are changed when proposed by the management. The managements are responsible for the operational approach to risk management and shall set priorities for operation in accordance with the risk management strategy and principles, adopt credit risk controls and review its management procedures and system.

A.1. Credit risk measuring

The credit risk assessment of the microloan portfolio is made on a portfolio basis and requires additional calculations of the probability of default, as well as the related loss rates, correlations in the asset portfolio, etc.

For its internal needs, the Company uses its own models for measuring and analysing credit risk. These models are subject to periodical review and their behaviour is compared to actual values, and adjustments are made to baseline variables to optimise model performance. These procedures for credit risk measuring are part of the routine operating activities of the Company.

Key input data used to measure expected credit loss include:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These data are usually derived from internally developed statistical models and other historical data and are adjusted to reflect probability-weighted forward-looking information.

Probability of default (PD) is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internal data, comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.
Probability of default includes both assessment upon application and behavioural assessment. A client shall be deemed to be in default, if he/she is past due more than 90 days on his/her obligations or if at least one of his/her exposures has been restructured. If the regular credit risk assessment identifies a customer who has been in arrears for a long period of time, he/she may trigger a default event even if the previous two criteria are met (probability of default or event leading to probability of default).

Impairment is based on the probability of default for 12 months when the customer is not in default and there is no significant increase in credit risk. Significant increases are assessed based on quantitative and qualitative criteria. If one of the criteria for a significant increase in credit risk is available, the relevant exposure shall be impaired with a probability of default for the entire term. Probability of default for the entire term is related to the remaining maturity of the loan and default events during the expected term of the financial instrument.

Loss Given Default (LGD) is an estimate of the loss arising on default and is expressed as percentage of the exposure. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. LGD models for unsecured assets consider time of recovery (payments by customers or payments through assignment). LGD varies widely depending on the characteristics of the other party, the type and structural features of the loan, the existence of collateral or credit support of the debtor.

Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including payments. The measurement of EAD and of loss in case of default shall be carried out on a portfolio basis for the main pool of microloans.

A.2. Credit risk management policy

The Company manages credit risk by setting limits for individual customers, offices and other categories of portfolio diversification. Credit risk exposure is managed through a regular aging analysis of receivables for fees under guarantees provided, changing the criteria, requirements and procedures for approving the pricing limits and the guarantee itself as may be appropriate for the given situation.

A.3. Maximum credit risk exposure

The maximum credit risk exposure related to Company's financial assets is best represented by their book value as follows:

	Maximum exposure	
	31 December 2021	**31 December 2020**

(All amounts are presented in BGN'000 unless otherwise stated)

Cash and cash equivalents	876	951
Microloans granted to individuals	42 668	31 295
Loans granted to related parties	2 886	626
Other assets	7 424	4 273
	53 854	**37 145**

A.4. Analysis of credit risk of trade receivables from microloans granted to individuals

The tables below make analysis of credit risk of trade receivables from microloans granted to individuals:

Gross receivables **As at 31 December 2021**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Regularly paid	36 657	-	1 167	37 824
Overdue up to 30 days	574	1 096	24	1 694
Overdue from 31 to 90 days	-	962	2 363	3 325
Overdue more than 90 days	-	5	9 076	9 081
Total	**37 231**	**2 063**	**12 630**	**51 924**

Gross receivables **As at 31 December 2020**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Regularly paid	28 793	-	812	29 605
Overdue up to 30 days	451	295	4	750
Overdue from 31 to 90 days	-	1 266	1 418	2 684
Overdue more than 90 days	-	11	3 801	3 812
Total	**29 244**	**1 572**	**6 035**	**36 851**

As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross receivables	37 231	2 063	12 630	51 924
Impairment	(1 584)	(682)	(6 990)	(9 256)
Net receivables	**35 647**	**1 381**	**5 640**	**42 668**

As at 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross receivables	29 244	1 572	6 035	36 851
Impairment	(976)	(358)	(4 222)	(5 556)
Net receivables	**28 268**	**1 214**	**1 813**	**31 295**

Gross receivables **2021**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	29 244	1 572	6 035	36 851
Transfer to Stage 1	98	(98)	-	-
Transfer to Stage 2	(319)	319	-	-
Transfer to Stage 3	(2 736)	(433)	3169	-
Acquired financial assets	16 037	1 512	8 621	26 170
Settled receivables	(5 093)	(809)	(5 195)	(11 097)
Balance as at 31 December 2021	**37 231**	**2 063**	**12 630**	**51 924**

Gross receivables **2020**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2020	25 670	1 182	5 253	32 105
Transfer to Stage 1	744	(233)	(511)	-

(All amounts are presented in BGN'000 unless otherwise stated)

Transfer to Stage 2	(390)	413	(23)	-
Transfer to Stage 3	(2 147)	(189)	2 336	-
Acquired financial assets	8 439	1 289	3 789	13 517
Settled receivables	(3 072)	(890)	(4 809)	(8 771)
Balance as at 31 December 2020	**29 244**	**1 572**	**6 035**	**36 851**

Impairment of receivables 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	1 102	537	3 917	5 556
Transfer to Stage 1	29	(29)	-	-
Transfer to Stage 2	(11)	11	-	-
Transfer to Stage 3	(91)	(117)	208	-
Acquired financial assets	666	487	6 034	7 187
Settled receivables	(111)	(207)	(3 169)	(3 487)
Balance as at 01 January 2021	**1 584**	**682**	**6 990**	**9 256**

Impairment of receivables 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2020	1 181	414	3 325	4 920
Transfer to Stage 1	360	(81)	(279)	-
Transfer to Stage 2	(18)	31	(13)	-
Transfer to Stage 3	(102)	(66)	168	-
Acquired financial assets	14	574	3 825	4 413
Settled receivables	(333)	(335)	(3 109)	(3 777)
Balance as at 01 January 2020	**1 102**	**537**	**3 917**	**5 556**

A.5. Analysis of credit risk of receivables from related parties

The tables below make analysis of credit risk of trade receivables from individually significant loans granted to entities and individuals:

Gross receivables	**31 December 2021**	**31 December 2020**
Regularly paid	10 064	5 161
Overdue up to 30 days	-	-
Overdue from 31 to 90 days	-	-
Overdue more than 90 days	-	-
Total	**10 064**	**5 161**

	31 December 2021	**31 December 2020**
Gross receivables	10 064	5 161
Impairment	(7 178)	(4 535)
Net receivables	**2 886**	**626**

B. Liquidity risk

Liquidity risk is related to the Company's inability to meet its liabilities when they become due. Net cash outflows would lead to a reduction in the available cash resources. In certain circumstances, a lack of liquidity may result in the sale of assets or the potential inability to meet the credit commitments. The risk that the Company will not be able to meet its monetary obligations is inherent in the activity and can be caused by a wide range of institutional-specific and market events such as mergers and acquisitions, systemic shocks and acts of God, etc.

(All amounts are presented in BGN'000 unless otherwise stated)

B.1. Liquidity risk management policy

Management of the Company's liquidity includes monitoring of future cash flows. This includes maintaining a portfolio of highly liquid assets; monitoring the liquidity ratios in the statement of financial position; management of concentration and maturity structure of liabilities, etc. An analysis of the agreed maturities of financial liabilities and financial assets is performed.

The Company has a diversified portfolio of cash and high-quality highly liquid assets to meet its current liabilities.

B.2. Analysis of financial assets maturity

The tables below show the Company's due undiscounted cash flows resulting from financial liabilities by remaining contractual maturity. The amounts shown in the table are the agreed undiscounted cash flows, including interest rate, if any.

As at 31 December 2021	Up to 1 month	1 - 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial liabilities						
Loans received	-	-	6 287	18 576	-	24 863
Lease payables	38	76	343	913	-	1 370
Trade payables	-	1 412	-	-	-	1 412
	38	**1 488**	**6 630**	**19 489**	**-**	**27 645**

As at 31 December 2020	Up to 1 month	1 - 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial liabilities						
Loans received	-	-	-	12 535	-	12 535
Lease payables	33	67	324	-	-	424
Trade payables	-	405	-	-	-	405
	33	**472**	**324**	**12 535**	**-**	**13 364**

C. Market risk

The Company is exposed to market risk, which is the likelihood that the fair value or cash flows associated with financial instruments will fluctuate due to changes in market prices. Market risks arise mainly from positions in interest, foreign exchange and capital products, which are exposed to general and specific market movements and changes in the level of dynamics of market rates or prices. Due to the specificity of the Company's financial instruments, the Company is primarily exposed to interest rate risk.

C.1 Interest rate risk

Interest rate risk associated with cash flows may arise in case of changes in market interest rates that affect future cash flows from financial instruments. Possible interest rate risk associated with fair value is related to the fact that the value of a financial instrument varies due to changes in market interest rates.

The Company is exposed to both risks - associated with fair value and associated with cash flows. Interest margins could increase as a result of these changes, which in turn would limit potential losses for the Company caused by changes in market interest rates. Trade and other receivables/payables are not interest-bearing.

C.2 Foreign exchange risk

Exchange rate fluctuations affect the financial position and cash flows of the Company. As a result of the currency board, the Bulgarian lev is pegged to the euro at a rate of EUR/BGN 1.95583, which means that positions in that currency do not lead to significant foreign exchange risk unless the rate is changed in the future.

D. Operational risk

Operational risk is the risk of loss due to system failure, human errors, fraud or external events. When the control systems and activities in place do not prevent such events, operational risks may damage reputation, have legal or regulatory consequences, or cause financial loss to the Company. The Company does not expect to eliminate all operational risks, but it seeks to manage those risks by establishing a good control environment, as well as by monitoring and managing potential risks. Control measures include effective segregation of duties, definition of access rights, authorisation of transactions, and reconciliation of information from various sources, staff training and evaluation and other controls.

E. Fair value of financial assets and liabilities

For financial instruments that are traded in active markets, the determination of fair value is based on market prices or dealer quotes. A financial instrument is regarded as quoted in an active market, if quoted prices are regularly available from an exchange, dealer, broker, company in the respective industry or a regulatory agency and these prices represent current and regularly traded transactions. If the above criteria are not met, the market is considered inactive.

For all other financial instruments, fair value is determined using valuation models. The fair values of loans and receivables, as well as liabilities to third parties, are determined using a current value model based on contractual cash flows, taking into account loan quality, liquidity and costs; their fair value does not differ materially from their net book value. The fair values of contingent liabilities and irrevocable credit liabilities are consistent with their book values.

Financial assets and financial liabilities that have a short-term maturity (less than three months) are considered to have a book value close to their fair value. This assumption shall also apply to demand deposits and termless savings deposits.

IFRS 7 'Financial Instruments: Disclosures' requires the notes to the financial statements to include information about the determination of fair value in accordance with IFRS 13 'Fair Value Measurement' of financial assets and liabilities that are not presented at fair value in the statement of financial position. IFRS 13 defines a hierarchy of measurement techniques, depending on whether or not the inputs to the models can be observed. Observable inputs include market information obtained from external sources of information; unobservable inputs include assumptions and estimates of the Company.

These two types of input define the following hierarchy of fair value measurements:

- Level 1 – quotes from active markets for identical financial instruments. This includes listed equity and debt instruments.
- Level 2 – inputs other than Level 1 data that can be observed directly or indirectly (i.e. can be derived from market prices).
- Level 3 – unobservable inputs/or based on external market information. This group includes instruments whose significant components cannot be observed.

The hierarchy of measurement methods outlined above requires the use of market information whenever possible. In making the measurements, the Company takes into account the relevant observable market prices where possible.
Fair value of financial instruments:

(All amounts are presented in BGN'000 unless otherwise stated)

	As at 31 December 2021		*As at 31 December 2020*	
Financial assets	*Book value*	*Fair value*	*Book value*	*Fair value*
Cash and cash equivalents	876	876	951	951
Microloans granted to individuals	42 668	42 668	31 295	31 295
Loans granted to related parties	2 886	2 886	626	626
Other assets	7 424	7 424	4 273	4 273
Total financial assets	**53 854**	**53 854**	**37 145**	**37 145**
Financial liabilities				
Loans received	20 723	20 723	9 425	9 425
Lease payables	1 309	1 309	395	395
Trade payables	1 412	1 412	405	405
Total financial liabilities	**23 444**	**23 444**	**10 225**	**10 225**

The following table provides information about the financial instruments that require fair value disclosure in accordance with IFRS 7 allocated according to the valuation methods used as at 31 December 2021:

	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Cash and cash equivalents	876	-	-	876
Microloans granted to individuals	-	-	42 668	42 668
Loans granted to related parties	-	-	2 886	2 886
Other assets	-	-	7 424	7 424
Financial liabilities				
Loans received	-	-	20 723	20 723
Lease payables	-	-	1 309	1 309
Trade payables	-	-	1 412	1 412

F. Capital management

The Company's objectives of capital management are to maintain a strong capital base that will ensure the Company's ability to continue as a going concern and provide conditions for development. No changes have been made to the capital management approach during the period.

Debt-to-equity ratio as of 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021	**31 December 2020**
Total debt capital	24 583	12 852
Reduced with cash and cash equivalents	(876)	(951)
Net debt capital	23 707	11 901
Equity	35 851	29 008
Total capital	**59 558**	**40 909**
Debt-to-equity ratio	**0.69**	**0.44**

The Company has a legal obligation to maintain minimum amount of equity of BGN 1 million, which has been met as of 31 December 2021.

(All amounts are presented in BGN'000 unless otherwise stated)

The equity of the Company consists of registered capital and retained profit. Summary quantitative data on the composition of the equity of the Company is disclosed in Note 22.

G. Impact of the coronavirus (COVID 19) pandemic on the Company's operation

The company's management has analysed the impact of the spread of COVID-19 during the reporting period on the Company's activities and has not identified any notable effects or risks. There is no direct relationship between the activity carried out by the Company and the spread of COVID-19.

25. Related party transactions

Parties are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if they are subject to common control by a third party.

25.1. Related parties

The main related parties with which the latter carries out its activities are:

Company name	Type of relatedness
Management Financial Group JSco	parent company
Axi Finance IFN S.A. (Romania)	subsidiary
Access Finance S.L. (Spain)	subsidiary
Tsvetan Petkov Krastev	manager
Easy Asset Management AD	company under common control
Agency for Control of Outstanding Debts LTD	company under common control
Easy Payment Services Ltd	company under common control
Easy Asset Services EOOD	company under common control
Chiron Management AD	company under common control
Financial Bulgaria EOOD	company under common control
IUVO GROUP OU	company under common control

Unless otherwise stated, related party transactions were not carried out under special conditions.

25.2. Related party transactions

Related party	*Transaction type*	**2021**	**2020**
Purchases			
Management Financial Group JSco	Services received	69	115
Easy Asset Management AD	Services received	1	20
Easy Payment Services Ltd	Services received	1 815	950
Easy Asset Services AD	Services received	10	10
Chiron Management AD	Services received	118	34
IUVO GROUP OU	Services received	35	-
Easy Asset Management AD	Interest expense for loans received	1 153	852
		3 201	**1 981**

(All amounts are presented in BGN'000 unless otherwise stated)

Sales			
Easy Asset Management AD	Sale of services	16	-
Easy Payment Services Ltd	Sale of services	181	1
Financial Bulgaria EOOD	Sale of services	1 168	428
Access Finance S.L.	Sale of services	31	-
Axi Finance IFN S.A.	Sale of services	31	-
Access Finance S.L.	Interest income from loans granted	172	24
Axi Finance IFN S.A.	Interest income from loans granted	326	425
Agency for Control of Outstanding Debts LTD	Income from assignments	1 647	1 678
		3 572	**2 556**

25.3. Related party payables and receivables

Related party	*Payables or receivables*	**31 December 2021**	**31 December 2020**
Receivables			
Easy Payment Services Ltd	Under sales invoices	181	-
Financial Bulgaria EOOD	Under sales invoices	767	428
Access Finance S.L.	Under sales invoices	5	-
Axi Finance IFN S.A.	Under sales invoices	3	-
Agency for Control of Outstanding Debts LTD	Under advance payments provided	470	355
Easy Payment Services Ltd	Under advance payments provided	218	339
Easy Payment Services Ltd	Under guarantee deposit provided	3 001	2 593
Easy Payment Services Ltd	Under withdrawn principals and overpaid amounts to credit cards	1 748	-
Easy Asset Management AD	Under collected instalments	1	3
Access Finance S.L.	Under collected instalments	4 847	705
Axi Finance IFN S.A.	Under collected instalments	5 217	4 456
		16 458	**8 879**
Payables			
Management Financial Group JSco	Under sales invoices	69	11
Easy Asset Management AD	Under sales invoices	-	3
Easy Asset Services AD	Under sales invoices	2	-
Easy Payment Services Ltd	Under sales invoices	230	20
Chiron Management AD	Under sales invoices	10	34
IUVO GROUP OU	Under sales invoices	10	-
Easy Asset Management AD	Under loan granted	14 981	9 425
Agency for Control of Outstanding Debts LTD	Under withdrawn principals and overpaid amounts to credit cards	3	6

(All amounts are presented in BGN'000 unless otherwise stated)

Easy Payment Services Ltd	Under withdrawn principals and overpaid amounts to credit cards	-	1 072
		15 305	**10 571**

The remuneration of the key executives for 2021 amounted to BGN 280 thousand (2020 – BGN 163 thousand).

The outstanding balances at the end of the year are not secured. No guarantees for receivables or payables to related parties have been provided or received.

26. Contingent liabilities

The Company is a party (defendant and plaintiff) to litigations related to business matters. The management of the Company, together with the legal advisor, have carried out an analysis of the litigation status and have determined that there are no material risks that would require the recognition of provisions in the financial statements as of 31 December 2021.

27. Events occurring after the balance sheet date of the statement of financial position

Influence of the military conflict between Russia and Ukraine on the activities of the company.

Following the Russian military build-up on the Russian-Ukrainian border at the end of 2021, the conflict deepened significantly and Russia launched a full-scale invasion of Ukraine on 24 February 2022. A large part of the international community condemned Russia for its actions and accused Russia of violating international laws and Ukrainian sovereignty. Many countries have introduced economic sanctions against Russia, Russian individuals or companies.

The company's management has analysed the impact of the military conflict on the Company's activities and has not identified any notable effects or risks. There is no direct relationship between the activity carried out by the Company and the military conflict.

28. Approval of the financial statements

On 15 April 2022, the Board of Directors approved the publishing of the separate financial statements as of 31 December 2021 (including comparative information).