MANAGEMENT FINANCIAL GROUP JSCO

Consolidated Report on the Activities
Independent Auditor’s Report
Consolidated Financial Statements

for the year ended 31 December 2021

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CONSOLIDATED REPORT ON THE ACTIVITIES

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

CORPORATE INFORMATION

Management Financial Group JSco. (the ‘Company’) is a joint stock company established on 15 October 2015 under the name Spesh Cash Prim AD and it operates in Bulgaria. The Company was registered with the Registry Agency on 27 October 2015. Management Financial Group JSco is a financial institution within the meaning of the Credit Institutions Act (CIA), it was entered in the Register of Credit Institutions under number BGR00361 pursuant to Order No. БНБ-24967/10.03.2016 and has the following objects of activity: Granting loans with funds not raised through public attraction of deposits or other repayable funds; finance leasing; acquisition of loan receivables; acquisition of holdings in a credit institution or other financial institution in accordance with the Credit Institutions Act; providing investment management services, management, consultation services, including enterprise management consultations, consultations on investment issues and carrying out transactions, risk analysis and management, market research, project management, as well as any other activity not prohibited by law.

The headquarters and registered office of the Company are located at **7** Lyulin Residential Area, 28 Jawaharlal Nehru Blvd., ‘Silver Center’ Administrative Business Center, 2nd Floor, Office 40-46, City of Sofia, Bulgaria.

Management Financial Group JSco. is managed by a Board of Directors composed of:

- Nedelcho Yordanov Spasov
- Stanimir Svetoslavov Vassilev
- Ivelina Tsankova Kavurska

The members of the Board of Directors shall not be remunerated in their capacity as members of the Board.

The Company is represented severally by Nedelcho Yordanov Spasov and Stanimir Svetoslavov Vassilev – Executive Directors.

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2021 cover the Company and its significant subsidiaries (see Note 27 to the consolidated financial statements), jointly referred to as the ‘Group’.

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

In the financial year 2021, the Group made a profit after tax of BGN 46,127 thousand (2020: BGN 15,653 thousand). The profit was formed by interest income on loans granted, fees and penalties in the amount of BGN 302,470 thousand, other operating income in the amount of BGN 15,609 thousand and net profit from changes in the fair value of financial assets in the amount of BGN 21,061 thousand.

The profit for the year also reflected the Group's operating expenses. The main operating expenses for 2021 amounted to BGN 175 331 thousand (2020 – BGN 152 425) and were related to personnel costs amounting to BGN 111 130 thousand (2020: BGN 93 131 thousand); consultancy services amounting to BGN 6 237 thousand (2020 – BGN 2514 thousand), advertising activities – BGN 18 529 thousand (2020 – BGN 10880 thousand).

The losses from impairment of loans granted of the Group for 2021 were BGN 101 911 thousand (2020: BGN 85094 thousand).

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Interest and fees expenses amounted to BGN 9,084 thousand and included BGN 3,737 thousand interest expenses on loans received, bank servicing expenses amounting to BGN 5,347 thousand. As of 31 December 2021, the total assets of the Group were at the amount of BGN 367,297 thousand.

The Group's investments in financial assets reported in profit or loss amounted to BGN 31,865 thousand. Receivables on loans granted amounted to BGN 234 896 thousand. The other assets amounted to BGN 41,863 thousand. Cash in hand and in current accounts amounted to BGN 12 337 thousand (in current accounts BGN 10 858 thousand).

As at 31 December 2021, the Group's equity amounted to BGN 247,899 thousand and the equity for the owners of the Company – BGN 216,914 thousand.

The registered capital of the Company amounts to BGN 81 567 672 (eighty-one million five hundred and sixty-seven thousand six hundred and seventy-two), divided into 81 567 672 (eighty-one million five hundred and sixty-seven thousand six hundred and seventy-two) shares, each with a nominal value of BGN 1 (one).
Rights attached to individual classes of shares: Class A shares – 79,567,672 (seventy-nine million five hundred sixty-seven thousand six hundred seventy-two) ordinary materialized registered voting shares with a total nominal value of BGN 79,567,672 (seventy-nine million five hundred sixty-seven thousand six hundred seventy-two). The following rights are attached to each A-share: (a) voting right; (b) right to a liquidation share (c) any other rights provided for by law or the Articles of Association; Class B shares – 1,000,000 (one million) registered materialized preference shares with a total nominal value of BGN 1,000,000 (one million). The following rights are attached to each B-share: (a) right to an additional dividend the amount of which is established by an express resolution of the General Meeting of Shareholders. (b) right to a liquidation share of 95 %; (c) right to nominate a member of the Board of Directors; (d) right to obtain a quarterly management report within 10 days from the end of the quarter, including income statements and key performance indicators relative to the Company’s business activity; (e) any other rights provided for by law or the Articles of Association for Class A shares. Class B shares are non-voting. Class B shares - 1,000,000 (one million) registered materialized preference shares with a total nominal value of BGN 1,000,000 (one million). The following rights are attached to each B-share: (a) right to an additional dividend the amount of which is established by an express resolution of the General Meeting of Shareholders; (b) right to a liquidation share of 70 %; (c) right to give a binding opinion on transactions financially committing the Company with an amount exceeding BGN 100,000 (one thousand); (d) any other rights provided for by law or the Articles of Association for Class A shares; Class C shares are non-voting.
Share:
Type: preference materialized and registered shares forming Class B shares, number of shares: 1,000,000, nominal value: each Class B share has a nominal value of BGN 1.00 (one)
Share:
Type: preference materialized and registered shares forming Class B shares, number of shares: 1,000,000, nominal value: each Class B share has a nominal value of BGN 1.00 (one)
Share:
Type: ordinary materialized and registered shares forming Class A shares, number of shares: 79,567,672, nominal value: each Class A share has a nominal value of BGN 1.00 (one)

	2021 Number of shares	2020 Number of shares
Shares issued and fully paid:	81 567 672	81 567 672
Shares issued and fully paid as at 31 December	81 567 672	81 567 672
Total shares authorized as at 31 December	81 567 672	81 567 672

A detailed overview of the financial results and financial instruments and the associated risks are set out in the accompanying notes to the financial statements of the Group, p. 13-40 The main risks faced

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by the Group, including investment risk, credit risk, liquidity risk, interest rate risk, foreign exchange and capital management risks, are explained in the notes to the financial statements.

Rights of the members of the Board of Directors to acquire shares of Management Financial Group JSco.

Each member of the Board of Directors has the right to acquire shares of Management Financial Group JSco.

Participation of members of the Board of Directors in business companies as partners with unlimited liability, holding more than 25% of the capital of another company, and their participation in the management of other companies or cooperatives as procurators, managers or board members.

Member of the Board of Directors	Companies
Nedelcho Yordanov Spasov	1. EASY ASSET MANAGEMENT AD, UIC 131576434 - Deputy Chairman of the Board of Directors 2. SEEWINES AD, UIC 202972213: - Deputy Chairman of the Board of Directors 3. MANAGEMENT FINANCIAL GROUP JSco., UIC 203753425: - Executive Director - Shareholder – directly holds 50 % of the shares in the company’s capital 4. EASY ASSET MANAGEMENT INF.S.A (Romania), registered number 28042464 - Member of the Board of Directors 5. EASY ASSET MANAGEMENT ASIA MICROFINANCE LTD (Myanmar), registered number 211 FC: - Member of the Board of Directors 6. AGENCY FOR CONTROL OF OUTSTANDING DEBTS LTD, UIC 202527341 - Manager 7. PROSPECT CAPITAL EAD, UIC 205062449 - Member of the Board of Directors 8. LIQUID DREAMS OOD, UIC 205188992 - Manager 9. CHIRON MANAGEMENT AD, UIC 205202828 - Executive Director and Deputy Chairman of the Board of Directors 10. AGENCY FOR CONTROL OF OUTSTANDING DEBTS S.R.L (Romania), registered number 39789695 - Member of the Board of Directors 11. MFG AB (Lithuania), registered number 304935054 - Member of the Management Board 12. MFG PARTNERS EOOD, UIC 205658146 - Manager 13. MFG INVESTMENTS EOOD, UIC 205628986 - Manager 14. APRIL FINANCE EAD, UIC 206010462 - Member of the Board of Directors 15. MIAFORA LIMITED (Cyprus), registered number HE 411879 - Director 16. SETTLE BULGARIA AD, UIC 206272938 - Executive Director

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	17. SETTAPP SERVICES AD, UIC 206395410 - Executive Director and Deputy Chairman of the Board of Directors; - Shareholder holding more than 50 % of the shares in the Company's capital 18. BREEZY AD, UIC 206398463: - Executive Director and Deputy Chairman of the Board of Directors; - Shareholder holding more than 50 % of the shares in the Company's capital 19. NEW PAY AD, UIC 206470432 - Executive Director and Deputy Chairman of the Board of Directors; - Shareholder holding more than 50 % of the shares in the Company's capital 20. ACCESS FINANCE INC. (USA), EIN: 86-3827661 - Member of the Board of Directors
Stanimir Svetoslavov Vassilev	1. EASY ASSET MANAGEMENT AD, UIC 131576434 - Chairman of the Board of Directors 2. SEEWINES AD, UIC 202972213: - Chairman of the Board of Directors 3. FINTRADE FINANCE AD, UIC 203429537 - Deputy Chairman of the Board of Directors 4. MANAGEMENT FINANCIAL GROUP JSco., UIC 203753425: - Executive Director - Shareholder – directly holds 50 % of the shares in the company's capital 5. EASY ASSET MANAGEMENT INF.S.A (Romania), registered number 28042464 - Member of the Board of Directors 6. EASY ASSET MANAGEMENT ASIA MICROFINANCE LTD (Myanmar), registered number 211 FC: - Member of the Board of Directors 7. PROSPECT CAPITAL EAD, UIC 205062449 - Member of the Board of Directors 8. SEEWINES SPIRIT AD, UIC 203328730 - Deputy Chairman of the Board of Directors 9. LIQUID DREAMS OOD, UIC 205188992 - Manager 10. CHIRON MANAGEMENT AD, UIC 205202828 - Executive Director и Chairman of the Board of Directors 11. AGENCY FOR CONTROL OF OUTSTANDING DEBTS S.R.L (Romania), registered number 39789695 - Member of the Board of Directors 12. MFG AB (Lithuania), registered number 304935054 - Member of the Management Board 13. EASY INDIVIDUAL SOLUTIONS, SA de CV, SOFOM ENR (Mexico), registered number 2019060608 - President of the Board of Directors 14. MFG INVESTMENTS EOOD, UIC 205628986 - Manager 15. APRIL FINANCE EAD, UIC 206010462 - Member of the Board of Directors 16. DOORSTEP CONSULTING SERVICES, SA DE CV (Mexico), registered number N-2020062724 - President of the Board of Directors 17. SETTLE BULGARIA AD, UIC 206272938

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	- Chairman of the Board of Directors 18. SETTAPP SERVICES AD, UIC 206395410 - Chairman of the Board of Directors - Shareholder holding more than 50 % of the shares in the Company's capital 19. BREEZY AD, UIC 206398463: - Chairman of the Board of Directors; - Shareholder holding more than 50 % of the shares in the Company's capital 20. NEW PAY AD, UIC 206470432 - Chairman of the Board of Directors; - Shareholder holding more than 50 % of the shares in the Company's capital 21. ACCESS FINANCE INC., EIN: 86-3827661 (USA) - Member of the Board of Directors
Ivelina Tsankova Kavurska	1. AGENCY FOR CONTROL OF OUTSTANDING DEBTS LTD, UIC 202527341 - Manager 2. MFG Micro-Credit Ghana Limited (Ghana), registered number CS257312017 - Director 3. CHIRON MANAGEMENT AD, UIC 205202828 - Member of the Board of Directors 4. AGENCY FOR CONTROL OF OUTSTANDING DEBTS S.R.L (Romania), registered number 39789695 - Member of the Board of Directors 5. EASY INDIVIDUAL SOLUTIONS, SA de CV, SOFOM ENR (Mexico), registered number 2019060608 - Board of Directors - Secretary 6. DOORSTEP CONSULTING SERVICES, SA DE CV (Mexico), registered number N-2020062724 - Board of Directors - Secretary 7. EASY ASSET MANAGEMENT AD, UIC 131576434 - Member of the Board of Directors 8. MANAGEMENT FINANCIAL GROUP JSco., UIC 203753425 - Member of the Board of Directors 9. HOLIDAY RESORTS TROYAN LTD, UIC 203757936: - Sole capital owner

Contracts under Article 240b of the Commerce Act entered into during the year

In 2021, the members of the Board of Directors or related parties have not entered into contracts with the Group that go beyond the Group's ordinary activities or significantly deviate from market conditions.

Plan for development of the Group in 2022

In 2022, the main objectives of the Group's management are:

- Acquisition of interests in other financial institutions;
- Attracting and building relationships with strategic partners – financial, public structures and other organizations;

Significant events after the end of the reporting period

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

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 Group's management has analysed the impact of

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the military conflict on the Group's activities and has not identified any notable effects or risks, which are disclosed in more detail in the financial statements

With effect from 1 June 2022, the composition of the members of the Board of Directors of Management Financial Group JSco have been changed as follows:

- Ivelina Tsankova Kavurska – Member of the Board of Directors since 1 June 2022
- Antoniya Vasileva Sabeva – Member of the Board of Directors since 1 June 2022
- Peter Blagovestov Damyanov– Member of the Board of Directors since 1 June 2022
- Angel Vasilev Madzhirov– Member of the Board of Directors since 1 June 2022
- Apostol Ustyanov Mushmov– Member of the Board of Directors since 1 June 2022
- Nedelcho Yordanov Spasov – dismissed member of the Board of Directors since 1 June 2022
- Stanimir Svetoslavov Vassilev – dismissed member of the Board of Directors since 1 June 2022

With effect from 1 June 2022, the Group shall be represented by Antoniya Vasileva Sabeva – Executive Director.

Nedelcho Yordanov Spasov and Stanimir Svetoslavov Vassilev - Executive Directors were dismissed from their duties and responsibilities with effect from 1 June 2022.

Responsibilities of the management

The management of the Management Financial Group JSCO has prepared the Consolidated Financial Statements for 2021 which give a true and fair view of the state of the Group'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.

Antoniya Sabeva
Executive Director

Date: 29 September 2022

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

	Note	**2021**	**2020**
Interest, fees and penalties income		302 470	243 134
Interest expense and bank fees		(9 084)	(3 521)
Net income from interest, fees and penalties	3	**293 386**	**239 613**
Other operating income, net	4	15 609	14 852
Impairment of financial assets, net	5	(101 911)	(85 094)
Net profit / (loss) from changes in the fair value of financial assets carried through profit or loss	6	21 061	2 633
Personnel costs	7	(111 130)	(93 131)
General administrative and other operating expenses	8	(64 201)	(59 294)
Operating profit before tax		**52 814**	**19 579**
Corporate income tax	9	(6 687)	(3 926)
Profit for the period		**46 127**	**15 653**
Other comprehensive income			
Exchange differences arising from the translation of foreign operations		(570)	(65)
Other comprehensive income for the year		**(570)**	**(65)**
Total comprehensive income for the year		**45 557**	**15 588**
Profit attributed to:			
Owners of the Company		41 250	13 472
Non-controlling interest		4 877	2 181
Total comprehensive income attributed to:			
Owners of the Company		40 772	13 483
Non-controlling interest		4 785	2 105

The accompanying notes shall form an integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements have been approved on 29 September 2022.

Executive Director	Prepared by
Antoniya Sabeva	Vera Slavova

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

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

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

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	10	12 337	14 350
Microloans granted	11	207 897	155 104
Individually significant loans granted	12	26 999	24 090
Investments in financial assets carried through profit or loss	13	31 865	8 444
Property, plant and equipment	14	30 713	20 489
Intangible assets	15	3 585	2 905
Right-of-use assets	16	6 073	9 059
Other assets	17	41 863	31 743
Deferred tax assets	18	5 965	4 070
TOTAL ASSETS		**367 297**	**270 254**
LIABILITIES			
Loans	19	78 000	32 473
Lease	20	9 482	9 490
Trade and other payables	21	28 020	24 453
Deferred tax liabilities	22	2 059	263
Corporate tax payables		1 837	1 415
TOTAL LIABILITIES		**119 398**	**68 094**
EQUITY			
Share capital	23	81 568	81 568
Reserves	24	1 466	1 539
Retained earnings	25	133 880	92 908
Owners' equity		*216 914*	*176 015*
Non-controlling interest	26	30 985	26 145
TOTAL EQUITY		**247 899**	**202 160**
TOTAL LIABILITIES AND EQUITY		**367 297**	**270 254**

The accompanying notes shall form an integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements have been approved on 29 September 2022.

Executive Director — Prepared by

Antoniya Sabeva — Vera Slavova

As per an Independent Auditor's Report
Audit company MGI Delta LLC
Vladimir Kolmakov
Manager and registered auditor in charge of the audit

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

	Attributed to owners of the Company				**Total Attributed to the owners of the Company**	**Non-controlling interest**	**Total equity**
	Registered capital	**Legal reserves**	**Currency exchange reserve**	**Retained earnings**			
Balance as at 1 January 2020	35 044	10 038	15	67 945	113 042	80 946	**193 988**
Changes in opening balances due to corrections of prior period errors	36	(8 098)	(640)	11 704	3002	(56 577)	**(53 575)**
Balance recalculated on 1 January 2020	**35 080**	**1 940**	**(625)**	**79 649**	**116 044**	**24 369**	**140 413**
Total comprehensive income for the period, incl.							
Profit for the year	-	-	-	13 472	13 472	2 181	**15 653**
Other comprehensive income for the year	-	-	11	-	11	(76)	**(65)**
Transactions with owners, recognised directly in equity							
Issue of shares	46 488	-	-	-	46 488	-	**46 488**
Allocation of profit for reserves	-	213	-	(213)	-	-	**-**
Effects assumed by non-controlling interests on:							
Allocation of profit to subsidiaries for dividends	-	-	-	-	-	(850)	**(850)**
Issue of equity in subsidiaries	-	-	-	-	-	521	**521**
Balance as at 31 December 2020	**81 568**	**2 153**	**(614)**	**92 908**	**176 015**	**26 145**	**202 160**
Total comprehensive income for the period, incl.							
Profit for the year	-	-	-	41 250	41 250	4 877	**46 127**
Other comprehensive income for the year	-	-	(478)	-	(478)	(92)	**(570)**
Transactions with owners, recognised directly in equity							
Allocation of profit for reserves	-	405	-	(405)	-	-	**-**
Effects assumed by non-controlling							

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

interests on:							
Allocation of profit to subsidiaries for dividends	-	-	-	-	-	(173)	**(173)**
Decrease in interests in subsidiaries	-	-	-	127	127	(127)	**-**
Issue of equity in subsidiaries	-	-	-	-	-	355	**355**
Balance as at 31 December 2021	**81 568**	**2 558**	**(1 092)**	**133 880**	**216 914**	**30 985**	**247 899**

The accompanying notes shall form an integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements have been approved on 29 September 2022.

Executive Director Prepared by

Antoniya Sabeva Vera Slavova

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

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

MANAGEMENT FINANCIAL GROUP JSCO
CONSOLIDATED 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			
Disbursements of microloans granted		(648 327)	(456 711)
Repayments of microloans granted		726 000	544 964
Disbursements of individually significant loans granted		(15 032)	(2 596)
Repayments of individually significant loans granted		4 831	4 207
Payments related to staff		(107 209)	(91 322)
Other cash receipts from customers		112 360	76 167
Payments to suppliers		(82 191)	(51 360)
Payment of corporate tax		(5 881)	(3 613)
Other receipts/ (payments) for operating activities, net		(7 309)	(21 142)
Net cash used for operating activities		**(22 758)**	**(1 406)**
Cash flows from investing activities			
Investments in subsidiaries		(1 119)	(2 473)
Proceeds from liquidation shares		2 170	-
Investments in financial assets		2 487	440
Acquisitions of property, plant and equipment		(8 230)	(1 891)
Cash acquired in business combination		(2 444)	524
Other cash flows from investment activities		(198)	-
Net cash used for investment activities		**(7 334)**	**(3 400)**
Cash flows from financial activities			
Loans received		37 632	11 417
Repayments of loans received, including interest rates		(9 081)	(5 817)
Other cash flows from financial activities		(465)	(4 036)
Net cash used for financing activities		**28 086**	**1 564**
Net increase/(decrease) in cash and cash equivalents		**(2 006)**	**(3 242)**
Effects of variations in exchange rates		**(7)**	**166**
Cash and cash equivalents at the beginning of the period		**14 350**	**17 426**
Cash and cash equivalents at the end of the period	10	**12 337**	**14 350**

The accompanying notes shall form an integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements have been approved on 29 September 2022.

Executive Director — Prepared by

Antoniya Sabeva — Vera Slavova

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

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

1. General information

1.1 Legal status

Management Financial Group JSco., UIC: 203753425 (the 'Company') is a joint stock company established on 15 October 2015 under the name Spesh Cash Prim AD and it operates in Bulgaria. The Company was registered with the Registry Agency on 27 October 2015. Management Financial Group JSco is a financial institution within the meaning of the Credit Institutions Act (CIA), it was entered in the Register of Credit Institutions under number BGR00361 pursuant to Order No. БНБ-24967/10.03.2016.
The headquarters and registered office of the Company are located at 7 Lyulin Residential Area, 28 Jawaharlal Nehru Blvd., 'Silver Center' Administrative Business Center, 2nd Floor, Office. 40-46, Sofia, Bulgaria.
Management Financial Group JSco. is managed by a Board of Directors composed of:

- Nedelcho Yordanov Spasov
- Stanimir Svetoslavov Vassilev
- Ivelina Tsankova Kavurska

The ultimate owners of the Parent Company are disclosed below in Note 30.

The Consolidated Financial Statements of the Parent Company as of and for the year ended 31 December 2021 cover the Parent Company and its significant subsidiaries (see Note 27), collectively referred to as the 'Group'.

The Group comprises leading companies specialising in non-banking financial services in Central and Eastern Europe. MFG manages an extensive portfolio of successful business models in the field of consumer credits, micro and small business financing, credit cards, digital business and other alternative financial models. Some of the institutions within MFG Group are in the early stages of their business activities, others are in a phase of dynamic development and growth, and others have established themselves in their industry with over 16 years of history in the field of financial services. MFG and the companies employ over 8,300 employees and assistants in nearly 450 offices in Bulgaria, Ukraine, Romania, Poland, North Macedonia and Spain.

1.2 Objects of activity

The Group has the following objects of activity: Granting loans with funds not raised through public attraction of deposits or other repayable funds; finance leasing; acquisition of loan receivables; acquisition of holdings in a credit institution or other financial institution in accordance with the Credit Institutions Act; providing investment management services, management, consultation services, including enterprise management consultations, consultations on investment issues and carrying out transactions, risk analysis and management, market research, project management, as well as any other activity not prohibited by law.

2. Accounting policy

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

The Consolidated Financial Statements include: Annual Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position as of 31 December, Annual Consolidated Statement of Changes in Equity, Annual Consolidated Cash Flow Statement, and Notes to Financial Statements. It has 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 Group classifies its expenses depending on their nature.

2.1 Basis of preparation of the Consolidated Financial Statements

These Consolidated Financial Statements have been prepared in all essential 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 Group 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 Group shall provide an additional Statement of Financial Position at the beginning of the comparative period.

2.1.2 Going concern principle

These Consolidated Financial Statements have been prepared on the going concern basis. As of the date of preparation of the Consolidated Financial Statements, the management has made an assessment of the Group'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 Group has not identified potential risks and uncertainties due to Covid-19 that would affect the assessment of a going concern.

2.1.3 Basis for consolidation

(a) Business combination

Business combinations are accounted for using the purchase method at the acquisition date, i.e. the date on control transfers to the Group. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquired company and the equity interests issued by the Group in exchange for control of acquisitions. Acquisition-related costs are recognised in profit or loss at the time of their occurrence.

At the acquisition date identifiable assets acquired and liabilities assumed are recognised at fair value at the acquisition date, except for:

- Deferred tax assets and liabilities, and assets or liabilities related to employee benefit agreements are recognised and measured in compliance with IAS 12 and IAS 19, respectively.
- Equity liabilities or instruments related to share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date.
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in compliance with this IFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net acquisition value. In case that after remeasurement, the net value at the date of acquisition of the identifiable assets acquired and liabilities assumed exceeds the amount of the consideration transferred, the amount of all non-controlling interests and the fair value of the acquirer's previously held interest in the acquirees (if any), the excess shall be recognised immediately in profit or loss.

If a business combination is achieved in stages, the Group shall remeasure its previously held equity interest (including joint operations) in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Amounts arising from equity interest in acquirees before the acquisition date that were previously recognised in other comprehensive income shall be reclassified to profit or loss on the same basis as would be required if such equity interest was sold.

Goodwill is not amortised, but is subject to impairment testing at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to bring an economic benefit from the business combination. Cash-generating units to which goodwill is allocated shall be tested for impairment annually or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss shall be allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit in proportion to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

(b) Non-controlling interest

A non-controlling interest shall be measured based on its proportionate share of the value of identifiable net assets acquired at the acquisition date.

Changes in the Group's ownership share in a subsidiary while control is maintained are accounted for as transactions with owners of equity. Adjustments to a non-controlling interest shall be based on the proportional value of net assets of the subsidiary. Goodwill adjustments are not recognised and no gains or losses resulting from such transactions are recognised, but are reflected directly in equity.

(c) Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls a company when it has right to variable returns from its interest in the entity and is capable of affecting the returns through its power over the entity.

The financial statements of subsidiaries shall be included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

(d) Loss of control

If the Group loses control of a subsidiary, it shall derecognise the assets and liabilities of the former subsidiary, the non-controlling interest and other equity components related to the entity. Profit or loss arising from the loss of control is recognised in profit or loss. If the Group retains an equity interest in a former subsidiary, such interest shall be measured at fair value at the date of loss of control. Subsequently, this investment shall be accounted for using the equity method or as available-for-sale financial assets depending on the retained level of influence.

(e) Elimination of transactions in consolidation process

Intragroup revenues, expenses, payables, receivables and all unrealised revenues and expenses arising from intragroup transactions are eliminated from the consolidated financial statements. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

2.1.4 Changes in accounting policies and errors

The Group takes into account the changes in accounting policy retrospectively by adjusting the balance of each affected item at the 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 Group shall correct retrospectively any material errors from previous periods by recalculating the comparative amounts for the previous period in which the error occurred.

2.1.5 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 Group.

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 Group expects that the adoption of these new standards, amendments to existing standards and new interpretations will not have a material effect on the Group'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 Group'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 Functional currency and recognition of exchange differences

The Consolidated Financial Statements are presented in thousands of Bulgarian leva (BGN) being the functional and presentation currency.

The functional currency of the Group's companies in Bulgaria and the reporting currency of the Group's performance is the Bulgarian lev. The Bulgarian lev is pegged to the euro (EUR) under the BNB Act at a rate of BGN 1.95583:EUR 1.

The effects of exchange differences related to the settlement of foreign currency transactions or the reporting of foreign currency transactions at rates that are different from those at which they were originally recognized are included in the consolidated statement of comprehensive income when they occur, and they are treated as 'other income/(losses) from operations' and presented net.

For the purposes of each consolidated financial statement, the currency used in the financial statements of foreign subsidiaries shall be translated: from the functional currency of the foreign subsidiary into the presentation currency (BGN) adopted in the consolidated financial statements, such as:
a) all assets and liabilities shall be translated into the Group's presentation currency using the closing rate of the local currency as of 31 December or as of the date when the subsidiary was disposed;
b) all revenue and expense items shall be translated into the Group's presentation currency at the average rate of the local currency for the reporting period
c) all exchange differences resulting from adjustments shall be recognised as a separate component of equity in the consolidated statement of financial position – 'reserve of translation into presentation currency of foreign operations', and
d) the exchange differences resulting from the currency translation of the net investment in the oversea (foreign) companies, together with the loans and other foreign exchange instruments accepted as hedges of those investments, shall be presented directly in equity.

In case of disposal (sale) of a foreign operation (and/or company), the cumulative amount of exchange differences that have been reported directly as a separate item of the equity shall be recognized as part of the profit or loss in the consolidated statement of comprehensive income in 'gains/(losses) from the acquisition and disposal of subsidiaries, net' obtained at disposal (sale).

Goodwill and adjustments to fair values arising upon the acquisition of an oversea (foreign) company shall be treated in the same manner as the assets and liabilities of that company and shall be translated into the presentation currency at the closing rate.

The functional currency of the companies in Romania, Poland, Ukraine and Macedonia are respectively:

Currency	**2021**		**2020**	
	Average rate	Closing rate	Average rate	Closing rate
RON	0,39749	0,39527	0,40428	0,40175
PLN	0,42846	0,42846	0,44025	0,42894
UAH	0,06055	0,06325	0,06625	0,05647
MKD	0,03174	0,03239	0,03153	0,03170
USD	1,65377	1,72685	1,71632	1,59386

The individual items of the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in thousands of BGN being 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.

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 Group 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. Guarantee fee income shall be recognized according to the period of validity of the guarantee issued for the lending company. 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.

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.

Customer loyalty programmes
Loans granted under customer loyalty programmes constitute a separate identifiable component of the transaction under which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the loans and the other components of the transaction. Loans granted under loyalty programmes are reported as an adjustment to the book value of the loan portfolio and interest income for the period.

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

Revenue from valuation of investments in entities /equity instruments/
The Group carries interest participations in other undertakings at fair value through profit or loss. Insofar as these valuations are material to the financial statements and to the Group as a whole, management has agreed to report net profit/loss from the valuations of these financial instruments separately in a separate item in the statement of comprehensive income of the entity.

Revenue from contracts with customers
The Group 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 Group 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 Group 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 Group 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 Group 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 Group's ability to collect contractual cash flows. The business model used by the Group for loans granted is 'held for collection'. The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group estimates the impairment loss for the financial instrument at a value equal to the expected credit losses for 12 months. If the Group 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 Group 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 Group 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 Group has signed cooperation agreements with an operator of an online peer-to-peer (P2P) investment platform regulated under the laws of the Republic of Estonia. It aims 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 on microloans granted to individuals) issued by the Group 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 Group. The investor can choose how much to invest in a loan, the maximum threshold being up to 70% of the principal. The Group 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 Group and the customer.
The transfer agreements are (assignment) agreements with the right of recourse that require the relevant company to guarantee that the remaining part of the principal will be fully repaid to the investor in case that the customer of the relevant company delays his/her payment of more than 60 days (buy-back guarantee). Transfers with rights of recourse ensure direct recourse to the relevant 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 customer of the relevant company. In fact, the relevant company retains the risks and benefits of ownership of the financial asset. Therefore, these debt instruments of the relevant company are not eligible for consideration for partial write-off, and the relevant 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 Consolidated 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 the Group has a legal right to offset the recognised amounts and intends 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 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 Group 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 Group 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 Group 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 Consolidated 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 Consolidates Statement of Comprehensive Income.

2.7 Intangible assets

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

The Group 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 Consolidates 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 Consolidated Statement of Comprehensive Income (in profit or loss for the year).

2.8 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 Group 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 Group 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 Group 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 Group 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 Group shall recognise a right-of-use asset in the Consolidated 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 Group.

Right-of-use assets are recognised in the Consolidated 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 Group in its capacity as lessee;
- recovery costs to be incurred by the Group 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 Group 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 Group 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 Group 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 Group-lessee exercising an option to terminate the lease;
- amounts that the Group 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 Group'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 Group'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 Consolidated Statement of Financial Position: 'Lease liabilities – long-term' - the non-current part of liabilities, 'Lease liabilities - short-term' - the current part of liabilities.

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

The Group 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 Group 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 Group 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 Group considers to be of low value being new and used individually within the Group, 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.

2.9 Income taxes

Current income taxes

Current income taxes of the Group 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%).

The subsidiaries abroad are subject to income tax under the local tax laws in the relevant country at the following tax rates:

Country	**Tax rate**	
	2020	**2021**
Romania	16%	16%
Poland	19%	19%
Ukraine	18%	18%
Macedonia	10%	10%
Italy	24%	24%

Deferred income tax

Deferred tax is determined using the balance sheet method on all temporary differences at the date of the financial statements 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 tax related to items directly reported in equity or other balance sheet item or other components of comprehensive income shall also be reported directly in the relevant equity or balance sheet item or another 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 Group's deferred tax assets and liabilities were measured at a rate of 10% (31 December 2020: 10%).

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

The Group 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 Group 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 Group for the last 10 years, the amount of the compensation shall be equal to the six-month amount of his/her gross remuneration.

2.11 Provisions

A provision is recognised when:

- the Group 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; and
- 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.

2.12. Biological assets

The biological assets reported by the Group include vineyards and orchards.

Due to the fact that vineyards include different vine varieties for which there are no quoted market prices and for which the alternative means of measuring fair value are unreliable, the Group shall, in accordance with IAS 41 'Agriculture', measure biological assets at their cost less any accumulated depreciation or any accumulated impairment losses.

The Group applies a straight-line method of depreciation of biological assets and it has adopted useful life of 25 years.

2.13. Inventory

Purchased materials which are not handed over for storage in a warehouse but which are used directly in the production or provision of services shall be recognised as current expenses. In addition to use in the manufacture or services, materials may be sold. In these cases, the difference between the net income from the sale and their book value shall be recognised as profit or loss.

The expenses in the event of consumption/use shall be determined using the weighted average method calculated on a periodic basis - monthly.

At the end of the reporting period, the Group shall measure inventories at the lower of the delivery and net realizable value. The Group shall determine net realizable value of inventories based on their prices applicable to their most recent sales before the date of the financial statements.

2.14. Share-based payments

The Group's personnel shall receive share-based remuneration by providing services in return for remuneration received in the form of equity instruments. The cost of share-based payment transactions is recognised together with a corresponding capital increase for the period during which the performance and/or the conditions for the provision of services are fulfilled, as at the date on which the employees concerned are fully entitled to receive them (the 'date of acquisition of rights'). The cumulative cost recognised for share-based payment transactions for each reporting date up to the date of acquisition of rights reflects the extent to which the period of acquisition of rights has elapsed and the Group's best judgement on the number of equity instruments for which rights will ultimately be acquired. The costs are referred to as 'Personnel Costs". In cases where the conditions for share-based payments are amended, the minimum costs recognised in 'Personnel Costs' shall be the costs which would have been incurred had the conditions not been amended. An additional cost for all modifications is recognised, which increases the total value of the share-based payment agreement or otherwise benefits the employee. In cases where share-based payments are cancelled, the cancellation shall be treated as a transferred right as from the date of cancellation and all costs not yet recognised until the date of cancellation shall be immediately recognised.

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

If a new programme is introduced in place of an old share-based payment programme, the cancelled programmes and the new ones shall be treated in such a way as if they were a modification of the initial programme as described above.

Share-based payment costs are initially measured at fair value using a pricing model, taking into account the conditions under which the instruments are provided. This fair value is stated as an expense for the period of acquisition of the rights. The liabilities of the program are revalued at fair value in each statement of financial position up to and including the settlement date, and changes in fair value are reported in the consolidated statement of comprehensive income.

2.15. Repurchased own shares and own share agreements

The Group's own equity instruments acquired by it or its subsidiaries (the company's own shares) shall be deducted from the equity by reporting them at the weighted average acquisition price. The remuneration paid or received for the purchase, sale, issue or cancellation of the Group's own equity instruments shall be recognised directly in equity. Gains or losses shall not be recognised in the statement of comprehensive income.

Own share agreements relating to the issue of own shares for consideration shall be classified as equity and added to or deducted from the equity. Own share agreements that require a net cash settlement or provide an option for settlement, where the value of the contractual obligation is retained, which results to a change in the number of shares if their fair value changes, shall be classified as financial liabilities.

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.

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 a right-of-use asset and liability under lease agreements – Note 2.8
- Recognition of deferred tax assets – Note 2.9
- **Determination of fair value – Note 2.4**

3. Net income from interest, fees and penalties

	2021	**2020**
Interest income	168 588	171 878
Fee income	88 698	71 256
Income from penalties	45 184	-
Revenue from interest, fees and penalties	**302 470**	**243 134**

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

Interest expenses for bank loans	(535)	(279)
Interest expenses for loans granted by related parties	(248)	-
Interest expense on leases	(240)	(1 748)
Interest expenses for loans granted by P2P platforms	(2 714)	(1 228)
Fee and commission expenses	(5 347)	(266)
Interest and fee expenses	**(9 084)**	**(3 521)**
Net income from interest, fees and penalties	**293 386**	**239 613**

4. Other operating income, net

	2021	**2020**
Revenue from services	9 328	7 097
Liquidation shares	2 170	-
Revenues from sales of products and goods	2 165	1 444
Cost of goods sold	(1 232)	(918)
Sale of shares, net	1 917	-
Income from assigned receivables	733	5 710
Change in stock of products and work in progress	397	374
Revenues from sale of assets	9	-
Value of assets sold	(2)	-
Gains/ (Losses) from foreign exchange transactions and revaluations, net	45	-
Other operating income	79	1 145
	15 609	**14 852**

5. Profit/(Loss) from impairment of financial assets, net

	2021	**2020**
Profit/(Loss) from impairment of microloans granted, net	(97 458)	(85 094)
Profit/(Loss) from impairment of individually significant loans granted, net	(4 453)	-
	(101 911)	**(85 094)**

6. Net profit / (loss) from changes in the fair value of financial assets carried through profit or loss

	2021	**2020**
Gains from changes in fair value of financial assets	23 664	2 633
Losses from changes in fair value of financial assets	(2 603)	-
	21 061	**2 633**

7. Personnel costs

	2021	**2020**
Salaries and wages	(98 211)	(82 216)
Social security contributions	(12 919)	(10 915)
	(111 130)	**(93 131)**

8. General administrative and other operating expenses

	2021	**2020**
Advertising and marketing	(18 529)	(10 880)
Depreciation	(8 130)	(6 789)

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

Transport, courier services and business trips	(6 432)	(6 297)
Consultancy, legal services	(6 237)	(2 514)
Lease of assets	(4 577)	(6 852)
Telecommunication and postage costs	(2 925)	(2 323)
Consumables, including electricity	(2 206)	(1 535)
Expenses on materials	(2 170)	(4 334)
Representation expenses and expenses not related to the activities	(1 259)	(821)
Social costs	(946)	(895)
Insurance	(926)	(474)
Repair and technical support	(954)	(686)
Costs of production	(784)	-
Office security	(349)	(342)
Audit services	(228)	(149)
Other operating expenses	(7 549)	(14 403)
	(64 201)	**(59 294)**

9. Income tax expense

	2021	**2020**
Income before tax	52 814	19 579
Current income tax expense	(5 131)	(2 526)
Deferred income tax related to arising and reversal of temporary differences	(1 556)	(1 400)
Total profit tax expense reported in the Statement of Comprehensive Income	**(6 687)**	**(3 926)**

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	10 858	13 099
Cash on hand	1 479	1 157
Cash in transit	-	94
	12 337	**14 350**

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 floating interest rate.

11. Microloans granted

	31 December 2021	**31 December 2020**
Receivables from customers on microloans granted, including accrued interest, gross	300 596	217 635

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

Court claims	21 267	8 016
Reduction for impairment losses	(113 966)	(70 547)
	207 897	**155 104**

The change in the impairment losses of receivables from customers on microloans granted is as follows:

	2021	2020
Balance as at 1 January	**(70 547)**	**(57 546)**
Impairment loss for the year	(100 256)	(82 965)
Reversed impairment for the year	2 798	2 272
Written-off receivables	54 039	67 692
Balance as at 31 December	**(113 966)**	**(70 547)**

12. Individually significant loans granted

	Note	31 December 2021	31 December 2020
Individually significant loans granted, including accrued interest	**Error! Reference source not found.**	33 800	25 823
Reduction for impairment losses		(6 801)	(1 733)
		26 999	**24 090**

As at 31 December 2021, the Group disclosed a net amount of BGN 13 453 thousand (2020: BGN 1 070 thousand) of individually significant loans to related parties on which additional information is disclosed in Note 31.3. Related party payables and receivables.

The change in impairment losses of receivables on individually significant loans is as follows:

	2021	2020
Balance as at 1 January	**(1 733)**	**(1 669)**
Adjustment	(615)	-
Balance as at 1 January	**(2 348)**	**(1 669)**
Impairment loss for the year	(4 453)	(64)
Balance as at 31 December	**(6 801)**	**(1 733)**

13. Investments in financial assets carried through profit or loss

	Share in the company 31 December 2021	Fair value 2021	Share in the company 31 December 2020	Fair value 2020
Settle Norway AS	1.00%	528	1.00%	587
Settle Bulgaria AD	60.00%	553	60.00%	883
Boleron AD	26.88%	1 656	22.00%	301

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

Eleven Capital AD	0.62%	285	0.62%	100
Eleven Log OOD	20.00%	12	20.00%	118
Convenience AD	12.45%	5 638	12.81%	3 758
Payhawk Ltd	2.09%	17 659	3.79%	741
Tiger Technology AD	3.90%	139	4.06%	978
Eleven Fund III	1.66%	344	-	-
Eleven Investments KDA	8.40%	5 048	8.40%	978
Experience Italy		3	-	-
	-	**31 865**	**-**	**8 444**

The revaluation of financial assets to fair value referred to above is periodic due to the application of the fair value model under IFRS 9 and is made at the date of each financial statements. The fair value measurement was carried out by the Management.

Fair value hierarchy as at 31 December 2021
Level 1: Eleven Capital AD - quoted market data of BSE;
Level 2: n/a
Level 3: Some of the companies in Level 3 conduct capital raising procedures based on internal measurements involving unrelated parties. On this basis, the Management uses the transactions carried out and the parameters related to them in the fair value measurement of the shares held in the companies. For the other companies in level 3 that have not raised capital, unobservable inputs have been used, applying the discounted cash flow model.

During the current period, no changes in Level 3 inputs to another level were made.

Reconciliation of fair value 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Opening balance as at 1 January	100	-	8 344	8 444
Investments acquired during the period	48	-	2 349	2 397
Investments written off during the period	-	-	(39)	(39)
Profits/(losses), total for the period recognised in current profit or loss	185	-	20 878	21 063
Closing balance at 31 December	**333**	**-**	**31 532**	**31 865**

Reconciliation of fair value 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Opening balance as at 1 January	-	-	1 194	1 194
Investments acquired during the period	100	-	4 516	4 616
Investments written off during the period	-	-	-	-
Profits/(losses), total for the period recognised in current profit or loss	-	-	2 634	2 634
Closing balance at 31 December	**100**	**-**	**8 344**	**8 444**

Valuation methods and significant unobservable inputs
The valuation methods used in determining the fair value of financial assets and the significant unobservable inputs used are presented below.

For 2021

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

Level 3 Asset Groups	Approaches and valuation methods	Significant unobservable inputs
Settle Norway SA	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 4.49, where the company is valued at EUR 30 000 000
Settle Bulgaria AD	Income approach using the net asset value method	Valuation of the company - EUR 471 thousand
Boleron AD	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 23.48, where the company is valued at EUR 3 500 000
Eleven Log OOD	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 42.47, where the company is valued at EUR 3 600 000
Convenience AD	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 217.47, where the company is valued at EUR 25 726 000
Payhawk Ltd	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 39.51,where the company is valued at EUR 480 000 000
Tiger Technology AD	Income approach using the net asset value method	Valuation of the company - EUR 1 755 thousand
Eleven Fund III	Income approach using the net asset value method	Valuation of the company - EUR 10 589 thousand
ELEVEN INVESTMENTS KDA	Income approach using the net asset value method	Valuation of the company – BGN 67 386 thousand
Experience Italy	Income approach using the net asset value method	Valuation of the company - BGN 30 thousand

<u>For 2020</u>

Level 3 Asset Groups	Approaches and valuation methods	Significant unobservable inputs
Settle Norway	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 4.49, where the company is valued at EUR 30 000 000
Settle Bulgaria	Income approach using the net asset value method	Valuation of the company - EUR 750 thousand
Boleron AD	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 9.37, where the company is valued at EUR 700 000
Eleven Log OOD	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 42.47, where the company is valued at EUR 3 600 000

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

Convenience AD	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 124.00, where the company is valued at EUR 15 000 000
Payhawk Ltd	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 24.10, where the company is valued at EUR 10 000 000
Tiger Technology AD	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 200.00, where the company is valued at EUR 12 324 000

14. Property, plant and equipment

	Land and equipment	Plant and equipment	Fixture and fittings and vehicles	Other	Assets under construction	Total
Book value						
As at 1 January 2020	**-**	**1 766**	**1 283**	**1 696**	**-**	**4 745**
Adjustments (requalification of assets)	-	(107)	66	2 025	-	**1 984**
As at 1 January 2020 after adjustment	**-**	**1 659**	**1 349**	**3 721**	**-**	**6 729**
Acquired from business combinations	3 827	2 260	780	5 682	-	**12 549**
Acquired	983	986	506	6 589	-	**9 064**
Transfers to/from other categories	-	(18)	-	(4)	-	**(22)**
Written off	(42)	(30)	(97)	(1 307)	-	**(1 476)**
As at 31 December 2020	**4 768**	**4 857**	**2 538**	**14 681**	**-**	**26 844**
Adjustments (requalification of assets)	2 277	(250)	(1 763)	(14 081)	9 598	**26 090**
As at 1 January 2021 after adjustment	**7 045**	**4 607**	**4 301**	**539**	**9 598**	**26 090**
Adjustments	(844)	(1)	41	-	-	**(804)**
Transfers	5 341	293	81	122	-	**5 837**
Acquired	232	1 704	823	4	6 797	**9 560**
Written off	(926)	(88)	(115)	-	(1 045)	**(2 174)**
Assets under construction	-	36	50	(3)	-	**83**
As at 31 December 2021	**10 848**	**6 551**	**5 181**	**662**	**15 350**	**38 592**
Accumulated depreciation						
As at 1 January 2020	**-**	**(940)**	**(851)**	**(1 170)**	**-**	**(2 961)**
Adjustments	-	(38)	16	44	-	**22**

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

As at 1 January 2020 after adjustment	**-**	**(978)**	**(835)**	**(1 126)**	**-**	**(2 939)**
Acquired from business combinations	(4)	(1 284)	(542)	(425)	-	**(2 255)**
Accrued during the period	(70)	(546)	(290)	(452)	-	**(1 358)**
Written-off during the period	-	40	29	128	-	**197**
As at 31 December 2020	**(74)**	**(2 768)**	**(1 638)**	**(1 875)**	**-**	**(6 355)**
Adjustments (requalification of assets)	(963)	662	(1 393)	1 648	-	**(46)**
As at 1 January 2021 after adjustment	**(1 037)**	**(2 106)**	**(3 031)**	**(227)**	**-**	**(6 401)**
Adjustments	515	(6)	(35)	-	-	**474**
Transfers	(38)	(18)	-	(33)	-	**(89)**
Accrued during the period	(267)	(825)	(830)	(86)	-	**(2 008)**
Written-off during the period	-	93	103	-	-	**196**
Assets under construction	-	(15)	(37)	1	-	**(51)**
As at 31 December 2021	**(827)**	**(2 877)**	**(3 830)**	**(345)**	**-**	**(7 879)**
Book value						
As at 31 December 2021	**10 021**	**3 674**	**1 351**	**317**	**15 350**	**30 713**
As at 31 December 2020	**4 694**	**2 089**	**900**	**12 806**	**-**	**20 489**

As at 31 December 2021, assets under construction include:

- Construction of biological assets – vineyards, an orchard and a park in the amount of BGN 139 thousand
- Construction of Aya Wine Gallery winery complex on the territory of the village of Hersovo, municipality of Sandanski, which comprises of a winery, a hotel part, a villa village, together with the adjacent infrastructure and technical support, as well as a stable and agricultural buildings - in the amount of BGN 10 445 thousand BGN 10,445 thousand.

As at 31 December 2021, the value of the property, plant and equipment pledged as collateral for the Group's liabilities disclosed in Note 19 Loans received is described below:

Category	Carrying amount	Accumulated depreciation:	Book value
Land and buildings	3 672	(104)	3 568
Plant and equipment	1 823	(813)	1 010
Other	103	(53)	50
	5 598	**(970)**	**4 628**

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

15. Intangible assets

	Software	**Total**
Book value		
As at 1 January 2020	**4 674**	**4 674**
Adjustments (requalification of assets)	5	**5**
As at 1 January 2020 after adjustment	**4 679**	**4 679**
Acquired from business combinations	156	**156**
Acquired	1 175	**1 175**
Transfers to/from other categories	(327)	**(327)**
Written-off	(19)	**(19)**
As at 31 December 2020	**5 664**	**5 664**
Adjustments (requalification of assets)	127	**127**
As at 1 January 2021 after adjustment	**5 791**	**5 791**
Adjustments	41	**41**
Transfers	123	**123**
Acquired	2 892	**2 892**
Written-off	(1 054)	**(1 054)**
Exchange differences	211	**211**
As at 31 December 2021	**8 004**	**8 004**
Accumulated depreciation		
As at 1 January 2020	**(2 020)**	**(2 020)**
Adjustments	6	**6**
As at 1 January 2020 after adjustment	**(2 014)**	**(2 014)**
Acquired from business combinations	(101)	**(101)**
Accrued during the period	(650)	**(650)**
Written-off during the period	6	**6**
As at 31 December 2020	**(2 759)**	**(2 759)**
Adjustments (requalification of assets)	(1 137)	**(1 137)**
As at 1 January 2021 after adjustment	**(3 896)**	**(3 896)**
Transfers	(18)	**(18)**
Accrued during the period	(1 320)	**(1 320)**
Written-off during the period	923	**923**
Exchange differences	(108)	**(108)**
As at 31 December 2021	**(4 419)**	**(4 419)**
Book value		
As at 31 December 2021	**3 585**	**3 585**
As at 31 December 2020	**2 905**	**2 905**

16. Right-of-use assets

	Right-of-use assets	**Total**
Book value		
As at 1 January 2020	**14 580**	**14 580**
Adjustments (requalification of assets)	(290)	**(290)**

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

As at 1 January 2020 after adjustment	**14 290**	**14 290**
Acquired from business combinations	211	**211**
Acquired	6 044	**6 044**
Written-off	(1 402)	**(1 402)**
As at 31 December 2020	**19 143**	**19 143**
Adjustments (requalification of assets)	(15 853)	**(15 853)**
As at 1 January 2021 after adjustment	**3 290**	**3 290**
Adjustments	5 093	**5 093**
Acquired	4 320	**4 320**
Written-off	(267)	**(267)**
Exchange differences	(9)	**(9)**
As at 31 December 2021	**12 427**	**12 427**
Accumulated depreciation		
As at 1 January 2020	**(5 006)**	**(5 006)**
Adjustments	(297)	**(297)**
As at 1 January 2020 after adjustment	**(5 303)**	**(5 303)**
Accrued during the period	(4 781)	**(4 781)**
Written-off during the period	-	**-**
As at 31 December 2020	**(10 084)**	**(10 084)**
Adjustments (requalification of assets)	9 255	**9 255**
As at 1 January 2021 after adjustment	**(829)**	**(829)**
Adjustments	(1 589)	**(1 589)**
Accrued during the period	(4 666)	**(4 666)**
Written-off during the period	723	**723**
Exchange differences	7	**7**
As at 31 December 2021	**(6 354)**	**(6 354)**
Book value		
As at 31 December 2021	**6 073**	**6 073**
As at 31 December 2020	**9 059**	**9 059**

Amounts recognised in profit or loss	**2021**	**2020**
Costs for depreciation of right-of-use assets	(4 666)	(4 781)
Interest expenses related to lease payables	(240)	(1748)
Expenses related to short-term rentals and leases of low-value assets	(4 577)	(6 852)

17. Other assets

	Note	**31 December 2021**	**31 December 2020**
Investments in non-consolidated subsidiaries	27	14 560	10 608
Impairment of investments in non-consolidated subsidiaries		(102)	-
Trade receivables and advance payments made		12 208	6 924
Other receivables		8 134	8 604

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

Inventories	3 111	2 062
Biological assets	3 242	3 293
Investment property	710	37
Assets classified as held for sale	-	215
	41 863	**31 743**

As at 31 December 2021, the book value of the biological assets was in the amount of BGN 3,550 thousand and accrued depreciation amounted BGN 308 thousand, including for 2021, it amounted to BGN 136 thousand.

As at 31 December 2021, the amount of BGN 12,208 thousand referred to in 'Trade receivables and other prepayments', includes the Group's receivables from related parties in the amount of BGN 1807 thousand, as disclosed in Note 31.3 Related party payables and receivables.

18. Deferred tax assets

In compliance with IAS 12 Income Taxes, the Group 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	Employee benefits	Other	Total
As at 01 January 2020	349	128	4 993	5 470
(Expense)/income in the income statement	(84)	25	(1 341)	(1 400)
As at 01 January 2021	**265**	**153**	**3 652**	**4 070**
(Expense)/income in the income statement	28	4	1 863	1 895
As at 31 December 2021	**293**	**157**	**5 515**	**5 965**

19. Loans

	Average interest rate	Period	31 December 2021	31 December 2020
Bank loans	4%	2022-2031	24 566	10 957
Loans from related parties (Note 31.3)	5%	2023-2027	24 904	508
Commercial loans	8%	2023	6 616	2 645
Loans from P2P investors	8%	2022	21 914	18 363
Total, including:			78 000	32 473
Current			*43 421*	*21 516*
Noncurrent			*34 579*	*10 957*

20. Lease liabilities

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

Maturity structure of lease payables	31 December 2021	31 December 2020
Short-term part	240	240

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

Long-term part	9 242	9 250
	9 482	**9 490**

21. Trade and other payables

	31 December 2021	31 December 2020
Trade payables	10 149	5 829
Personnel and social insurance payables	13 133	11 437
Tax payables, different from corporate tax	836	1 089
Other payables	3 902	6 098
	28 020	**24 453**

Personnel and social insurance payables

	31 December 2021	31 December 2020
Personnel payables, including:		
Current payables for salaries and wages	6 951	6 771
Current payables for unused paid leave	2 626	2 299
Long-term payables to personnel upon retirement	642	43
	10 219	**9 113**
Social insurance payables, including:		
Current payables	2 914	2 324
	2 914	**2 324**
Total	**13 133**	**11 437**

22. Deferred tax liabilities

	Temporary difference 31.12.2021	Deferred tax 31.12.2021	Change in deferred tax 2021	Temporary difference 31.12.2020	Deferred tax 31.12.2020
Deferred tax liabilities					
Changes in the fair value of financial assets	20 590	2 059	(1 796)	2 633	263
Deferred tax liabilities	**20 590**	**2 059**	**(1 796)**	**2 633**	**263**

23. Share capital

The Group's registered capital is in the amount of BGN 81 567 672 (eighty-one million five hundred and sixty-seven thousand six hundred and seventy-two), distributed in 81 567 672 (eighty-one million five hundred and sixty-seven thousand six hundred and seventy-two) shares, each with a nominal value of BGN 1 (one).

Rights attached to individual classes of shares: Class A shares – 79,567,672 (seventy-nine million five hundred sixty-seven thousand six hundred seventy-two) ordinary materialized registered voting shares with a total nominal value of BGN 79,567,672 (seventy-nine million five hundred sixty-seven thousand six hundred seventy-two). The following rights are attached to each A-share: (a) voting right; (b) right to a liquidation share (c) any other rights provided for by law or the Articles of Association; Class B shares – 1,000,000 (one million) registered materialized preference shares with a total nominal value of BGN 1,000,000 (one million). The following rights are attached to each B-share: (a) right to an additional dividend the amount of which is established by an express resolution of the General Meeting of Shareholders. (b) right to a liquidation share of 95 %; (c) right to nominate a member of the Board of Directors; (d) right to obtain a quarterly management report within 10 days from the end of the quarter, including income statements and key performance indicators relative to the Company's business activity; (e) any other rights provided for by law or the Articles of Association for Class A shares. Class B shares are non-voting. Class B shares - 1,000,000 (one million) registered materialized preference shares with a total nominal value of BGN 1,000,000 (one million). The following rights are attached to each B-share: (a) right to an additional dividend the amount of which is established by an express resolution of the General Meeting of Shareholders; (b) right to a liquidation share of 70 %; (c) right to give a binding opinion on transactions financially committing the Company with an amount exceeding BGN 100,000 (one thousand); (d) any other rights provided for by law or the Articles of Association for Class A shares; Class C shares are non-voting.

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

Structure of the share capital:

- Class A shares: Type: ordinary materialized and registered shares, Number of shares: 79,567,672, Nominal value: each Class A share has a nominal value of BGN 1.00 (one)
- Class B shares: Type: preference materialized and registered shares, Number of shares: 1,000,000, Nominal value: each Class B share has a nominal value of BGN 1.00 (one)
- Class B shares: Type: preference materialized and registered shares, Number of shares: 1,000,000, Nominal value: each Class B share has a nominal value of BGN 1.00 (one)

The list of the main shareholders of the Group is presented as follows:

	2021 Number of shares	**2021 %**
Nedelcho Yordanov Spasov	40 783 836	50
Stanimir Svetoslavov Vassilev	40 783 836	50
	81 567 672	**100**

24. Reserves

24.1 Legal reserves

	2021	**2020**
Balance as at 1 January	**2 153**	**1 940**
Allocation of profit to reserves	405	213
Balance as at 31 December	**2 558**	**2 153**

24.2 Currency exchange reserve

	2021	**2020**
Balance as at 1 January	**(614)**	**(625)**
Exchange differences arising from the translation of a foreign operation	(478)	11
Balance as at 31 December	**(1 092)**	**(614)**

25. Retained earnings

	31 December 2021	**31 December 2020**
Retained earnings from previous years	92 908	79 649

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

Current profit	41 250	13 472
Allocation of profit to reserves	(405)	(213)
Decrease in interests in subsidiaries	127	-
	133 880	**92 908**

26. Non-controlling interest

	2021	2020
Balance as at 1 January	**26 145**	**24 369**
Profit for the year	4 877	2 181
Other comprehensive income for the year	(92)	(76)
Allocation of profit to subsidiaries for dividends	(173)	(850)
Decrease in interests in subsidiaries	(127)	-
Issue of equity in subsidiaries	355	521
Balance as at 31 December	**30 985**	**26 145**

27. Changes in liabilities arising from financial activities

	1 January 2021	Cash flows from financial activities	Nonmonetary changes	31 December 2021
Loans	32 473	28 551	16 976	78 000
Lease payables	9 490	(1 645)	1 637	9 482
	41 963	**26 906**	**18 613**	**87 482**

	1 January 2020	Cash flows from financial activities	Nonmonetary changes	31 December 2020
Loans	21 140	5 600	5 733	32 473
Lease payables	8 880	(2 043)	2 653	9 490
	30 020	**3 557**	**8 386**	**41 963**

28. Subsidiaries

Company	Type of control	Consolidated / Non-consolidated	Ownership share in 2021
Easy Asset Management AD	Direct control	Consolidated	88.42%
Fintrade Finance AD	Direct control	Consolidated	69.3%
Viva Credit LTD	Direct control	Consolidated	97.25%
FINANCIAL BULGARIA EOOD	Indirect control	Consolidated	88.42%
AGENCY FOR CONTROL OF OUTSTANDING DEBTS LTD	Direct control	Consolidated	100%
ACCESS FINANCE LTD	Direct control	Consolidated	75.49%
EASY ASSET SERVICES EOOD	Indirect control	Consolidated	88.42%
EASY PAYMENT SERVICES LTD	Indirect control	Consolidated	71.3%
MFG INVESTMENTS EOOD	Direct control	Consolidated	100%
LIQUID DREAMS OOD	Direct control	Consolidated	100%
SEEWINES AD	Direct control	Consolidated	99.7%
SEEWINES LOGISTICS EOOD	Indirect control	Consolidated	99.7%

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

SEEWINES SPIRIT AD	Indirect control	Consolidated	74.2%
ACCESS FINANCE SL – Spain	Indirect control	Consolidated	75.49%
I CREDIT Sp.Z.O.O.- Poland	Indirect control	Consolidated	88.42%
EASY ASSET MANAGEMENT IFN S.A. - Romania	Indirect control	Consolidated	88.42%
AXI FINANCE IFN S.A. - Romania	Indirect control	Consolidated	75.49%
M CASH DOOEL – Macedonia	Indirect control	Consolidated	88.42%
EASY CREDIT LLK - Ukraine	Indirect control	Consolidated	88.42%
Colline Albelle Società Agricola A RL- Italy	Indirect control	Consolidated	100%
XPRESS PAY EOOD	Direct control	Non-consolidated	100%
PROSPECT CAPITAL AD	Direct control	Non-consolidated	62%
MFG PARTNERS EOOD	Indirect control	Non-consolidated	100%
April Finance EAD	Indirect control	Non-consolidated	100%
April Services LTD	Direct control	Non-consolidated	100%
Easy Asset Management Asia - Myanmar	Indirect control	Non-consolidated	86.65%
Easy Asset Management Microcredit Ghana Limited	Direct control	Non-consolidated	90%
MFG Ab - Lithuania	Direct control	Non-consolidated	100%
Flexible Financial Solution Llc - Ukraine	Direct control	Non-consolidated	100%
Agency for Control of Outstanding Debts Srl - Romania	Indirect control	Non-consolidated	100%
IUVO Group OÜ - Estonia	Direct control	Non-consolidated	93.53%
IUVO Credit OÜ - Estonia	Indirect control	Non-consolidated	93.53%
IUVO Services EOOD	Indirect control	Non-consolidated	93.53%
Miafora Limited- Cyprus	Direct control	Non-consolidated	100%
Easy Asset Management Doo Beograd	Direct control	Non-consolidated	100%
Settle Bulgaria AD	Indirect control	Non-consolidated	60%
Easy Individual Solutions, SA De CV - Mexico	Indirect control	Non-consolidated	86.65%
Doorstep Consulting Services, SA De CV	Indirect control	Non-consolidated	86.65%
Lucent Investments AD	Indirect control	Non-consolidated	100%

The non-consolidated companies mentioned in the table above are not included in the Consolidated Financial Statements of the Group as of and for the year ending on 31 December 2021 because they are not material to the financial position, financial results and cash flows of the Group for the year ending on that date. The decision for consolidation of each subsidiary shall be reviewed at each reporting date.

Investments in non-consolidated subsidiaries are presented under 'Other assets' in the consolidated statement of financial position.

The management analysed the impact of the military conflict between Russia and Ukraine on investments in unconsolidated subsidiaries and considered that the investment in Flexible Financial Solution LLC, Ukraine, should be depreciated by 100%. Considering that military conflict began after the date of the financial statements, in accordance with IAS 10 'Events after the Reporting Period', the military conflict is a non-adjusting event in respect of these financial statements and the impairment was not reported therein, but it was only disclosed. The management has also estimated that the net value of the investment in Easy Credit LLC, Ukraine, for which an impairment loss of 82% was charged in previous periods, is a reasonable approximation of its fair value, therefore it does not need to be further impaired.

29. Contingent liabilities

The Group is a party (defendant and plaintiff) to litigations related to business matters. The management of the Group, 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.

On 26 May 2021, one of the consolidated companies in the Group, Seewines AD signed a bank loan agreement with Bulgarian Development Bank EAD for BGN 3385 thousand whereunder in June 2021, a pledge of the commercial enterprise of Seewines AD was registered on the file of Seewines AD with the Commercial Register, and a set of rights, obligations and factual relations, which also involve individual assets of the company (covering real estate, movable property, plant and equipment, receivables, etc.). The pledge has effect until the full repayment of all liabilities under the bank loan agreement and annexes thereto. The debtors that are jointly and severally liable under the bank loan agreement are the Parent Company Management Financial Group JSCo. and Seewines Logistics EOOD.

30. 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, they are changed when proposed by the management. The management is responsible for the operational approach to risk management and sets priorities for operation in accordance with the risk management strategy and principles, adopts controls for credit risk and reviews 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 Group 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:

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

	Maximum exposure	
	31 December 2021	**31 December 2020**
Cash and cash equivalents	12 337	14 350
Microloans granted to individuals	207 897	155 104
Individually significant loans granted	26 999	24 090
Other assets	41 863	31 743
	289 096	**225 287**

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	66 758	0	16 186	82 944
Overdue up to 30 days	43 907	2 818	36	46 761
Overdue from 31 to 90 days	0	18 370	19 032	37 402
Overdue more than 90 days	0	26	154 730	154 756
Total	**110 665**	**21 214**	**189 984**	**321 863**

As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross receivables	110 665	21 214	189 984	321 863
Impairment	(14 962)	(9 107)	(89 897)	(113 966)
Net receivables	**95 703**	**12 107**	**100 087**	**207 897**

Gross receivables **2021**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	80 250	14 609	126 652	221 511
Transfer to Stage 1	(5 470)	(79)	(109)	(5 658)
Transfer to Stage 2	(313)	(3 129)	(22)	(3 464)
Transfer to Stage 3	(1 906)	(461)	26 981	24 614
Acquired financial assets	72 002	18 705	89 979	180 686
Settled receivables	(33 898)	(8 431)	(53 497)	(95 826)
Balance as at 31 December 2021	**110 665**	**21 214**	**189 984**	**321 863**

Impairment of receivables **2021**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	(3 116)	(4 931)	(65 860)	(73 907)
Transfer to Stage 1	117	3	5	125
Transfer to Stage 2	(4)	1 288	1	1 285
Transfer to Stage 3	(69)	(63)	(37 560)	(37 692)
Acquired financial assets	(15 006)	(9 690)	(44 570)	(69 266)
Settled receivables	2 936	4 074	58 479	65 489
Balance as at 01 January 2021	**(15 142)**	**(9 319)**	**(89 505)**	**(113 966)**

A.5. Analysis of the credit risk of receivables from customers on individually significant loans granted

The tables below analyze the credit risk of receivables from customers on individually significant loans granted to legal entities and natural persons:

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

Receivables gross	**31 December 2021**	**31 December 2020**
Performing loans	33 800	25 823
Non-performing loans	-	-
Total	**33 800**	**25 823**

	31 December 2021	**31 December 2020**
Receivables gross	33 800	25 823
Impairment	(6 801)	(1 733)
Receivables, net	**26 999**	**24 090**

B. Liquidity risk

Liquidity risk is related to the Group'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 Group 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.

B.1. Liquidity risk management policy

Management of the Group'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 Group has a diversified portfolio of cash and high-quality highly liquid assets to meet its current liabilities.

B.2. Analysis of maturity of financial assets
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	**Carrying amount**	**Up to 1 month**	**1 - 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
Financial liabilities							
Loans received	78 000	139	277	43 115	30 521	4290	78 342
Lease payables	9 482	21	41	185	9 519	-	9 766
Trade payables	10 149	10 149	-	-	-	-	10 149
	97 631	**10 309**	**318**	**43 300**	**40 040**	**4 290**	**98 257**

As at 31 December 2020	**Carrying amount**	**Up to 1 month**	**1 - 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Total**
Financial liabilities							
Loans received	32 473	7	109	27 424	5 356	-	32 896
Lease payables	9 490	21	41	185	9 528	-	9 775
Trade payables	5 829	5 829		-	-	-	5829
	47 792	**5 857**	**150**	**27 609**	**14 884**	**-**	**48 500**

C. Market risk

The Group 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 Group's financial instruments, the Group 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 Group 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 Group 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 Group. 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 Group. The Group 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.

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

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 Group.

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 Group takes into account the relevant observable market prices where possible.
Fair value of financial instruments:

	As at 31 December 2021		***As at 31 December 2020***	
Financial assets	*Book value*	*Fair value*	*Book value*	*Fair value*
Cash and cash equivalents	12 337	12 337	14 350	14 350
Microloans granted to individuals	207 897	207 897	155 104	155 104
Individually significant loans granted	26 999	26 999	24 090	24 090
Investments in financial assets	31 865	31 865	8 444	8 444
Total financial assets	279 098	279 098	201 988	201 988

	As at 31 December 2021		***As at 31 December 2020***	
Financial liabilities	*Book value*	*Fair value*	*Book value*	*Fair value*
Loans received	78 000	78 000	32 473	32 473
Lease payables	9 482	9 482	9 490	9 490
Trade payables	10 149	10 149	5 829	5 829
Total financial liabilities	**97 631**	**97 631**	**47 792**	**47 792**

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	12 337	-	-	12 337
Microloans granted to individuals	-	-	207 897	207 897
Individually significant loans granted	-	-	26 999	26 999
Investments in financial assets	-	-	31 865	31 865

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

Financial liabilities				
Loans received	-	-	78 000	78 000
Lease payables	-	-	9 482	9 482
Trade payables	-	-	10 149	10 149

F. Capital management

The Group'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	119 398	68 094
Reduced with cash and cash equivalents	(12 337)	(14 350)
Net debt capital	107 061	53 744
Total equity belonging to the owners of the Company	216 914	176 015
Total capital belonging to the Company	323 975	229 759
Debt-to-equity ratio	**0.55**	**0.38**

The equity consists of registered capital and retained earnings. Summary quantitative data on the composition of the equity is disclosed in Note 23 - 25.

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

The management has analysed the impact of the spread of COVID-19 during the reporting period on the Group'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.

31. Related party transactions

Parties are considered to be related if one party has the ability to control the other party, or to 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.

31.1. Related parties

In addition to the ultimate owners disclosed in Note 24 and non-consolidated subsidiaries disclosed in Note 27, the Group's related parties also include:

Company name/ name	*Type of relatedness*
Chiron Management AD, UIC 205202828	other type of relatedness
Antoniya Vasileva Sabeva	other type of relatedness

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

31.2. Related party transactions

Related party	*Transaction type*	**2021**	**2020**

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

Purchase			
Owners	Interest	10	8
Non-consolidated subsidiaries	Interest	1 084	-
Other type of relatedness	Interest	29	-
Non-consolidated subsidiaries	Services received	606	-
Other type of relatedness	Services re-invoiced	241	59
		1 970	**67**
Sales			
Non-consolidated subsidiaries	Interest	389	-
Other type of relatedness	Interest	151	108
Non-consolidated subsidiaries	Services rendered	382	-
Non-consolidated subsidiaries	Services re-invoiced	1 744	593
		2 666	**701**

31.3. Related party payables and receivables

Related party	*Payables or receivables*	**As at 31 December 2021**			**As at 31 December 2020**		
		Receivables gross	*Impairment*	*Receivables net*	*Receivables gross*	*Impairment*	*Receivables net*
Receivables							
Non-consolidated subsidiaries	Loan	11 839	(2 043)	9 796	-	-	-
Other type of relatedness	Loan	4 221	(564)	3 657	2 521	(1 451)	1 070
Total loan receivables (Note 12)		**16 060**	**(2 607)**	**13 453**	**2 521**	**(1 451)**	**1 070**
Non-consolidated subsidiaries	Assignment	498	-	498	-	-	-
Non-consolidated subsidiaries	Services	48	-	48	-	-	-
Non-consolidated subsidiaries	Services re-invoiced	1 261	-	1 261	-	-	-
Total other receivables		**1 807**	**-**	**1 807**			
Total receivables		**17 867**	**(2 607)**	**15 260**	**2 521**	**(1 451)**	**1 070**

Related party	*Payables or receivables*	**31 December 2021**	**31 December 2020**
Payables			
Owners	Loan	713	508
Non-consolidated subsidiaries	Loan	22 683	-
Other type of relatedness	Loan	1 508	-

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

Total loan payables (Note 19)		**24 904**	**508**
Non-consolidated subsidiaries	Services	200	-
Other type of relatedness	Services	14	-
Total trade payables		**214**	**-**
Total payables		**25 118**	**508**

The remuneration for 2021 of the Group's key management amounted to BGN 4757 thousand.

In 2020 and 2021, no loans were granted to management staff. No guarantees for receivables or payments to related parties have been provided or received.

The management has analyzed the impact of the military conflict between Russia and Ukraine, which started after the date of the financial statements, on the receivables from related parties and it has estimated that the net value of receivables on loans granted by:

• Easy Asset Management to Easy Credit LLC (non-consolidated subsidiary), for which an impairment loss of 77% was charged in 2021;
Management Financial Group JSCo. to Flexible Financial Solutions, Ukraine (non-consolidated subsidiary), for which an impairment loss of 100% was charged in 2021;
• Management Financial Group JSCo to Easy Asset Management Russia (non-consolidated subsidiary), for which an impairment loss of 100% was charged in 2021; it is a reasonable approximation of their fair values

32. 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 Group.

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 Group's management has analysed the impact of the military conflict on the Group's activities and has not identified matarial risks disclosed in detail in Note 27 Changes in liabilities arising from financial activities and Note 31 Financial risk management.

With effect from 1 June 2022, the composition of the members of the Board of Directors of Management Financial Group JSco. have been changed as follows:

- Ivelina Tsankova Kavurska – Member of the Board of Directors since 1 June 2022.
- Antoniya Vasileva Sabeva– Member of the Board of Directors since 1 June 2022.
- Peter Blagovestov Damyanov– Member of the Board of Directors since 1 June 2022.
- Angel Vasilev Madzhirov– Member of the Board of Directors since 1 June 2022.
- Apostol Ustyanov Mushmov– Member of the Board of Directors since 1 June 2022.
- Nedelcho Yordanov Spasov – dismissed member of the Board of Directors since 1 June 2022.
- Stanimir Svetoslavov Vassilev– dismissed member of the Board of Directors since 1 June 2022.

With effect from 1 June 2022, the Parent Company, Management Financial Group JSco., shall be represented by Antoniya Vasileva Sabeva – Executive Director.

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

Nedelcho Yordanov Spasov and Stanimir Svetoslavov Vassilev - Executive Directors were dismissed from their duties and responsibilities with effect from 1 June 2022

33. Approval of the financial statements

On 29 September 2022, the Board of Directors approved the publishing of the consolidated financial statements as of 31 December 2021 (including comparative information).