VIVA CREDIT AD
Activity report
Independent Auditor's Report
Financial Statements
for the year ended December 31, 2022

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31 DECEMBER 2022

Management presents its Annual Financial Statements for the year ended 31 December 2022, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). This Financial Statements were audited by MGI Delta LLC.

CORPORATE INFORMATION

Viva Credit AD was established on 30.03.2012. The headquarters and rergistered office of the Company are located at 7 Lyulin Residential Area,28 Jawaharal Nehru Blvd., "Silver Center" Administrative Business Center, 2 nd Floor, Office 73G, City of Sofia, Bulgaria. "Viva Credit" AD is represented by Svilen Petkov Petkov – Executive Director.

Viva Credit AD is a financial institution within the meaning of the Credit Institutions Act (CIA), it was entered in the Register of Credit Institutions under number BGR00277 pursuant to Order РД22-0857/27.04.2012. The Company offers its financial services – quick cash loans, since 01.06.2012. The number of lended cash loans, different in type and size, is growing every month. The Company's financial services are offered both on-site in various commercial establishments and via the Internet.

At the beginning of 2023 the Company started a procedure under the Commercial Law to change its legal form from a limited liability company to a joint-stock company. After the successful completion of the transformation procedure, as of April 12, 2023. Viva Credit AD is a joint stock company with UIC 207343548 (previous UIC 201995287).

"Viva Credit" has one-tier system of governance.The Company is managed by a Board of Directors composed of:

SVILEN PETKOV PETKOV – Executive Director and member of the Board of Directors
APOSTOL USTIYANOV MUSHMOV – member of the Board of Directors
MANAGEMENT FINANCIAL GROUP AD – member of the Board of Directors

The members of the Board of Directors are appointed after the balance sheet date, for a 3-year term.

As of the date of this activity report the Company's registered capital amounts to BGN 2 855 000, and is divided into 2 855 000 shares:

- 1 ordinary, available, registered, voting share with nominal value of BGN 1.
- 2854999 shares - privileged, available, registered with the right to vote and with the right to an additional dividend

In 2022, the Company operates in the conditions of a global coronavirus pandemic (COVID-19). During the year, the pandemic did not have significant negative effects on the Company. The Company does not expect the pandemic to have any material negative consequences in 2023.

As of 12-31-2022. the Company's share capital amounts to BGN 2,855 thousand. It is distributed as follows:

Management financial Group AD	BGN 2 832 600
Ivelina Tsankova Kavurska	BGN 2800
Petar Blagovestov Damyanov	BGN 2800
Tsvetan Petkov Krastev	BGN 2800
Apostol Ustianov Mushmov	BGN 2800
Angel Vasilev Madzhirov	BGN 2800
Martin Staykov Yanev	BGN 1 400
Radostin Yuriyev Bogdanov	BGN 1 400
Blagovest Yordanov Vitanov	BGN 1 400
Maria Stavreva Velkova	BGN 1 400
Pravda Georgieva Baremova	BGN 1 400
Gergana Milkova Dimitrova	BGN 1 400

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As at 31 December 2022, the Company's equity amounts to BGN 16 058. Its components are: share capital in the amount of BGN 2 855 thousand, retained earnings from previous years in the amount of BGN 9 532 thousand, actuarial profit/loss reserve - BGN 13 thousand; other comprehensive income and current profit 3 658 thousand BGN.
The Income from core activity (income from interest, fees and commissions) for 2022 amounts to BGN 28 756 thousand, i.e. have increased by BGN 1 014 thousand compared to 2021. (2021 - BGN 27 742 thousand).
In 2022, the Company's assets decreased by BGN 2 746 thousand BGN compared to 2021 (BGN 20 023 thousand at the end of 2022 versus BGN 22 769 thousand at the end of 2021). This is due to decrease in receivables from lended loans, increase in the impairment of receivables and the amount of non-performing loans.
As of 12/31/2022, the Company's liabilities amount to BGN 3 965 thousand (12/31/2021 - BGN 4 782 thousand)

In 2022, Viva Credit AD strengthens its position on the market and gains a larger market share compared to previous years. The number of employees of the Company has decreased compared to 2021. As of 12.31.2022, the Company has 193 employees. (31. December 2021 - 200 employees). The Company has a well-developed and flexible commercial structure. The internal procedures and processes necessary for the effective management of the activities of Viva Credit AD are systematically updated so that they meet the legal requirements. As a result of all these changes, the quality and speed of customer service has increased.
The main goal of the Company in 2023 will be to preserve the stability of the financial parameters, increase the collection of the lended loans, improve the quality of the loan portfolio, achieve an adequate profit from the activity, through which to support its capitalization, as well as optimal capital adequacy.

Legal status - capital and management, including information required under Art. 187e and 247 of the Commercial Law.
During 2022, the members of the Board of Directors or persons related to them have not entered into contracts with the Company that go beyond the Company's ordinary activities or significantly deviate from market conditions.
The members of the Board of Directors do not have special rights to acquire shares and bonds of the Company.
The members of the board of directors do not participate in commercial companies as unlimited partners. The information regarding the participation of the members of the Board in trade companies as unlimited liable partners, the possession of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperations as procurators, managers or members of boards is disclosed below.

1. Svilen Petkov Petkov – Executive Director and member of the Board of Directors
Owns more than 25 percent of the capital of other companies and participates in the management of:
• Eidriel EOOD – UIC 205745078 – sole owner and manager.

2. Apostol Ustianov Mushmov – member of the Board of Directors
Owns more than 25 percent of the capital of other companies and participates in the management of:
• "11235" OOD - UIC: 203058377 - manager;
• "11235" Ltd., Identification number 8850589, Foreign legal entity, Country: Great Britain - sole owner and manager.
3. Management Financial Group AD, EIK: 203753425 – Member of the Board of Directors
Owns more than 25 percent of the capital of other companies and participates in the management of:

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Companies	Type of participation	Participation in the equity-%	Shares in the capital	Currency
Flexible Financial Solution LLC	direct	100%	9760000	UAH
ZD MFG Ins EAD	direct	100%	5281000	BGN
Prospect Capital EAD	direct	100%	3000000	BGN
MFG AB	direct	100%	1000000	EUR
Miafora Limited	direct	100%	207346	BGN
Express Pay EOOD	direct	100%	100000	BGN
Osiguritelno brokersko drushtvo M BROKER AD Skopje	direct	100%	50000	EUR
Smart Innovative Technologies EOOD	direct	100%	50000	Rupees
Smart Asset Services	direct	100%	5000	EUR
Agency for control over bad debts AKDP DOOEL Skopje	direct	100%	5000	MKD
Easy Asset Management DOO Beograd-Novi Beograd	direct	100%	100	BGN
MFG Digital Limited	direct	100%	1	BGN
Seewines AD	direct	99.70%	19829917	BGN
Viva Credit AD	direct	99.21%	2832600	BGN
Sofia Fin Invest Private Limited	direct	98.00%	98000	BGN
Liquid Dreams	direct	97.50%	7477000	GBP
Iuvo Grup OU	direct	93.59%	498286	BGN
April Services OOD	direct	91.00%	1820000	EUR
MFG Micro-credit Ghana Limited	direct	90.00%	900000	BGN
MFG Invest AD	direct	88.93%	9600000	BGN
Easy Asset Management AD	direct	88.42%	7517931	BGN
Access Finance AD	direct	75.49%	958750	BGN
AKPZ AD	direct	70.00%	1050000	BGN
Fintrade Finance AD	direct	64.30%	771600	BGN

Management Financial Group AD - member of the Board of Directors of Viva Credit AD participates in the management as a member of the Board of Directors of the following companies:

Company - name	*UIC*
• Access Finance AD	207140327
• Agency for control of outstanding debts AD	207172780

Research and development
The Company does not carry out research and development activities.

Branches of the Company
As of 31.12.2022, the Company has the following branches:

UIC of the branch: 2073435480081
Firm of the branch: Viva Credit - Vratsa branch

UIC of the branch: 2073435480077
Firm of the branch: Viva Credit - Veliko Tarnovo branch

UIC of the branch: 2073435480062
Firm of the branch: Viva Credit - Sliven branch

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UIC of the branch: 2073435480058
Firm of the branch: Viva Credit - Stara Zagora branch

UIC of the branch: 2073435480043
Firm of the branch: Viva Credit - Varna branch

UIC of the branch: 2073435480039
Firm of the branch: Viva Credit - Plovdiv branch

UIC of the branch: 2073435480024
Firm of the branch: Viva Credit - Burgas branch

UIC of the branch: 2073435480016
Firm of the branch: Viva Credit - Pleven branch

Information under Art. 39, item 8 of the Accounting Act:
"Viva Credit" AD maintains a positive balance in relation to its assets and liabilities, payable within 1 month. It should be noted that in order to attract new customers and stimulate sales to existing ones, the Company takes a number of measures such as promotional conditions, the possibility of renegotiating the conditions (amount and term) and others.

Regarding the price (interest) risk, the Company adheres to the policy that assets and liabilities have a fixed interest rate. Credit risk is managed by applying strict and conservative principles for securing loans and evaluating collateral, as well as by allocating provisions for impairment.

After the balance sheet date, no events occurred that could have a significant impact on the Company's activities.

Plan for development of the Company.
The Company's strategy is to provide sustainable solutions for the respective needs of selected groups of customers. In the Bulgarian market, this means providing only a certain number of products and services, as local customers have requirements that can also be covered by traditional credit products. The development intentions in 2022 are mainly aimed at improving profitability, the Company's market positions and the quality of the loan portfolio and the professional growth of the staff. In the coming year, "Viva Credit" AD will strive to consolidate and expand its positions on the credit market - mainly retail lending. The Company's loan portfolio is composed of properly secured loans lended to reliable borrowers after extensive and thorough analysis and research. In this regard, the Company will maintain its orientation towards seeking such borrowers, or in short:

Priority in 2023 for "Viva Credit" AD is:
- Confirmation of the Company's position as a leader in the quick loans market and its positioning as a non-bank financial organization with the best developed own sales network;
- Increasing the portfolio in terms of the number, amounts and types of financial services provided (cash loans);
- Improving portfolio collection;
- Building new programs to attract more customers;
- Development and offering of new products, bringing higher financial results.
- Qualification growth of the staff for more effective product offering.

Significant events after the end of the reporting period

On 12.04.2023, the Company was transformed by changing its legal form - from a limited liability company to a joint-stock company. Viva Credit is entered in the Commercial Register at the Registration Agency under UIC 207343548.
On the same date, a board of directors with a mandate of 3 years and with the following composition was entered:
SVILEN PETKOV PETKOV – Executive Director and member of the Board of Directors

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APOSTOL USTIYANOV MUSHMOV – member of the Board of Directors
MANAGEMENT FINANCIAL GROUP AD – member of the Board of Directors.
For the period after the date of the Financial statement, the Company has not identified any significant or corrective events that are related to its activity during the reporting period and that should be separately disclosed or that require changes to the financial statement.

Responsibilities of the management

The management of Viva Credit AD has prepared the Financial Statement for 2022 which gives a true and fair view of the state of the Company's affairs at the end of the year and its financial 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 2022.

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.

Svilen Petkov
Executive Director
Date: 18.04.2023

VIVA CREDIT AD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022
(All amounts are presented in BGN'000 unless otherwise stated)

	Note	2022	2021
Income from interest, fees, and penalties		28 756	27 742
Interest expense and bank fees		(230)	(227)
Net income from interest, fees, and penalties	3	**28 526**	**27 515**
Other operating income, net	4	1 966	2 381
Impairment of financial assets, net	9, 10	(16 903)	(16 875)
Employee benefits expense	5	(4 421)	(4 085)
General administrative and other operating expenses	6	(5 096)	(4 129)
Profit before tax		**4 072**	**4 807**
Income tax expense	7	(414)	(485)
Profit for the year		**3 658**	**4 322**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan		13	-
Other comprehensive income for the year		**13**	**-**
Total comprehensive income for the year		**3 671**	**4 322**

The accompanying notes are an integral part of these financial statements.

The financial statements were approved on April 18, 2023.

Executive Director

Svilen Petkov

Prepared by

Vera Slavova

In accordance with an Independent Auditors Report:
Audit firm MGI Delta LLC

Vladimir Kolmakov
Managing and Engagement Partner

VIVA CREDIT AD
STATEMENT OF FINANCIAL POSITION
At 31 December 2022

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

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	8	1 148	826
Microloans lended to individuals	9	15 866	16 633
Loans lended to related parties	10	799	2 529
Property, plant, and equipment	11	73	162
Intangible assets	12	42	14
Right-of-use assets	13	825	1 517
Other assets	14	1 254	1 072
Deferred tax asset	15	16	16
TOTAL ASSETS		**20 023**	**22 769**
LIABILITIES AND EQUITY			
LIABILITIES			
Borrowings	16	1 941	2 421
Lease liabilities	17	844	1 532
Trade and other payables	18	906	829
Current tax liabilities	18	274	-
TOTAL LIABILITIES		**3 965**	**4 782**
EQUITY			
Share capital		2 855	2 855
Reserves		13	-
Retained earnings		13 190	15 132
TOTAL EQUITY	19	**16 058**	**17 987**
TOTAL LIABILITIES AND EQUITY		**20 023**	**22 769**

The accompanying notes are an integral part of these financial statements.

The financial statements were approved on April 18, 2023.

Executive Director

Svilen Petkov

Prepared by

Vera Slavova

In accordance with an Independent Auditors Report:
Audit firm MGI Delta LLC

Vladimir Kolmakov
Managing and Engagement Partner

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

	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2021	2 855	-	14 310	17 165
Total comprehensive income for the year				
Profit for the year	-	-	4 322	4 322
Transactions with owners, recognised directly in equity				
Dividends paid	-	-	(3 500)	(3 500)
Balance at 31 December 2021	2 855	-	15 132	17 987
Total comprehensive income for the year				
Profit for the year	-	-	3 658	3 658
Other comprehensive income for the year	-	13	-	13
Transactions with owners, recognised directly in equity				
Dividends paid	-	-	(5 600)	(5 600)
Balance at 31 December 2022	**2 855**	**13**	**13 190**	**16 058**

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on April 18, 2023.

Executive Director

Prepared by

Svilen Petkov

Vera Slavova

In accordance with an Independent Auditors Report:
Audit firm MGI Delta LLC

Vladimir Kolmakov
Managing and Engagement Partner

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

	Note	2022	2021
Cash from operating activities			
Disbursements of microloans lended		(31 691)	(32 120)
Repayments of microloans lended		44 254	41 435
Disbursements of loans lended to related parties		(1 400)	(3 500)
Repayments of loans lended to related parties		3 290	-
Payments related to staff		(4 476)	(4 176)
Cash receipts from customers		1 666	1 971
Payments to suppliers		(3 787)	(3 202)
Payment of corporate tax		-	(1 129)
Other receipts/ (payments) for operating activities, net		(89)	387
Net cash from / (used in) operating activities		**7 767**	**(334)**
Investing activities			
Purchases of property, plant, and equipment		(8)	(136)
Sale of property, plant, and equipment		11	107
Net cash from / (used in) investing activities		**3**	**(29)**
Financing activities			
Repayments of lease liabilities		(684)	(606)
Proceeds from borrowings		1 424	1 204
Repayments of borrowings, including interest		(2 588)	(21)
Dividends paid		(5 600)	(91)
Net cash from / (used in) financing activities		**(7 448)**	**486**
Net increase/(decrease) in cash and cash equivalents		**322**	**123**
Cash and cash equivalents at beginning of year		**826**	**703**
Cash and cash equivalents at end of year	8	**1 148**	**826**

The accompanying notes are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on April 18, 2023.

Executive Director

Prepared by

Svilen Petkov

Vera Slavova

In accordance with an Independent Auditors Report:
Audit firm MGI Delta LLC

Vladimir Kolmakov
Managing and Engagement Partner

1. General information

1.1 Legal status

VIVA CREDIT AD, UIC: 201995287 (the 'Company') is a joint stock company is registered in the city of Sofia. 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. 73G, Sofia, Bulgaria.

The Company is represented by Svilen Petkov - Executive Director.

1.2 Objects of activity

"Viva Credit" AD is a financial institution within the meaning of the Credit Institutions Act (CIA), it was entered in the Register of Credit Institutions under number BGR00277 pursuant to Order РД22-0857/27.04.2012. The subject of the Company's activity is providing cash loans with own funds, according to the Credit Institutions Act.

2. Accounting policy

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

The Annual Financial Statement includes: Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 Company classifies its expenses depending on their nature.

2.1 Basis of preparation of the Annual Financial Statement

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

2.1.1 Comparative information

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

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

2.1.2 Going concern principle

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

2.1.3 Changes in accounting policies and errors

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

2.1.4 New standards and clarifications

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

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

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use, effective from 1 January 2022.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Restrictive Contracts - Contract Performance Costs, effective 1 January 2022.
- Amendments to IFRS 3 Business Combinations: Conceptual Framework, effective 1 January 2022.
- Annual Improvements to IFRS Standards 2018-2020 , effective 1 January 2022.

The adoption of these changes to the existing standards has not resulted in significant changes in the Company's financial statements.

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

At the date of approval of these financial statements, the following new standards issued by the IASB and adopted by the EU are not yet effective:

- **Amendments to IFRS 17 Insurance Contracts** effective 1 January 2023, as adopted by the EU
- **Amendments to IAS 1 Presentation of Financial Statements**, IFRS Statements for Annex 2: Disclosure of Accounting Policies, effective 1 January 2023, adopted by the EU
- **Amendments to IAS 8 Accounting Policies**, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, effective 1 January 2023, as adopted by the EU
- **Amendments to IAS 12 Income Taxes:** Deferred Taxes Relating to Assets and Liabilities Arising from Single Transactions, effective from 1 January 2023, as adopted by the EU
- **Amendments to IFRS 17 Insurance Contracts:** Initial Application of IFRS 17 and IFRS 9 - Comparative Information effective 1 January 2023, as adopted by the EU.

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

Currently, IFRSs adopted by the EU are not materially different from those adopted by the IASB, except for the following new standards, amendments to existing standards and new interpretations that have not yet been endorsed by the EU at the date of approval of these financial statements (the effective dates indicated below are for full IFRSs):

- **Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current,** effective no earlier than 1 January 2024, not yet adopted by the EU
- **Amendments to IFRS 16 Leases:** Lease Obligation on Sale and Leaseback effective no earlier than 1 January 2024. Not yet adopted by the EU
- **Amendments to IFRS 14 Deferred accounts at regulated prices** effective from 1 January 2016, not adopted by the EU

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

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

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

2.2 Transactions in foreign currency

(a) Functional and Presentation Currency
The individual items of the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The 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.

(b) Transactions and Balances

Transactions in foreign currency are transformed into functional currency, applying the official exchange rate of the Bulgarian National Bank for the relevant day. Gains and losses from changes in exchange rates arising as a result of payments on transactions in foreign currency, as well as from revaluation at the closing exchange rate of assets and liabilities denominated in foreign currency are recognized in the income statement.

Gains and losses from foreign currency transactions that relate to receivables and cash are presented in the income statement as "financial income or expense". All other gains and losses are presented in the income statement as "other (losses)/gains - net".

Monetary assets and liabilities in foreign currency are reported at the closing exchange rate of the BNB as of the reporting date.

Essential exchange rates:

	31 December 2022	31 December 2021
	BGN	BGN
1 US dollar equals	1.83371	1.72685
1 euro equals	1.95583	1.95583

2.3 Revenue and expense recognition

Interest income and expenses

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

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

Fees and commissions income and expenses

Fees and commissions income is recognised at the time of providing the service. Fees received for services rendered for a specified period of time are accrued within that period of time. Lending fees applicable to loans that are most likely to be disbursed and other loan-related fees are deferred (along with any additional costs) and recognised by changing the effective interest rate on the loan. Dividend income is recognised at the time the right to receive the payment is established.

Income from penalties

Income from penalties and default of borrowers on loans lended 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.

Revenue from contracts with customers

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

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

To determine whether and how to recognise revenue, the Company applies the following 5 steps:
1. Identify the contract with a customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when the performance obligations are satisfied

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

2.4 Financial instruments

Classification

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

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

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

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

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

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

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

Initial recognition

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

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

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

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

Subsequent measurement
After initial recognition, the Company shall measure financial instruments at:
- amortised cost; or
- fair value through other comprehensive income; or
- fair value through profit or loss.

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

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

Measurement at fair value
Fair value is the price that would be received upon sale of an asset or would be paid to transfer a liability in an ordinary transaction between market participants at the measurement date (in the main or most advantageous market) on market terms (i.e. exit price) irrespective of whether the price can be directly monitored or determined by other valuation methods.
In order to improve consistency and comparability in the measurement of fair value and related disclosures, the Company complies with IFRS 13, which defines a fair value hierarchy that categorises into three levels the inputs used in valuation methods used to measure fair value. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

Impairment
At each reporting date, the Company estimates the impairment loss for a financial instrument at a value equal to the expected credit losses over the entire term of the instrument, if the credit risk of the financial instrument has increased significantly since initial recognition. If the credit risk of the financial instrument has not increased significantly from initial recognition, the Company estimates the impairment loss for the financial instrument at a value equal to the expected credit losses for 12 months. If the Company has measured the impairment loss for a financial instrument at a value that is equal to the expected credit losses over the entire term of the instrument in previous reporting periods, but determines that the requirements for the expected credit losses for the entire term of the instrument are no longer met in the current reporting period, the Company shall measure the impairment loss at a value that is equal to the expected credit losses for 12 months as of the current reporting period. The Company recognises as impairment profit or loss in the income statement the amount of expected credit losses (or reversal) that is required to be adjusted for impairment loss at the reporting date.
Impairment loss is equal to the expected credit losses for 12 months (stage 1), if there is no significant increase in the credit risk as of the reporting date since initial recognition. Impairment loss is equal to the expected credit losses over the life of the instrument, if there is a significant increase in the credit risk as of the reporting date since initial recognition (stage 2) or if there is a default of the asset since initial recognition (stage 3). The transaction is always in stage 1 as of the initial date. Financial instruments with a maturity of less than 12 months are allocated to stage 1 or stage 2, but the relevant expected credit losses shall always be calculated taking into account the lifetime of the instrument that is less than 12 months - stage 1.
In accordance with the general approach, the criterion for transferring from one stage to another is symmetrical at transaction level. In particular, if in subsequent reporting periods the credit risk quality of the financial asset allocated to stage 2 improves and there is no longer a significant increase in credit risk since initial recognition, then the asset is allocated to stage 1.
The criterion for recognising an impairment loss equal to the expected credit losses over the life of the instrument could, in some cases, be based only on quality information or only on quantitative information. In other cases, quality information and quantitative information shall also be taken into account to determine the transfer criterion.

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

Loans from P2P investors
The Company has signed 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 lended to individuals) issued by the Company in return for a prepayment. These rights are established through transfer agreements between investors and the P2P platform, which acts as an agent on behalf of the Company. The investor can choose how much to invest in a loan, the maximum threshold being up to 70% of the principal. The Company must pay to the investor the pro rata share of the funds borrowed for each debt instrument under the terms and conditions of the relevant individual agreement concluded between the Company and the customer.
The transfer agreements are (assignment) agreements with the right of recourse that require the 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 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 Company 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 Company has set a threshold of BGN 700 and assets acquired at a cost below that threshold shall be treated as current expenses at the time of acquisition, irrespective whether they have the characteristics of fixed assets.

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

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

Useful life by groups of assets is as follows:

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

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

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

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

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

2.7 Intangible assets

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

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

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

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

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

2.8 Leases

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

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

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

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

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

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

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

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

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

b) lease liabilities

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

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

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

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

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

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

The Company shall subsequently measure the lease liability by:

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

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

- there is a change in the lease term or in case of an event or circumstance that resulted to a change in the valuation of the purchase option whereby the adjusted lease liabilities are recalculated at an adjusted discount rate;
- there is a change in lease payments resulting from a change in the index or percentage, or there is a change in the amounts expected to be payable on the residual value guarantees, whereby the adjusted lease liabilities are restated at the unchanged (original) discount rate (unless the change in lease payments results from a change in floating interest rates, in which case an adjusted discount rate is used to reflect changes in the interest rate);

- the lease agreement has been modified and this modification has not been reflected as separate lease, and in such case the lease liability is recalculated based on the term of the modified lease, discounting the modified lease payments at an adjusted discount rate at the effective date of the amendment.

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

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

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

2.9 Income taxes

Current income taxes

Current income taxes of the Company are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate in Bulgaria for 2022 is 10% (2021: 10%).

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 2022, the Company's deferred tax assets and liabilities were measured at a rate of 10% (31 December 2021: 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 Company as an expense in the period when the personnel provided the services related to these benefits (regardless of the date of payment) corresponding to other liabilities in the financial statements.

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

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

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

2.11 Provisions

A provision is recognised when:

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

Equity consists of the Company's registered share capital based on applicable legal provisions and articles of association. The nominal value of the Company's share capital is in the amount specified in the articles of association and in the Commercial Register.

According to the requirements of the Commercial Law and the statute, the Company is obliged to form a "reserve fund" from the following sources:
- at least one-tenth of the profit, which is allocated until the funds reach one-tenth of the share capital or a larger part, determined by decision of the General Meeting of Shareholders;
- the funds received above the nominal value of the shares upon their issuance (premium reserve);
- other sources, by decision of the General Meeting of Shareholders.

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

The fund can only be used to cover the annual loss and losses from previous years. When the minimum amount specified in the articles of association is reached, the funds above this amount can be used to increase the share capital.

Retained earnings include net profit (loss) for the year recognized in the statement of comprehensive income and accumulated profits (losses) from prior years.

2.13 Distribution of Dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which it is approved by the Company's shareholders.

2.14 Related Parties

For the purposes of this financial statement, the Company presents as related parties the parent company, its subsidiaries and associated companies, the members of key management personnel, as well as close members of their families, and the companies controlled by all the above-mentioned persons.

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

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

3. Net income from interest, fees, and penalties

	2022	2021
Interest income	22 430	27 606
Fee income	6 326	136
Revenue from interest, fees and penalties	**28 756**	**27 742**
Interest expense on leases	(33)	(45)
Interest expense on trade loans	(8)	-
Interest expenses for loans lended through P2P platforms	(127)	(122)
Fee and commission expenses	(62)	(60)
Interest and fee expenses	**(230)**	**(227)**
Net income from interest, fees, and penalties	**28 526**	**27 515**

4. Other operating income, net

	2022	2021
Income from assigned receivables	693	1 054
Revenue from services	1 171	1 340
Revenues from sale of assets	11	106
Value of assets sold	(7)	(216)
Other operating income	98	97
	1 966	**2 381**

5. Employee benefits expense

	2022	2021
Salaries and wages	(3 706)	(3 456)
Social security contributions	(708)	(624)
Retirement benefits expense	(7)	(5)
	(4 421)	**(4 085)**

6. General administrative and other operating expenses

	2022	2021
Advertising and marketing	(2 118)	(1 812)
Depreciation	(748)	(650)
Telecommunication and postal costs	(251)	(215)
Consumables, incl. electric energy	(213)	(138)
Commission contracts	(188)	(100)
Consulting, legal services	(180)	(140)
Costs for CCR	(159)	(118)
Transport and business trips	(138)	(109)
Entertainment expenses and expenses not related to the activities	(69)	(49)
Office security	(43)	(56)
Car rental	(42)	(42)
Repair and technical support	(41)	(59)
Insurance	(14)	(20)
Other operating expenses	(892)	(621)
Total	**(5 096)**	**(4 129)**

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

As of 31 December 2022, the amount of BGN 892 thousand referred to in 'Other operating expenses', includes the following items: BGN 296 thousand - expenses for civil contracts, BGN 168 thousand - social expenses and events and social activities, software rental - BGN 74 thousand, expenses for materials - BGN 88 thousand, miscellaneous - BGN 266 thousand.

7. Income tax expense

	2022	2021
Profit before tax	4 072	4 807
Tax rate	10%	10%
Estimated income tax expense	(407)	(480)
Tax effect of expenses / income that are not deductible / taxable in determining taxable profit	(7)	(10)
Current income tax expense	**(414)**	**(490)**
Deferred income taxes related to the origination and reversal of temporary differences	-	5
Total income tax expenses	**(414)**	**(485)**

8. Cash and cash equivalents

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

	31 December 2022	31 December 2021
Cash in bank accounts	774	551
Cash on hand	264	225
Cash in transit	110	50
	1 148	**826**

Cash and cash equivalents are denominated in BGN.

Significant deductions during the period ending on 31-12-2022, which do not result in amounts reflected in the statement of cash flows, were made mainly regarding the Company's corporate tax liability. The offset amounts during the year from the tax bill are as follows:

- *BGN 187 thousand – personal income tax (labour contracts, civil contracts, rents)*
- *BGN 70 thousand -advance contributions for corporate tax*
- *BGN 42 thousand - VAT*
- *4 thousand - corporate income tax*

9. Microloans lended to individuals

	31 December 2022	31 December 2021
Receivables from customers on unsecured micro loans, including accrued interest, gross	26 701	26 935
Receivables from customers on secured micro loans, including accrued interest, gross	2 907	3 388
Impairment losses	(13 742)	(13 690)
	15 866	**16 633**

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

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

	2022	2021
Balance as of 1 January	**(13 690)**	**(7 360)**
Impairment loss for the year	(16 916)	(16 856)
Reversed impairment for the year	-	-
Written-off receivables	16 864	10 526
Balance as of 31 December	**(13 742)**	**(13 690)**

10. Loans lended to related parties

	31 December 2022	31 December 2021
Balance as of 1 January	**2 548**	-
Loans lended to related parties, including accrued interest	1 554	2 548
Repayment of loans lended to related parties	(3 297)	-
Impairment losses	(6)	(19)
	799	**2 529**

The change in impairment losses of receivables on Loans lended to related parties is as follows:

	2022	2021
Balance at 1 January	(19)	**-**
Impairment loss for the year	(6)	(19)
Reversed impairment for the year	**-**	**-**
Written-off receivables	19	**-**
Balance at 31 December	**(6)**	**(19)**

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

11. Property, plant, and equipment

	Computer equipment	Office furniture	Assets under construction	Total
Cost				
At 1 January 2021	**224**	**160**	**-**	**384**
Acquisitions	132	9	11	152
Disposals	(44)	-	-	(44)
At 31 December 2021	**312**	**169**	**11**	**492**
Acquisitions	2	6	-	152
Disposals	(12)	-	(11)	(23)
At 31 December 2022	**302**	**175**	**-**	**477**
Accumulated depreciation				
At 1 January 2021	(196)	(116)	-	(312)
Accrued during the period	(51)	(11)	-	(62)
Written-off during the period	44	-	-	44
At 31 December 2021	**(203)**	**(127)**	**-**	**(330)**
Accrued during the period	(67)	(12)	-	(79)
Written-off during the period	5	-	-	5
At 31 December 2022	**(265)**	**(139)**	**-**	**(404)**
Carrying amount				
At 31 December 2022	37	36	-	73
At 31 December 2021	109	42	11	162
At 01 January 2021	28	44	-	72

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

12. Intangible assets

	Software	Intangible assets under development	Total
Cost			
At 1 January 2021	366	-	366
Acquisitions	3	**-**	**3**
At 31 December 2021	369	-	369
Acquisitions	-	**33**	**33**
At 31 December 2022	**369**	**33**	**402**
Accumulated depreciation			
At 1 January 2021	(345)	-	(345)
Accrued during the period	(10)	-	(10)
At 31 December 2021	**(355)**	**-**	**(355)**
Accrued during the period	(5)	-	(5)
At 31 December 2022	**(360)**	**-**	**(360)**
Carrying amount			
At 31 December 2022	9	33	42
At 31 December 2021	14	-	14
At 01 January 2021	21	-	21

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

13. Right-of-use assets

	Buildings	Total
Cost		
At 1 January 2021	1 662	1 662
Acquisitions	487	**487**
Disposals	(77)	**(77)**
At 31 December 2021	2 072	2 072
Acquisitions	1 927	**1 927**
Disposals	(2 072)	**(2 072)**
At 31 December 2022	**1 927**	**1 927**
Accumulated depreciation		
At 1 January 2021	-	-
Accrued during the period	(579)	(579)
Written-off	24	24
At 31 December 2021	(555)	(555)
Written-off	95	95
Accrued during the period	(642)	(642)
At 31 December 2022	(1 102)	(1 102)
Carrying amount		
At 31 December 2022	825	825
At 31 December 2021	1 517	1 517
At 01 January 2021	1 662	1 662

Amounts recognised in profit or loss	2022	2021
Depreciation of right-of-use assets	642	579
Interest expenses related to lease payables	(33)	(45)
Expenses related to short-term rentals and leases of low-value assets	-	-

14. Other assets

	31 December 2022	31 December 2021
Assignment receivables	109	204
Receivables under guarantees	82	79
Receivables from trade counterparties	48	98
Advances paid	70	7
Other receivables	945	684
	1 254	**1 072**

The amount of BGN 945 thousand referred as 'Other receivables', includes BGN 732 thousand - settlements with partners, BGN 31 thousand - insurance estimates, BGN14 thousand - prepaid expenses, BGN 168 thousand– other receivables.

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

15. Deferred tax assets

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

	Unused paid leaves	Employee benefits	Other	Total
At 01 January 2021	9	2	-	11
(Expense)/income in the Statement of comprehensive income	4	-	1	5
At 01 January 2022	13	2	1	16
(Expense)/income in the Statement of comprehensive income	-	1	(1)	-
At 31 December 2022	13	3	-	16

16. Borrowings

	Average interest rate	31 December 2022	31 December 2021
Loans from P2P investors	9.04%	1 941	2 421
Total, including:		**1 941**	**2 421**
Noncurrent		-	-
Current		1 941	2 421

17. Lease liabilities

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

Maturity structure of lease liabilities	31 December 2022	31 December 2021
Long-term part	185	-
Short-term part	669	1 532
	844	**1 532**

18. Trade and other payables

	31 December 2022	31 December 2021
Personnel and social security payables	511	482
Payables to suppliers	363	296
Tax payables, different from corporate tax	27	45
Other payables	5	6
	906	**829**

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

Personnel and social security payables

	31 December 2022	31 December 2021
Personnel payables, including:		
Current payables for salaries and wages	296	276
Current payables for unused paid leave	85	82
Long-term payables to personnel upon retirement	23	28
	404	**386**
Social security payables, including:		
Current payables	107	96
	107	**96**
Total	**511**	**482**

Long-term payables to personnel upon retirement

	2022	2021
Present value of liabilities at January 1	28	24
Current Service cost	8	4
Interest expense	-	-
Retirement benefits paid during the period	-	-
Actuarial (profit) / loss for the period	(13)	-
Present value of liabilities at December 31	**23**	**28**

The significant assumptions used in determining retirement benefit obligations are shown below:

	2022	2021
Discount rate	6%	0.6%
Future increase in remuneration	5%	5%

Average maturity of retirement benefit obligations is 17.1 years.

The table below presents a sensitivity analysis of the significant assumptions as of 12.31.2022, calculated using a method that extrapolates the effect on the retirement benefit obligations, subject to a reasonable change in the underlying assumptions at the end of the reporting period.

Significant assumptions	Variance	Absolute change	Relative change
Discount rate	+0,50%	(2)	-9%
Discount rate	-0,50%	2	+9%
Remuneration	+0,50%	2	+9%
Remuneration	-0,50%	(2)	-9%

The expected payments as of 31.12.2022 in relation to the obligations for retirement benefits are as follows:

	Estimated Payments
Payments in 2023	-
Payments in 2024	2
Payments in 2025	-
Payments in 2026	-
Payments in 2027	-

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

19. Equity

The Company's registered capital is in the amount of BGN 2 855 000, distributed in 2 855 000 shares, each with nominal value of BGN 1 (one), including:

- 1 ordinary, available, registered, voting share with nominal value of BGN 1.
- 2854999 shares - privileged, available, registered with the right to vote and with the right to an additional dividend

Retained earnings

	31 December 2022	31 December 2021
Retained earnings from previous periods	9 532	10 810
Current profit	3 658	4 322
	13 190	**15 132**

The changes in equity in 2022 were as follows:

- The profit reported for the period amounts to BGN 3 658 thousand.
- Dividend distribution amounts to BGN 5 600 thousand, which includes profit for 2021- BGN 4 322 thousand and profit from previous years – BGN 1278 thousand. The dividend was paid by bank transfer.

The changes in equity in 2021 were as follows:

- The profit reported for the period amounts to BGN 4 322 thousand.
- Dividend distribution amounts to BGN 3 500 thousand. The dividend was settled by offsetting the Company's receivables from the sole owner.

20. Changes in liabilities arising from financing activities

	1 January 2022	Cash flows from financing activities	Non-monetary changes	31 December 2022
Borrowings	2 421	(1 164)	684	1 941
Lease liabilities	1 532	(684)	(4)	844
	3 953	**(1 848)**	**680**	**2 785**

	1 January 2021	Cash flows from financing activities	Non-monetary changes	31 December 2021
Borrowings	873	1 183	365	2 421
Lease liabilities	1 664	(606)	474	1 532
	2 537	**577**	**839**	**3 953**

21. 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 arises from the risk of financial loss that may occur due to Company's customers, suppliers and creditors inability to fulfill their obligations.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 at the suggestion of 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 Company uses its own models for measuring and analysing credit risk. These models are subject to periodical review and their behaviour is compared to actual values, and adjustments are made to baseline variables to optimise model performance. These procedures for credit risk measuring are part of the routine operating activities of the Company.

Key input data used to measure expected credit loss include:
- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

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

Probability of default (PD) is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internal data, comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

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

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

A.3. Maximum credit risk exposure

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

	Maximum exposure	
	31 December 2022	**31 December 2021**
Cash and cash equivalents	1 148	826
Microloans lended to individuals	15 866	16 633
Loans lended to related parties	799	2 529
Other assets	309	388
	18 122	**20 376**

A.4. Analysis of credit risk of Microloans lended to individuals

The tables below analyze the credit risk of microloans lended to individuals:

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

Gross receivables At 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing	5 856	-	-	5 856
Overdue up to 30 days	2 514	-	-	2 514
Overdue from 31 to 90 days	-	2 738	-	2 738
Overdue more than 90 days	-	-	18 500	18 500
Total	**8 370**	**2 738**	**18 500**	**29 608**

Gross receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At 31 December 2021	6 301	-	-	6 301
Performing	3 133	-	-	3 133
Overdue up to 30 days	-	3 715	-	3 715
Overdue from 31 to 90 days	-	-	17 174	17 174
Total	**11 982**	**3 715**	**17 174**	**30 323**

At 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross receivables	8 370	2 738	18 500	29 608
Impairment	(1 068)	(1 222)	(11 452)	(13 742)
Net receivables	**7 302**	**1 516**	**7 048**	**15 866**

At 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross receivables	9 432	3 715	17 176	30 323
Impairment	(793)	(1 732)	(11 165)	(13 690)
Net receivables	**8 639**	**1 983**	**6 011**	**16 633**

Gross receivables 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	9 432	3 715	17 176	30 323
Transfer to Stage 1	2 926	(2 533)	(393)	-
Transfer to Stage 2	(17 611)	18 304	(693)	-
Transfer to Stage 3	(1)	(17 173)	17 174	-
Acquired financial assets	30 532	3 651	7 745	41 928
Settled	(16 908)	(3 226)	(22 509)	(42 643)
Balance at 31 December 2022	**8 370**	**2 738**	**18 500**	**29 608**

Gross receivables 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	7 589	3 119	11 894	22 602
Transfer to Stage 1	11	(5)	(6)	-
Transfer to Stage 2	(60)	60	-	-
Transfer to Stage 3	(953)	(287)	1 240	
Acquired financial assets	8 994	3 629	12 868	25 491
Settled	(6 149)	(2 801)	(8 820)	(17 770)
Balance at 31 December 2021	**9 432**	**3 715**	**17 176**	**30 323**

Impairment of receivables 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	793	1 732	11 165	13 690
Transfer to Stage 1	1 395	(1 116)	(279)	-
Transfer to Stage 2	(3 283)	3 758	(475)	-
Transfer to Stage 3	-	(9 472)	9 472	-
Acquired financial assets	5 745	7 783	14 596	28 124
Settled	(4 337)	(1 500)	(22 235)	(28 072)
Balance at 31 December 2022	**313**	**1 185**	**12 244**	**13 742**

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

Impairment of receivables 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021	648	1 121	5 590	7 360
Transfer to Stage 1	5	(2)	(3)	-
Transfer to Stage 2	(5)	5	-	-
Transfer to Stage 3	(90)	(109)	198	-
Acquired financial assets	793	1 729	10 628	13 150
Settled	(558)	(1 012)	(5 248)	(6 820)
Balance at 31 December 2021	**793**	**1 732**	**11 165**	**13 690**

A.5. Analysis of the credit risk of Loans to related parties

The tables below analyze the credit risk of Loans to related parties:

Receivables gross	**31 December 2022**	**31 December 2021**
Performing	805	2 548
Overdue up to 30 days	-	-
Overdue from 31 to 90 days	-	-
Overdue more than 90 days	-	-
Total	**805**	**2 548**

	31 December 2022	**31 December 2021**
Receivables gross	805	2548
Impairment	(6)	(19)
Receivables, net	**799**	**2 529**

A.6. Collateral held as pledge.

Part of the microloans provided by the Company to individuals are secured by real estate pledge. The Company's aspiration is that the fair price of the pledge at the date of granting the loan is not lower than the total claim on the loan at its maturity (principal plus interest and fees).

B. Liquidity risk

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

B.1. Liquidity risk management policy

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

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

B.2. Analysis of maturity of financial liabilities

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

At 31 December 2022	Carrying amount	Contractual Cash Flows					
		Up to 1 month	1 - 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial liabilities							
Borrowings	1 941	-	-	2 100		-	**2 100**
Lease liabilities	844	59	155	531	135	-	**880**
Trade payables	363	363	-	-	-	-	**363**
	3 148	**422**	**155**	**2 631**	**135**		**3 346**

At 31 December 2021	Carrying amount	Contractual Cash Flows					
		Up to 1 month	1 - 3 month	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial liabilities							
Borrowings	2 421	-	-	2 639			**2 639**
Lease liabilities	1 532	63	188	507	834	-	**1 592**
Trade payables	296	296	-	-	-	-	**296**
	4 249	**359**	**188**	**3 146**	**834**		**4 527**

C. Market risk

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

C.1 Interest rate risk

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

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

C.2 Foreign exchange risk

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

D. Operational risk

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

E. Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

Fair value of financial instruments:

	At 31 December 2022		*At 31 December 2021*	
Financial assets	*Book value*	*Fair value*	*Book value*	*Fair value*
Cash and cash equivalents	1 148	1 148	826	826
Microloans lended to individuals	15 866	15 866	16 633	16 633
Loans lended to related parties	799	799	2 529	2 529
Other assets	309	309	388	388
Total financial assets	**18 122**	**18 122**	**20 376**	**20 376**
Financial liabilities				
Borrowings	1 941	1 941	2 421	2 421
Lease liabilities	844	844	1 532	1 532
Trade payables	363	363	296	296
Total financial liabilities	**3 148**	**3 148**	**4 249**	**4 249**

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 at 31 December 2022:

	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Cash and cash equivalents	1 148	-	-	**1 148**
Microloans lended to individuals	-	-	15 866	**15 866**
Loans lended to related parties	-	-	799	**799**
Other assets	-	-	309	**309**
Financial liabilities				
Borrowings	-	-	1 941	**1 941**
Lease liabilities	-	-	844	**844**
Trade payables	-	-	363	**363**

F. Capital risk management

The Company's objectives of capital risk 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 at 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	**31 December 2021**
Total debt capital	3 965	4 782
Less cash and cash equivalents	(1 148)	(826)
Net debt capital	2 817	3 956
Total equity belonging to the owners of the Company	16 058	17 987
Total capital belonging to the Company	**18 875**	**21 943**
Debt-to-equity ratio	**0.247**	**0.266**

The Company has a legal obligation for a minimum equity capital of BGN 1 million, which as of December 31, 2022 has been met.
The equity consists of registered capital and retained earnings. Summary quantitative data on the composition of the equity is disclosed in Note 19.

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

24. Related Party Disclosures

Entities are considered related if one of the parties has the ability to exercise control or significant influence over the other in making financial or operational decisions, or is placed under joint control by a third party.

24.1. Related parties

Company name	*Type of relationship*
Management Financial Group AD	Parent company
Agency for control of outstanding debts S.R.L, Romania, UIC 39789695	Under common control
Easy Asset Management AD UIC 131576434	Under common control
Easy Asset Services EOOD, UIC 175113130	Under common control
Access Finance LTD, UIC 202806978	Under common control
Agency for control of outstanding debts AD, UIC 202527341	Under common control
Fintrade Finance AD, UIC 203429537	Under common control
Prospect Capital AD, UIC 205062449	Under common control
Express pay EOOD, UIC 202813549	Under common control
MFG Investments EOOD, UIC 205628986	Under common control
MFG Partners EOOD, UIC 205658146	Under common control
April Finance EAD, UIC 206010462	Under common control
April Services EOOD, UIC 205969592	Under common control
IUVO GROUP OÜ (Estonia), UIC 14063375	Under common control
IUVO CREDIT OÜ (Estonia), UIC 14247477	Under common control
IUVO Services EOOD, UIC 206251285	Under common control
MFG AB, Lithuania, UIC 304935054	Under common control
MFG Microcredit Ghana Limited, UIC CS257312017	Under common control
Flexible Financial Solution LLC, Ukraine, UIC 42953538	Under common control
Miafora Limited, UIC HE 411879	Under common control
Easy Asset Management DOO Beograd-Novi Beograd, UIC 21617075	Under common control
AXI Finance IFN S.A. (Romania), UIC 35116319	Under common control
Financial Bulgaria EOOD, UIC 202513690	Under common control
Easy Payment Services LTD, UIC 204112059	Under common control
Settle Bulgaria ad UIC 206272938	Under common control
Access Finance SL (Spain), UIC B-88519400	Under common control
Easy Credit LLC (Ukraine), UIC 36183990	Under common control
Easy Asset Management INF.S.A (Romania), UIC 28042464	Under common control
FDM cash Macedonia dooel, UIC 6992960	Under common control
Easy Asset Management Asia Microfinance ltd (Myanmar), UIC 211 FC	Under common control
Easy Individual Solutions, SA de CV, Sofom ENR. (Mexico), UIC 2019060608	Under common control
Doorstep Consulting Services, SA de CV, UIC N-2020062724	Under common control
ICREDIT sp.z.o.o (Poland), UIC 495693	Under common control
Liquid Dreams OOD, UIC 205188992	Under common control
Seewines AD, UIC 202972213	Under common control
Seewines Logistics EOOD, UIC 205017678	Under common control
Seewines Spirit AD, UIC 203328730	Under common control
Lucent Investments ad, UIC 205243613	Under common control
Colline Albelle Società Agricola a RL(Italy), UIC PI - 148082	Under common control
Nedelcho Jordanov Spasov	Ultimate owner
Stanimir Svetoslavov Vasilev	Ultimate owner
Chiron Management AD, UIC 205202828	other type of relationship

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

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

24.2. Trading transactions

Related party	*Transaction type*	**2022**	**2021**
Purchase			
Parent company	Services received	-	21
Under common control	Services received	191	179
		200	**200**
Sales			
Parent company	Interest	146	271
Under common control	Services rendered	31	-
		177	**271**

24.3. Outstanding amounts

Related party	*Balance type*	**31 December 2022**	**31 December 2021**
Receivables			
Parent company	Loan lended, including interest	799	2 529
Under common control	Commission	3	9
Under common control	Cession	109	204
Under common control	Advance payment	44	-
Under common control	Services	572	-
		1 527	**2 742**
Payables			
Parent company	Services	-	21
Under common control	Services	-	-
Under common control	Services	-	45
Under common control	Services	5	4
		5	**70**

The remuneration for 2022 of the Company's key management amounted to BGN 106 thousand. (for 2021– BGN 203 thousand).

As of December 31, 2022, there are no outstanding loans.

Outstanding year-end balances are not collateralized. No guarantees have been given or received for receivables or payments to related parties.

25. Contingent liabilities

The Company is a party (defendant and plaintiff) to litigations related to business matters. The management of the Company, together with the legal advisor, have carried out an analysis of the litigation status and have determined that there are no material risks that would require the recognition of provisions in the financial statements as of 31 December 2022.

26. Events after the reporting period

On 04.12.2023, the Company was transformed by changing its legal form - from a limited liability company to a joint-stock company. Viva Credit AD was entered in the Commercial Register at the Registration Agency with UIC 207343548.

The Board of Directors was entered in the commercial register on the same date. The Board of Directors has a three-year term and consists of the following members:
Svilen Petkov Petkov – Executive Director and member of the Board of Directors
Apostol Ustianov Mushmov – member of the Board of Directors
Management Financial Group AD – member of the Board of Directors

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statement relates and the date of this report, which are related to Company's activity during the reporting period and which should be separately disclosed or require changes to the financial statements.

27. Approval of financial statements

This financial statement (including comparative information) was approved for issue and publication by the Board of Directors on April 18, 2023.