MANAGEMENT FINANCIAL GROUP AD

Consolidated activity report
Independent auditor’s report
Consolidated financial statements

For the year ending on 31 December 2022

CONSOLIDATED ACTIVITY REPORT

Management presents its Consolidated 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"). These Conolidated Financial Statements were audited by MGI Delta OOD

CORPORATE INFORMATION

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

The registered seat and address of management of the Company are located at 7 Lyulin Residential Area, 28 Jawaharlal Nehru Blvd., 'Silver Center' Administrative Business Center, 2nd Floor, Office 40-46, City of Sofia, Bulgaria

Management Financial Group AD is managed by a Board of Directors comprising the following members:

- Antonia Vasileva Sabeva
- Petar Blagovestov Damyanov
- Angel Vasilev Madzhirov
- Apostol Ustianov Mushmov
- Ivelina Tsankova Kavurska

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- Ivelina Tsankova Kavurska

The members of the Board of Directors have not received remuneration in their capacity as members of the Board.

The Company's legal representative is Antonia Vasileva Sabeva – Executive Director.

The Consolidated Financial Statements of the Company as at and for the year ended 31 December 2022 cover the Company and its subsidiaries (see Note 27 to the consolidated financial statements), jointly referred to as the 'Group'.

In the reporting year 2022, the Group realized a profit after taxation in the amount of BGN 39,527 thousand (2021: BGN 46,127 thousand). The profit was formed by income from interest on granted loans, fees, and penalties in the amount of 339,006 thousand BGN, other income from the activity in the amount of 16,364 thousand and net gains from changes in the fair value of financial assets in the amount of 13,356 thousand BGN.

The profit for the year also reflects the operating expenses of the Group. The main operating expenses for 2022 amount to BGN 208,397 thousand (2021: BGN 175,331 thousand) and are related to personnel costs in the amount of BGN 129,556 thousand. (2021: BGN 111,130 thousand); administrative expenses - BGN 78,841 thousand (2021: BGN 64,201 thousand).

The group's impairment loss from loans granted for 2022 is BGN 106,640 thousand (for 2021: BGN 101,911 thousand).

Expenses for interest and fees for the year total BGN 7,479 thousand (2021: BGN 9,084 thousand) and include BGN 4,668 thousand interest expenses on loans received, bank service expenses in the amount of BGN 2,811 thousand. As of 31.12.2022, Group's total assets come up to BGN 433,355 thousand (31.12.2021: BGN 365,238 thousand)

The Group's investments in financial assets, reported through profit or loss, amount to BGN 47,781 thousand. (31.12.2021: BGN 31,865 thousand). In total, Receivables on loans granted amount to BGN 241,955 thousand (31.12.2021: BGN 234,896 thousand) Other assets amount to BGN 38,216 thousand (31.12.2021: BGN 41,153 thousand), investment properties come up to BGN 6,217 thousand. (31.12.2021: BGN 710 thousand). The group's cash and cash equivalents are in the amount of BGN 21,125 thousand (31.12.2021: BGN 12,337 thousand) (on current accounts BGN 19,079 thousand).

As at 31 December 2022, the Group's equity amounted to BGN 293,319 thousand (31.12.202: BGN 247,899 thousand), and the equity attributable to owners of the Company – BGN 252,315 thousand (31.12.2021: BGN 216, 914 thousand)

As of 31 December 2022, and as of 31 December 2021, Parent-Company's registered capital amounts to BGN 81 567 672 (eighty-one million five hundred and sixty-seven thousand six hundred and seventy-two), divided into 81 567 672 (eighty-one million five hundred and sixty-seven thousand six hundred and seventy-two) shares, each with a nominal value of BGN 1 (one).

The registered capital of the Parent-Company amounts to BGN 81 567 672 (eighty-one million five hundred and sixty-seven thousand six hundred and seventy-two), divided into 81 567 672 (eighty-one million five hundred and sixty-seven thousand six hundred and seventy-two) shares, each with a nominal value of BGN 1 (one).

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

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

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

	2022 Number of shares	2021 Number of shares
Shares issued and fully paid:	81 567 672	81 567 672
Shares issued and fully paid as at 31 December	81 567 672	81 567 672
Total shares authorized as at 31 December	81 567 672	81 567 672

A detailed overview of the financial results and financial instruments and the associated risks are set out in the accompanying notes to the financial statements of the Group, p. 13-40 The main risks faced by the Group, including investment risk, credit risk, liquidity risk, interest rate risk, foreign exchange, and capital management risks, are explained in the notes to the financial statements.

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

Each Board of Director's member has the right to acquire shares of Management Financial Group AD

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

Member of the Board of Directors	Companies
Antonia Vasileva Sabeva	- Domenia Finance EOOD – owner and manager - Express Pay EOOD – manager. - Easy Individual Solutions SA Mexico – member of the Board of Directors - Doorstep Consulting Services SA Mexico – member of the Board of Directors - MFG Micro Credit Ghana Limited – member of the Board of Directors
Peter Blagovestov Damyanov	- Financial Bulgaria EOOD – Manager - MFG AB – Lithuania – Manager - MFG Invest AD – member of the Board of Directors - Iuvo OOD - Manager - Easy Asset Services Ltd. – Manager - Smart Asset Services – Manager - Odaya Home OOD – Manager - ZD INSTINCT EAD - Executive Director
Ange Vasilev Madzhirov	- Easy Asset Management AD – Executive Director - Easy Asset Management Belgrade – Executive Director - Sofia Fin Invest Private Limited – India – Executive Director
Apostol Ustianov Mushmov	- 11235 OOD -Manager - 11235 Great Britain - Sole owner of the capital and Manager
Ivelina Tsankova Kavurska	- Holiday complexes Troyan EOOD, 203737936 – sole owner and manager. - April Finance AD – Executive Director - Prospect Capital AD – Executive Director. - Hyron Management AD – member of the Board of Directors - Easy Asset Management AD – member of the Board of Directors - AKPZ AD – Executive Director - April Services EOOD - manager - MFG Micro Credit Ghana Limited – member of the Board of Directors - ACPZ Romania – member of the Board of Directors - Easy Individual Solutions SA Mexico – member of the Board of Directors - Doorstep Consulting Services SA Mexico – member of the Board of Directors

Contracts under Article 240b of the Commerce Act concluded during the year.

In 2022, the members of the Board of Directors or related parties have not entered into contracts with the Group that go beyond the Group's ordinary activities or significantly deviate from market conditions.

Plan for development of the Group in 2022

In 2023, the main objectives of the Group's management are:

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

Significant events after the end of the reporting period

For the period after the date of the financial statement, the Company has not identified significant or corrective events that are related to its activity during the reporting period and that should be separately disclosed or require changes to the financial statement.

Management responsibility

The management of the Management Financial Group AD has prepared the Consolidated Financial Statements for 2022 which gives a true and fair view of the state of the Group'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.

МЕНИДЖМЪНТ ФАЙНЕНШЪЛ ГРУП АД MFG

Antonia Sabeva
Executive Director
Date: 29 September 2023

mgi delta
AUDIT & TAX

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office@mgidelta.com
www.mgidelta.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Management Financial Group AD,
ID Nr: 203753425
Sofia, Bulgaria

Opinion

We have audited the consolidated financial statements of Management Financial Group AD ("the Parent Company") and its subsidiaries, ("the Group") which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) applicable in European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Standards for Independence) (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of IFAA and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management report prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the "Guidelines on new and extended audit reports and communication by the auditor" of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming a position about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Position regarding Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed our position is that:

(a) The information included in the management report referring to the financial year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements.

(b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

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Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS applicable in European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with IFAA and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, consolidatedly or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

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auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vladimir Kolmakov
Managing Partner and Registered Auditor in charge for the engagement
MGI Delta LLC

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 177
Ем Джи Ай Делта ООД

October 12, 2023
Sofia

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MANAGEMENT FINANCIAL GROUP AD
CONSOLIDATES STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(All amounts are presented in BGN'000 unless otherwise stated)

	Note	2022	2021
Interest, fees, and penalties income		339 006	302 470
Interest expense and bank fees		(7 479)	(9 084)
Net income from interest, fees, and penalties	3	**331 527**	**293 386**
Other operating income, net	4	16 364	15 609
Impairment of financial assets, net	5	(106 640)	(101 911)
Net profit / (loss) from changes in the fair value of financial assets carried through profit or loss	6	13 356	21 061
Employees benefits	7	(129 556)	(111 130)
General administrative and other operating expenses	8	(78 841)	(64 201)
Share of profits in associates and jointly controlled entities, net		28	-
Operating profit before tax		**46 238**	**52 814**
Income tax expense	9	(6 711)	(6 687)
Profit for the year		**39 527**	**46 127**
Other comprehensive income			
Components that will not be reclassified to profit/loss			
Subsequent remeasurement of defined benefit pension plans		101	-
Components that can be reclassified to profit/loss			
Exchange differences arising from the translation of foreign operations		(293)	(570)
Other comprehensive income for the year, net of tax		**(192)**	**(570)**
Total comprehensive income for the year		**39 335**	**45 557**
Profit, attributable to:		**39 527**	**46 127**
Owners of the Parent-Company		33 433	41 250
Non-controlling interest		6 094	4 877
Total comprehensive income attributable to:		**39 335**	**45 557**
Owners of the Parent-Company		33 316	40 772
Non-controlling interest		6 019	4 785

The accompanying notes shall form an integral part of these Consolidated Financial Statements.
These Consolidated Financial Statements have been approved on 29 September 2023.

Executive Director
Antonia Sabeva

Prepared by
Vera Slavova

МЕНИДЖМЪНТ ФАЙНЕНШЪЛ ГРУП АД
MFG

According to an Independent Auditor's Report
Audit company MGI Delta OOD

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

12-10-2023

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 177 Ем Джи Ай Делта ООД

MANAGEMENT FINANCIAL GROUP AD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 31 December 2022

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

	Note	31.12.2022	31.12.2021
ASSETS			
Cash and cash equivalents	10	21 125	12 337
Microloans granted	11	235 701	207 897
Individually significant loans granted	12	6 254	26 999
Investments in financial assets carried through profit or loss	13	47 781	31 865
Property, plant, and equipment	14	50 717	30 713
Intangible assets and goodwill	15	17 044	3 585
Right-of-use assets	16	5 760	6 073
Investment properties	17	6 217	710
Other assets	18	38 216	41 153
Deferred tax assets	19	4 540	3 906
TOTAL ASSETS		**433 355**	**365 238**
LIABILITIES AND EQUITY			
LIABILITIES			
Borrowings	20	93 365	78 000
Lease liabilities	21	8 405	9 482
Trade and other payables	22	35 570	28 020
Corporate tax payables		2 696	1 837
TOTAL LIABILITIES		**140 036**	**117 339**
EQUITY			
Share capital	23	81 568	81 568
Reserves	24	1 355	1 466
Retained earnings	25	169 392	133 880
Equity attributable to owners of the Parent-Company		*252 315*	*216 914*
Non-controlling interest	26	41 004	30 985
TOTAL EQUITY		**293 319**	**247 899**
TOTAL LIABILITIES AND EQUITY		**433 355**	**365 238**

The accompanying notes shall form an integral part of these Consolidated Financial Statements.
These Consolidated Financial Statements have been approved on 29 September 2023.

Executive Director
Antonia Sabeva

Prepared by
Vera Slavova

МЕНИДЖМЪНТ ФАЙНЕНШЪЛ ГРУП АД MFG

According to an Independent Auditor's Report
Audit company MGI Delta OOD

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

12-10-2023

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 177 Ем Джи Ай Делта ООД

MANAGEMENT FINANCIAL GROUP AD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(All amounts are presented in BGN'000 unless otherwise stated)

	Attributable to owners of the Parent-Company					**Attributable to owners of the parent-company**	Non-controlling interest	**Total equity**
	Share capital	Legal Reserves	Actuarial gains / (losses)	Translation Reserves	Retained Earnings			
Balance at 01 January 2021	**81 568**	**2 153**	**-**	**(614)**	**92 908**	**176 015**	**26 145**	**202 160**
Total comprehensive income for the year, incl.:	-	-	-	*(478)*	*41 250*	***40 772***	*4 785*	***45 557***
Profit for the year	-	-	-	-	41 250	**41 250**	4 877	**46 127**
Other comprehensive income for the year	-	-	-	(478)	-	**(478)**	(92)	**(570)**
Transactions with owners, recognised directly in equity								
Allocation of profits to reserves	-	405	-	-	(405)	-	-	-
Effects assumed by non-controlling interests on:								
Allocation of profit to subsidiaries for dividends	-	-	-	-	-	-	(173)	**(173)**
Decrease in interests in subsidiaries	-	-	-	-	127	**127**	(127)	-
Issue of equity in subsidiaries	-	-	-	-	-	-	355	**355**
Balance at 31 December 2021	**81 568**	**2 558**	**-**	**(1 092)**	**133 880**	**216 914**	**30 985**	**247 899**
Total comprehensive income for the year, incl.:	-	-	*101*	*(218)*	*33 433*	***33 316***	*6 019*	***39 335***
Profit for the year	-	-	-	-	33 433	**33 433**	6 094	**39 527**
Other comprehensive income for the year	-	-	101	(218)	-	**(117)**	(75)	**(192)**
Effects assumed by non-controlling interests on:								
Adjustments arising from change in non-controlling interest participations	-	160	-	(154)	2 079	**2 085**	4 267	**6 352**
Allocation of profit to subsidiaries for dividends	-	-	-	-	-	-	(267)	**(267)**
Balance at 31 December 2022	**81 568**	**2 718**	**101**	**(1 464)**	**169 392**	**252 315**	**41 004**	**293 319**

The accompanying notes shall form an integral part of these Consolidated Financial Statements.
These Consolidated Financial Statements have been approved on 29 September 2023.

Executive Director

Antonia Sabeva

Prepared by

Vera Slavova

МЕНИДЖМЪНТ ФАЙНЕНШЪЛ ГРУП АД MFG

According to an Independent Auditor's Report
Audit company MGI Delta OOD

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

12-10-2023

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 177 Ем Джи Ай Делта ООД

MANAGEMENT FINANCIAL GROUP AD
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(All amounts are presented in BGN'000 unless otherwise stated)

	Note	2022	2021
Cash flows from operating activities			
Disbursements of microloans granted		(771 182)	(648 327)
Repayments of microloans granted		894 768	726 000
Disbursements of individually significant loans granted		(5 443)	(15 032)
Repayments of individually significant loans granted		4 069	4 831
Employees benefits payments		(125 020)	(107 209)
Cash receipts from customers		141 991	112 360
Payments to suppliers		(102 418)	(78 181)
Payment of corporate tax		(8 210)	(5 881)
Other receipts / (payments) for operating activities, net		2 832	(7 309)
Net cash from / (used in) operating activities		**31 387**	**(18 748)**
Cash flows from investing activities			
Investments in subsidiaries		(6 788)	(1 119)
Proceeds from liquidation shares		-	2 170
(Payments)/ proceeds from investments in financial assets		(2 360)	2 487
Acquisitions of property, plant, and equipment		(20 035)	(8 230)
Cash acquired in business combination		3 696	(2 444)
Other cash flows from investment activities, net		136	(198)
Net cash used for investment activities		**(25 351)**	**(7 334)**
Cash flows from financial activities			
Loans received		20 562	37 632
Repayments of loans received, including interest rates		(15 474)	(9 081)
Lease liabilities payments		(6 103)	(4 010)
Proceeds from non-controlling interests at issue of equity in a subsidiary		4 039	-
Other cash flows from financing activities, net		60	(465)
Net cash from financing activities		**3 084**	**24 076**
Net increase/(decrease) in cash and cash equivalents		**9 120**	**(2 006)**
Effect of foreign exchange rate changes		(332)	(7)
Cash and cash equivalents at 01 January		**12 337**	**14 350**
Cash and cash equivalents at 31 December	10	**21 125**	**12 337**

The accompanying notes shall form an integral part of these Consolidated Financial Statements.
These Consolidated Financial Statements have been approved on 29 September 2023.

Executive Director
Antonia Sabeva

Prepared by
Vera Slavova

МЕНИДЖМЪНТ ФАЙНЕНШЪЛ ГРУП АД MFG

According to an Independent Auditor's Report
Audit company MGI Delta OOD

Vladimir Kolmakov
Manager and registered auditor in charge of the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 177 Ем Джи Ай Делта ООД

12 -10- 2023

1. General information

1.1 Legal status

Management Financial Group AD (the 'Company') is a joint stock company established on 15 October 2015 under the name Spesh Cash Prim AD and it operates in Bulgaria. The Company was registered with the Registry Agency on 27 October 2015. Management Financial Group 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 BGR00361 pursuant to Order No. BNB-24967/10.03.2016.

Company's registered seat and address of management are located at 7 Lyulin Residential Area, 28 Jawaharlal Nehru Blvd., 'Silver Center' Administrative Business Center, 2nd Floor, Office 40-46, City of Sofia, Bulgaria
Management Financial Group AD is managed by a Board of Directors comprising the following members:

- Antonia Vasileva Sabeva
- Petar Blagovestov Damyanov
- Angel Vasilev Madzhirov
- Apostol Ustianov Mushmov
- Ivelina Tsankova Kavurska

The ultimate owners of the Parent Company are disclosed below in Note 23 Share capital.

The Consolidated Financial Statements of the Parent Company as of and for the year ended 31 December 2022 cover the Parent Company and its subsidiaries (see Note 28 Subsidiaty companies), collectively referred to as the 'Group'.

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

1.2 Business activity

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

2. Accounting policy

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

The Consolidated Financial Statements include: Annual Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position as of 31 December, Annual Consolidated Statement of Changes in Equity, Annual Consolidated Cash Flow Statement, and Notes to Financial Statements. It has been prepared on a historical cost basis, except for items in the Statement of Financial Position requiring to be recognised at fair value in accordance with the applicable accounting standards. The Group classifies its expenses depending on their nature.

2.1. Basis of preparation of the Consolidated Financial Statements

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

2.1.1 Comparative data

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

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

2.1.2 Going concern principle

These Consolidated Financial Statements have been prepared on the going concern basis. As of the date of preparation of the Consolidated Financial Statements, the management has made an assessment of the Group's ability to continue its activities as a going concern, taking into account all available information about the foreseeable future, which is at least, but not limited to twelve months from the date of the Statement of Financial Position.

2.1.3 Basis for consolidation

(a) Business combination

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

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

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

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

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

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

In the year of acquisition of a subsidiary and at first reporting of goodwill – The Group does not perform a goodwill valuation test, as it considers that, in the absence of the contrary, the carrying value of goodwill does not deviate from the value at formation. In each subsequent year, the management performs a test for impairment of the goodwill formed during the acquisition of subsidiaries. For this purpose, it is assumed that each individual company appears as a cash flow generating entity. The Group's management's assessment of goodwill impairment is made through the lens and intent of the future economic benefits the Group expects to receive from these entities.

(b) Non-controlling interest

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

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

(c) Subsidiaries

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

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

(d) Loss of control

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

(e) Elimination of transactions in consolidation process

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

2.1.4 Changes in accounting policies and errors

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

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

2.1.5. New standards and clarifications

Initial application of new amendments to existing standards that came into force during the current reporting 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:** Onerous Contracts — Contract Performance Costs, effective January 1, 2022.
- **Amendments to IFRS 3 Business Combinations:** Reference to the Conceptual Framework, effective from 1 January 2022.
- **Annual Improvements to IFRS Standards 2018-2020,** effective January 1, 2022.

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

Standards and amendments to existing standards issued by the ISMS and adopted by the EU, which have not yet entered into force

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

- **Amendments to IFRS 17 Insurance Contracts** effective from 1 January 2023, adopted by the EU
- **Amendments to IAS 1 Presentation of Financial Statements,** IFRS Statements of Annex 2: Disclosure of Accounting Policies, effective from 1 January 2023, adopted by the EU
- **Amendments to IAS 8 Accounting Policy,** Changes in Accounting Estimates and Errors: Definition of Accounting Estimates Effective January 1, 2023 Adopted by the EU
- **Amendments to IAS 12 Income Taxes:** Deferred Taxes Related to Assets and Liabilities Arising from Single Transactions Effective January 1, 2023 Adopted by the EU
- **Amendments to IFRS 17 Insurance contracts:** Initial application of IFRS 17 and IFRS 9 – Comparative information effective from 1 January 2023, adopted by the EU

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

Currently, the IFRS adopted by the EU do not differ significantly from those adopted by the IASB, except for the following new standards, amendments to existing standards and new clarifications that have not yet been approved by the EU at the date of approval of these financial statements (the effective dates below are for the 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:** Leaseback 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
- **Amendments to IAS 12 "Taxes on top income":** Rules for Pillar 2 - effective from 1 January 2023, not adopted by the EU.
- **Amendments to IAS 7 "Statements of cash flows" and IFRS 7 "Financial instruments: Disclosures":** Financing arrangements - effective from 1 January 2024, not adopted by the EU.
- **Amendments to IAS 21 "Effects of changes in exchange rates":** Lack of exchangeability - effective from 1 January 2025, not adopted by the EU

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

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

Parent Company estimation is that the application of hedge accounting for portfolios of financial assets and liabilities in accordance with **IAS 39 Financial Instruments - Recognition and Measurement**, would not have a material effect on the financial statements if applied at the reporting date

2.2. Functional currency and recognition of exchange differences

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

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

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

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

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

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

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

Currency	2022		2021	
	Average rate	Closing rate	Average rate	Closing rate
RON	0,39733	0,39532	0,39749	0,39527
PLN	0,41763	0,41784	0,42846	0,42846
UAH	0,05000	0,04961	0,06055	0,06325
MKD	0,03172	0,03223	0,03174	0,03239
USD	1,86150	1,83371	1,65377	1,72685

The individual items of the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in thousands of BGN being the functional and presentation currency.
The Bulgarian lev is pegged to the euro (EUR) through the currency board mechanism introduced in the Republic of Bulgaria as from 1 January 1999.

2.3. Revenue and expense recognition

Interest income and expenses

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

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

Fees and commissions income and expenses

Fees and commissions income is recognised at the time of providing the service. Fees received for the provision of services for a certain period of time shall be charged within that period of time. Guarantee fee income shall be recognized according to the period of validity of the guarantee issued for the lending company. Lending fees applicable to loans that are most likely to be disbursed and other loan-related fees are deferred (along with any additional costs) and recognised by changing the effective interest rate on the loan.

Income from penalties

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

Income from assigned receivables

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

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

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

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

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

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

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

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

2.4. Financial instruments

Classification
In accordance with IFRS 9 Financial Instruments, the Group classifies financial assets based on the financial asset management business model and the characteristics of the contractual cash flows of the financial asset as (1) measured at amortised cost, (2) measured at fair value through other comprehensive income and (3) measured at fair value through profit or loss.
A financial asset is classified as measured at amortised cost if the following conditions are met:

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

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

with a business model whose objective is financial assets to be held for collecting contractual cash flows, as the credit quality of financial assets is relevant to the Group's ability to collect contractual cash flows. The business model used by the Group for loans granted is 'held for collection'. The Group sells a financial asset when there is an increase in the credit risk of the asset, which is not inconsistent with this model.
A financial asset is classified as measured at fair value through other comprehensive income, if the following conditions are met:
- the financial asset is held in a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding.

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

Initial recognition
The Group recognises a financial asset or financial liability in the Statement of Financial Position when it becomes a party to a contract for a financial instrument. When the Group initially recognises a financial asset or liability, it shall classify and measure it in compliance with the requirements of IFRS 9 mentioned above.
The trade date is the date on which the Group commits itself to purchase or sell a financial asset or financial liability. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.
Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the Group had not acquired, issued or disposed of the financial instrument. Transaction costs include fees and commission paid to brokers, consultants and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.
Financial liabilities are initially recognised at fair value which are the proceeds from their issuance (fair value of the consideration received) net of transaction costs when they are material. Subsequently, they are presented at amortised cost and any difference between the net proceeds and the redemption value is recognised in profit or loss during the period of the loan using the effective interest rate method.

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

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

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

Measurement at fair value
Fair value is the price that would be received upon sale of an asset or would be paid to transfer a liability in an ordinary transaction between market participants at the measurement date (in the main or most advantageous

market) on market terms (i.e. exit price) irrespective of whether the price can be directly monitored or determined by other valuation methods.
In order to improve consistency and comparability in the measurement of fair value and related disclosures, the Group complies with IFRS 13, which defines a fair value hierarchy that categorises into three levels the inputs used in valuation methods used to measure fair value. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

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

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

Loans from P2P investors
The Group has signed cooperation agreements with an operator of an online peer-to-peer (P2P) investment platform regulated under the laws of the Republic of Estonia. It aims to attract funding through the P2P platform. The P2P platform enables individual and corporate investors to receive pro rata interest cash flows and principal cash flows from debt instruments (receivables on microloans granted to individuals) issued by the Group in return for a prepayment. These rights are established through transfer agreements between investors and the P2P platform, which acts as an agent on behalf of the Group. The investor can choose how much to invest in a loan, the maximum threshold being up to 70% of the principal. The Group must pay to the investor the pro rata share of the funds borrowed for each debt instrument under the terms and conditions of the relevant individual agreement concluded between the Group and the customer.

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

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position in cases where the Group has a legal right to offset the recognised amounts and intends to settle the asset or the liability on a net basis or to realise the asset and settle the liability at the same time.

2.5 Cash and cash equivalents

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

2.6. Property, plant, and equipment

Initial measurement

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

Subsequent measurement

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

Depreciation methods

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

Useful life by groups of assets is as follows:

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

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

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

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

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

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

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

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

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

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

2.8 Lease

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

Lessee

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

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

a) right-of-use assets

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

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

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

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

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

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

b) lease liabilities
The Group recognises lease liabilities at the commencement date of the lease, measured at the present value of the lease payments that are not paid at that date. They include:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date of the lease;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease agreement, if the lease term reflects the Group-lessee exercising an option to terminate the lease;
- amounts that the Group expected to be payable by the lessors under residual value guarantees.

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

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

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

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

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

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

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

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

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

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

2.9 Income taxes

Current income taxes

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

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

	Tax rate	
Country	**2022**	**2021**
Romania	16%	16%
Poland	19%	19%
Ukraine	18%	18%
Macedonia	10%	10%
Italy	24%	24%

Deferred income tax

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

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

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

Deferred tax related to items directly reported in equity or other balance sheet item or other components of comprehensive income shall also be reported directly in the relevant equity or balance sheet item or another component of comprehensive income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset will be realised, and the liabilities will be settled (repaid) based on 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 Group'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 Group as an expense in the period when the personnel provided the services related to these benefits (regardless of the date of payment) corresponding to other liabilities in the financial statements.

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

Long-term benefits

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

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

2.11 Provisions

A provision is recognised when:

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

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

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

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

2.12. Biological assets

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

Since vineyards include different vine varieties for which there are no quoted market prices and for which the alternative means of measuring fair value are unreliable, the Group shall, in accordance with IAS 41

'Agriculture', measure biological assets at their cost less any accumulated depreciation or any accumulated impairment losses.

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

2.13. Inventory

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

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

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

2.14. Share-based payments

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

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

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

2.15. Repurchased own shares and own share agreements

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

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

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

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

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

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

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

3. Net income from interest, fees, and penalties

	2022	2021
Interest income	194 472	168 588
Fee income	90 467	88 698
Income from penalties	54 067	45 184
Revenue from interest, fees, and penalties	**339 006**	**302 470**
Interest expenses for bank loans	(1 317)	(535)
Interest expenses for loans granted by related parties	(63)	(248)
Interest expenses for commercial loans	(622)	(553)
Interest expense on leases	(348)	(240)
Interest expenses for loans granted by P2P platforms	(3 635)	(2 714)
Fee and commission expenses	(1 494)	(4 794)
Interest and fee expenses	**(7 479)**	**(9 084)**
Net income from interest, fees, and penalties	**331 527**	**293 386**

4. Other operating income, net

	2022	2021
Revenue from services	9 209	9 328
Revenues from sales of products and goods	*3 221*	*2 165*
Cost of goods sold	*(1 392)*	*(1 232)*
Profit from sale of goods	1 829	933
Income from assigned receivables	6 023	733
Change in stock of products and work in progress	854	397
Dividend income	458	-
Revenues from sale of assets	*71*	*9*
Book value of assets sold	*(91)*	*(2)*
Gain / (loss) from sale of assets	(20)	7
Gains/ (Losses) from foreign exchange, net	(2 306)	45
Liquidation shares	-	2 170
Sale of shares, net	-	1 917
Other operating income	317	79
	16 364	**15 609**

5. Loss from impairment of financial assets, net

	2022	2021
Profit/(Loss) from impairment of microloans granted, net	(106 707)	(97 458)
Profit/(Loss) from impairment of individually significant loans granted, net	67	(4 453)
	(106 640)	**(101 911)**

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

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

	2022	2021
Gains from changes in fair value of financial assets	14 075	23 664
Losses from changes in fair value of financial assets	(719)	(2 603)
	13 356	**21 061**

7. Employees benefits costs

	2022	2021
Salaries and wages	(114 591)	(98 211)
Social security contributions	(14 860)	(12 919)
Retirement plan expenses	(105)	-
	(129 556)	**(111 130)**

8. General administrative and other operating expenses

	2022	2021
Advertising and marketing	(19 887)	(18 529)
Depreciation	(10 074)	(8 130)
Transport, courier services and business trips	(8 447)	(6 432)
Consultancy, legal services	(7 508)	(6 237)
Short-term lease of assets	(4 661)	(4 577)
Telecommunication and postage costs	(3 445)	(2 925)
Consumables, including electricity	(3 364)	(2 206)
Expenses on materials	(2 014)	(2 170)
Representation expenses and expenses not related to the activities	(1 498)	(1 259)
Social costs	(1 108)	(946)
Insurance costs	(758)	(926)
Repair and technical support	(1 231)	(954)
Costs of production	(346)	(784)
Office security	(343)	(349)
Audit services	(284)	(228)
Other operating expenses	(13 873)	(7 549)
	(78 841)	**(64 201)**

Other operating expenses'line item above totalling BGN 13,873 thousand, comprises the following main cathegories of expenses of the Group for the period:

- BGN 3,773 thousand - monthly card service fee
- BGN 2,667 thousand - costs related to credit registers
- BGN 1,607 thousand - commissions on mediation contracts related to card and credit business

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

9. Income tax expense

	2022	2021
Income before tax	46 238	52 814
Current income tax expense for the year at 10 to 24% (2021: 10-24%)	(6 989)	(5 131)
Deferred income tax related to arising and reversal of temporary differences	278	(1 556)
Total profit tax expense reported in the Statement of Comprehensive Income	**(6 711)**	**(6 687)**

10. 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	19 079	10 858
Petty cash	2 046	1 479
	21 125	**12 337**

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

11. Microloans granted

	31 December 2022	31 December 2021
Receivables from customers on microloans granted, including accrued interest, gross	367 963	300 596
Court claims	18 658	21 267
Impairment losses	(150 920)	(113 966)
	235 701	**207 897**

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

	2022	2021
Balance as of 01 January	**(113 966)**	**(70 547)**
Impairment loss for the year	(116 459)	(100 256)
Reversed impairment for the year	9 752	2 798
Written-off receivables	69 753	54 039
Balance as of 31 December	**(150 920)**	**(113 966)**

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

12. Individually significant loans granted

	Note	31 December 2022	31 December 2021
Individually significant loans granted, including accrued interest	32.3	8 840	33 800
Impairment losses		(2 586)	(6 801)
		6 254	**26 999**

As at 31 December 2022, the Group discloses BGN 5 343 thousand (2021: BGN 13 453 thousand) net amount of individually significant loans granted to related parties, where additional information is disclosed in note 32.3 Related parties balances.

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

	2022	2021
Balance as at 1 January	**(6 801)**	**(1 733)**
Consolidation corrections	4 148	(615)
Balance as at 1 January	**(2 653)**	**(2 348)**
Impairment loss for the year	(245)	(4 453)
Reversed impairment loss during the year	312	-
Balance as at 31 December	**(2 586)**	**(6 801)**

13. Investments in financial assets carried through profit or loss

	Share in the company 31 December 2022	Fair value 2022	Share in the company 31 December 2021	Fair value 2021
Payhawk OOD	1.84%	29 150	2.09%	17 659
Convenience AD	12.02%	6 137	12.45%	5 638
Eleven Investments KDA	8.43%	5 927	8.40%	5 048
Boleron AD	22.63%	2 669	26.88%	1 656
Settle Norway AS	1.91%	934	1.00%	528
Eleven Fund III	1.66%	698	1.66%	344
Qcommerce Ltd, Greece	0.00%	489	-	-
Vedamo AD	3.46%	393		
Koa Tehnology Inc.	1.83%	386	-	-
Eleven Capital AD	0.62%	302	0.62%	285
Ondo Solutions OOD	3.75%	294	-	-
Green Innovation OOD	0.90%	215	-	-
Tiger Technology AD	5.00%	172	3.90%	139
Eleven Log OOD	20.00%	12	20.00%	12
Experience Italy	-	3	-	3
Settle Bulgaria AD – in liquidation	60%	-	60%	553
	-	**47 781**	-	**31 865**

In April 2022, a Group's subsidiary company paid an advance for the acquisition of rights to subscribe for shares in Qcommerce Ltd, Greece. As of the date of preparation of this financial report, the right to subscribe for shares has not yet been exercised.

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

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

Fair value hierarchy as at 31 December 2022
Level 1: Eleven Capital AD - quoted market data of BSE;
Level 2: n/a
Level 3: Some of the companies in Level 3 conduct capital raising procedures based on internal measurements involving unrelated parties. On this basis, the Management uses the transactions carried out and the parameters related to them in the fair value measurement of the shares held in the companies. For the other companies in level 3 that have not raised capital, unobservable inputs have been used, applying the discounted cash flow model.

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

Reconciliation of fair value for 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Closing balance at	333	-	31 532	31 865
Closing balance at	-	-	2 560	2 560
Closing balance at	-	-	-	-
Closing balance at	(31)	-	13 387	13 356
Closing balance at 31 December	**302**	**-**	**47 479**	**47 781**

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

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

For year 2022

Assets' Group Level 3	**Approaches and valuation methods**	**Significant unobservable inputs**
Settle Norway SA	Market approach using the market comparison method – market price of assets	Оценка на дружеството от 25 000 000 евро
Settle Bulgaria AD – in liquidation	Income approach using the net asset value method	Valuation of the company is EUR 0.00 thousand; project is transofmed and company is in a porcess of liquidoation

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

Assets' Group Level 3	Approaches and valuation methods	Significant unobservable inputs
Boleron AD	Market approach using the market comparison method – market price of assets	Valuation of the company EUR 6 700 000
Eleven Log OOD	Market approach using the market comparison method – market price of assets	Valuation of the company EUR 362 892
Convenience AD	Market approach using the market comparison method – market price of assets	Valuation of the company EUR 29 000 000
Payhawk OOD	Market approach using the market comparison method – market price of assets	Valuation of the company EUR 900 000 000
Tiger Technology AD	Income approach using the net asset value method	Valuation of the company -EUR 1 755 000
Eleven Fund III	Income approach using the net asset value method	Valuation of the company – EUR 21 500 000
Koa Tehnology Inc.	Market approach using the market comparison method – market price of assets	Valuation of the company – EUR 12 074 000
Ondo Solutions OOD	Market approach using the market comparison method – market price of assets	Valuation of the company – EUR 4 010 667
Green Innovation AD	Market approach using the market comparison method – market price of assets	Valuation of the company - EUR 13 240 361
Vedamo AD	Market approach using the market comparison method – market price of assets	Valuation of the company - EUR 5 809 360
Eleven Investments KDA	Income approach using the net asset value method	Valuation of the company – BGN 70 557 thousand
Experience Italy	Income approach using the net asset value method	Valuation of the company - BGN 30 thousand

For year 2021

Assets' Group Level 3	Approaches and valuation methods	Significant unobservable inputs
Settle Norway SA	Market approach using the market comparison method – market price of assets	Price per share in the transaction in the amount of EUR 4.49, where the company is valued at EUR 30 000 000
Settle Bulgaria AD	Income approach using the net asset value method	Valuation of the company - EUR 471 thousand

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

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

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

14. Property, plant and equipment

	Land and buildings	Computer equipment	Plant and equipment	Office equipment	Other	Assets under construction	Total
Cost							
As at 1 January 2021	**6 201**	**3 041**	**4 606**	**1 301**	**539**	**9 598**	**25 286**
Additions	5 573	733	1 997	171	126	6 797	**15 397**
Disposals	(926)	(97)	(88)	(18)	-	(1 045)	**(2 174)**
Exchange differences	-	37	36	13	(3)	-	**83**
As at 31 December 2021	**10 848**	**3 714**	**6 551**	**1 467**	**662**	**15 350**	**38 592**
Reclassification	1	944	(226)	(16)	-	1	**704**
Acquired from business combinations	-	52	4 689	62	-	437	**5 240**
Additions	3 824	1 048	1 515	127	100	13 066	**19 680**
Disposals	-	(625)	(419)	(7)	-	(1 590)	**(2 641)**
Exchange differences	-	(80)	(137)	(29)	(1)	-	**(247)**
Към 31.12.2022	**14 673**	**5 053**	**11 973**	**1 604**	**761**	**27 264**	**61 328**
Accumulated depreciation							
As at 1 January 2021	**(522)**	**(2 293)**	**(2 112)**	**(773)**	**(227)**	**-**	**(5 927)**
Accrued during the period	(305)	(689)	(843)	(141)	(119)	-	**(2 097)**
Written-off during the period	-	91	93	12	-	-	**196**
Exchange differences	-	(24)	(15)	(13)	1	-	**(51)**
As at 31 December 2021	**(827)**	**(2 915)**	**(2 877)**	**(915)**	**(345)**	**-**	**(7 879)**
Reclassification	(6)	23	(733)	(4)	-	-	**(720)**
Accrued during the period	(101)	(884)	(1 471)	(201)	(101)	-	**(2 758)**
Written-off during the period	-	480	104	7	-	-	**591**
Exchange differences	-	57	70	28	-	-	**155**
As at 31 December 2022	**(934)**	**(3 239)**	**(4 907)**	**(1 085)**	**(446)**	**-**	**(10 611)**
Book value							
As at 31 December 2022	**13 739**	**1 814**	**7 066**	**519**	**315**	**27 264**	**50 717**
As at 31 December 2021	**10 021**	**799**	**3 674**	**552**	**317**	**15 350**	**30 713**

As at 31 December 2022, assets under construction mainly include:

- Construction of biological assets – vineyards, an orchard and a park totalling BGN 366 thousand
- Construction of Aya Wine Gallery winery complex on the territory of the village of Hersovo, municipality of Sandanski, which comprises of a winery, a hotel part, a villa village, together with the adjacent infrastructure and technical support, as well as a stable and agricultural buildings - in the amount of BGN 25 670 thousand .

As at 31 December 2022, the value of the property, plant and equipment pledged as collateral for the Group's liabilities disclosed in Note 20 Borrowings is described below:

Category	Cost	Accumulated depreciation:	Book value
Land and buildings	3 672	(153)	3 519

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

Plant and equipment	1 672	(681)	991
Other	93	(64)	29
	5 437	**(898)**	**4 539**

15. Intangible assets and goodwill

	Software	Goodwill	Other intangible assets	Intangible assets under construction	Total
Cost					
As at 1 January 2021	**2 746**	**-**	**2 785**	**301**	**5 832**
Additions	437	-	1 287	1 291	**3 015**
Disposals	(2)	-	(1 000)	(52)	**(1 054)**
Exchange differences	3	-	208	-	**211**
As at 31 December 2021	**3 184**	**-**	**3 280**	**1 540**	**8 004**
Reclassification	(4)	-	-	16	**12**
Acquired from business combinations	4 293	5 441	75	873	**10 682**
Additions	5 226	-	868	1 870	**7 964**
Disposals	(711)	-	(1 027)	(1 939)	**(3 677)**
Exchange differences	(11)	-	(433)	-	**(444)**
As at 31 December 2022	**11 977**	**5 441**	**2 763**	**2 360**	**22 541**
Accumulated depreciation					
As at 1 January 2021	**(1 998)**	**-**	**(1 916)**	**-**	**(3 914)**
Accrued during the period	(467)	-	(853)	-	(1 320)
Written-off during the period	1	-	922	-	923
Exchange differences	(1)	-	(107)	-	(108)
As at 31 December 2021	**(2 465)**		**(1 954)**	**-**	**(4 419)**
Reclassification	(300)	-	-	-	(300)
Accrued during the period	(1 319)	-	(556)	-	(1 875)
Written-off during the period	165	-	725	-	890
Exchange differences	7	-	200	-	207
As at 31 December 2022	**(3 912)**	**-**	**(1 585)**	**-**	**(5 497)**
Book value					
As at 31 December 2022	**8066**	5 441	**1178**	**2360**	**17 044**
As at 31 December 2021	**719**	-	**1328**	**1540**	**3 585**

No goodwill impairment allowance costs were accounted for in 2022.

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

16. Right-of-use assets

	Buildings	Vehicles	Other	Total
Cost				
As at 1 January 2021	**8 383**	**-**	**1 382**	**9 765**
Acquired	2 957	-	(4)	**2 953**
Written-off	(77)	(190)	-	**(267)**
Exchange differences	(3)	2	(23)	**(24)**
As at 31 December 2021	**11 260**	**(188)**	**1 355**	**12 427**
Reclassification	192	(205)	(70)	**(83)**
Accrued during the period	5 773	-	-	**5 773**
Written-off during the period	(1 934)	-	-	**(1 934)**
Exchange differences	(11)	1	1	**(9)**
As at 31 December 2022	**15 280**	**(392)**	**1 286**	**16 174**
Accumulated depreciation				
As at 1 January 2021	**(2 418)**	**-**	**-**	**(2 418)**
Accrued during the period	(3 238)	(135)	(1 293)	(4 666)
Written-off during the period	193	530	-	723
Exchange differences	2	(2)	7	7
As at 31 December 2021	**(5 461)**	**393**	**(1 286)**	**(6 354)**
Accrued during the period	(5 208)	-	-	(5 208)
Written-off during the period	1 142	-	-	1 142
Exchange differences	7	-	-	7
As at 31 December 2022	**(9 520)**	**392**	**(1 286)**	**(10 414)**
Book value				
As at 31 December 2022	**5 760**	**-**	**-**	**5 760**
As at 31 December 2021	**5 799**	**205**	**69**	**6 073**

Amounts recognised in profit or loss	2022	2021
Depreciation of right-of-use assets	(5 208)	(4 666)
Interest expenses related to lease payables	(348)	(240)
Expenses related to short-term rentals and leases of low-value assets	(4 661)	(4 577)

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

17. Investment properties

	Land	Buildings	Total
Cost			
As at 1 January 2021	**16**	**1 193**	**1 209**
Additions / disposals	-	-	-
As at 31 December 2021	**16**	**1 193**	**1 209**
Acquired from business combinations	-	5 550	5 550
Acquired	533	25	**558**
As at 31 December 2022	**549**	**6 768**	**7 317**
Accumulated depreciation			
As at 1 January 2021	-	**(452)**	**(452)**
Accrued during the period	-	(47)	(47)
As at 31 December 2021	-	**(499)**	**(499)**
Depreciation from acquired subsidiaries		(504)	**(504)**
Accrued during the period	-	(97)	**(97)**
As at 31 December 2022	-	**(1 100)**	**(1 100)**
Book value			
As at 31 December 2022	**549**	**5 668**	**6 217**
As at 31 December 2021	**16**	**694**	**710**

18. Other assets

	31 December 2022	31 December 2021
Investments in jointly controlled entities	74	-
Trade receivables and advances	11 493	12 208
Other receivables	19 258	22 592
Inventories	4 098	3 111
Biological assets	3 293	3 242
	38 216	**41 153**

Group's biological assets as of 31.12.2022 have a cost of BGN 3,737 thousand (31.12.2021 - BGN 3,550 thousand) and accrued depreciation of BGN 444 thousand, including for 2022 it amounts to for 136 thousand BGN. (as of 31.12.2021 -308 thousand BGN, including for 2021 it is in the amount of 136 thousand BGN).

As of 31.12.2022, Other receivables' line item above totalling BGN 19,258 thousand comprises Group's:

- ✓ BGN 5,492 thousand (2021: nil) representing the prepaid amounts for acquiring an investment in a newly established subsidiary company - Insurance Company INSTINCT AD, which was inscribed in Bulgairan Commercial Registed on 06 April 2023.
- ✓ litigation receivables, guarantee receivables and other intermediaries.

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

As at 31 December 2021, the amount of BGN 12,208 thousand referred to in 'Trade receivables and other prepayments', includes the Group's receivables from related parties in the amount of BGN 1807 thousand, as disclosed in Note 32.3 Related parties balances.

19. Deferred tax assets and liabilities

- **Deferred tax asstes**

	Unused leaves	Employee benefits	Receivables impairment	Other	Total
As at 01 January 2021	**265**	**153**	-	**3 652**	**4 070**
(Expense)/income in the income statement	28	4	-	1 863	1 895
As at 01 January 2022	**293**	**157**	-	**5 515**	**5 965**
Acquisition of subsidiaries	-	-	258	564	822
(Expense)/income in the income statement	(68)	22	277	732	963
As at 31 December 2022	225	**179**	**535**	**6 811**	**7 750**

- **Deferred tax liabilities**

	Temporary difference 31.12.2022	Deferred tax 31.12.2022	Change in deferred tax 2022	Temporary difference a 31.12.2021	Deferred tax 31.12.2021
Change in fair value of financial assets	32 104	3 210	1 151	20 590	2 059
Deferred tax liabilites	**32 104**	**3 210**	**1 151**	**20 590**	**2 059**

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

20. Borrowings

	Average interest rate	Term	31 December 2022	31 December 2021
Bank borrowings	4%	2023-2031	29 230	24 566
Related parties borrowings (бел.32.3)	5%	2024-2025	1 919	24 904
Commercial loans	8%	2024-2025	10 662	6 616
Loans from P2P investors	8%	2023	51 554	21 914
Total, including:			**93 365**	**78 000**
Current			*73 571*	*43 421*
Noncurrent			*19 794*	*34 579*

21. Lease liabilities

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

Maturity structure of lease liabilities	31 December 2022	31 December 2021
Short-term part	235	240
Long-term part	8 170	9 242
	8 405	**9 482**

22. Trade an other payables

	Note	31 December 2022	31 December 2021
Trade payables		7 390	10 149
Personnel and social insurance payables	22.1	14 938	13 133
Tax payables, different from corporate tax		1 540	836
Other payables	32.3	11 702	3 902
		35 570	**28 20**

22.1. Personnel and social insurance payables

	31 December 2022	31 December 2021
Personnel payables, including:		
Current payables for salaries and wages	8 231	6 951
Current payables for unused paid leave	2 875	2 626
Long-term payables to personnel upon retirement	758	642
	11 864	**10 219**
Social insurance payables, including:		
Current payables	3 074	2 914
	3 074	**2 914**
Total	**14 938**	**13 133**

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

As of 31.12.2022, Other payables totalling BGN 11,702 thousand comprise Group's liabilities to related parties in the amount of BGN 121 thousand, as disclosed in explanatory appendix 32.3 Related parties balances.

23. Shareholders capital

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

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

Structure of the share capital:

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

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

	2022 Number of shares	**2022 %**
Nedelcho Yordanov Spasov	40 783 836	50
Stanimir Svetoslavov Vassilev	40 783 836	50
	81 567 672	**100**

24. Reserves

24.1 Legal reserves

	2022	**2021**
Balance as at 1 January	**2 558**	**2 153**
Allocation of profit to reserves	160	405
Balance as at 31 December	**2 718**	**2 558**

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

24.2 Transaltion reserves

	2022	2021
Balance as at 1 January	**(1 092)**	**(614)**
Exchange differences arising from the translation of a foreign operation	(372)	(478)
Balance as at 31 December	**(1 464)**	**(1 092)**

24.3 Actuarial gains/losses

	2022	2021
Balance as at 1 January	-	-
Other comprehensive income for the year	101	-
Balance as at 31 December	**101**	-

25. Retained earnings

	31 December 2022	31 December 2021
Retained earnings from previous years	133 880	92 908
Current year profits	33 433	41 250
Allocation of profit to reserves	-	(405)
Decrease in interests in subsidiaries	-	127
Adjustments arising from changes in non-controlling interests	2 079	-
	169 392	**133 880**

26. Non-controlling interest

	2022	2021
Balance as at 1 January	**30 985**	26 145
Profit for the year	6 094	4 877
Other comprehensive income for the year	(75)	(92)
Allocation of profit to subsidiaries for dividends	(267)	(173)
Decrease in interests in subsidiaries	-	(127)
Issue of equity in subsidiaries	-	355
Adjustments arising from changes in non-controlling interests	4 267	-
Balance as at 31 December	**41 004**	**30 985**

27. Changes in liabilities arising from financing activities

	01.01.2022	Cash flows from financing activities	Nonmonetary changes	31.12.2022
Borrowings	78 000	5 088	10 277	93 365
Lease liabilities	9 482	(6 103)	5 026	8 405
	87 482	**(1 015)**	**15 303**	**101 770**

	01.01.2021	Cash flows from financing activities	Nonmonetary changes	31.12.2021
Borrowings	32 473	28 551	16 976	78 000
Lease liabilities	9 490	(4 010)	4 002	9 482
	41 963	**24 541**	**20 978**	**87 482**

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

28. Subsidiary companies

Company	Type of control	Ownership share in 2022	Ownership share in 2021
Easy Asset Management AD	Direct control	88.42%	88.42%
Fintrade Finance AD	Direct control	64.30%	69.3%
Viva Credit AD	Direct control	99.21%	97.25%
FINANCIAL BULGARIA EOOD	Indirect control	88.42%	88.42%
Agency for Control of Outstanding Debts AD	Direct control	70.00%	100.00%
ACCESS FINANCE LTD	Direct control	75.49%	75.49%
EASY ASSET SERVICES EOOD	Indirect control	88.42%	88.42%
EASY PAYMENT SERVICES LTD	Indirect control	88.07%	71.3%
MFG INVESTMENTS EOOD	Direct control	88.93%	100.00%
LIQUID DREAMS OOD	Direct control	97.50%	100.00%
SEEWINES AD	Direct control	99.70%	99.70%
SEEWINES LOGISTICS EOOD	Indirect control	99.70%	99.70%
SEEWINES SPIRIT AD	Indirect control	75.58%	74.2%
ACCESS FINANCE SL – Spain	Indirect control	75.49%	75.49%
I CREDIT Sp.Z.O.O.- Poland	Indirect control	88.42%	88.42%
EASY ASSET MANAGEMENT IFN S.A. - Romania	Indirect control	88.42%	88.42%
AXI FINANCE IFN S.A. - Romania	Indirect control	75.49%	75.49%
M CASH DOOEL – Macedonia	Indirect control	88.42%	88.42%
EASY CREDIT LLK - Ukraine	Indirect control	88.42%	88.42%
Colline Albelle Società Agricola A RL-Italy	Indirect control	100.00%	100.00%
XPRESS PAY EOOD	Direct control	100.00%	100.00%
PROSPECT CAPITAL AD	Direct control	100.00%	62.00%
MFG PARTNERS EOOD	Indirect control	100.00%	100.00%
April Finance EAD	Indirect control	91.00%	100.00%
April Services LTD	Direct control	91.00%	100.00%
Easy Asset Management Asia - Myanmar	Indirect control	86.65%	86.65%
Easy Asset Management Microcredit Ghana Limited	Direct control	90.00%	90.00%
MFG Ab – Lithuania	Direct control	100.00%	100.00%
Flexible Financial Solution LLC - Ukraine	Direct control	100.00%	100.00%
Agency for Control of Outstanding Debts Srl - Romania	Indirect control	70.00%	100.00%
Iuvo Group OU – Estonia	Direct control	96.59%	93.53%
Iuvo Credit OÜ - Estonia	Indirect control	96.59%	93.53%
IUVO Services EOOD	Indirect control	96.59%	93.53%
Miafora Limited- Cyprus	Direct control	100.00%	100.00%
Easy Asset Management Doo Beograd	Direct control	100.00%	100.00%
Settle Bulgaria AD – in liquidation	Indirect control	53.35%	60.00%
Easy Individual Solutions, SA De CV - Mexico	Indirect control	86.65%	86.65%
Doorstep Consulting Services, SA De CV	Indirect control	86.65%	86.65%
Lucent Investments AD	Indirect control	100.00%	100.00%

29. Business combinations

Acquisitions in year 2022

- **Acquisition of Smart Asset Services**

On 28 April 2022, the Group acquires 100% of the voting shares of Smart Asset Services, a company that is not a public company, with scope of business activity renting and operating leasing of cars and light trucks, without a driver.

The fair values of the distinguishable assets and liabilities of Smart Asset Services at the date of acquisition are as follows:

	Fair value at the date of acquisition
Assets	BGN thousand
Investment property	5 554
Property, plant, and equipment	4 739
Intangible assets	386
Cash and cash equivalents	211
Trade and other receivables	1 035
	11 925
Liabilities	
Borrowings	(13 258)
Lease liabilities	(1 563)
Trade and other payables	(48)
	(14 869)
Total identifiable net assets at fair value	**(2 944)**
Goodwill arising on acquisition (Note 15)	2 949
Consideration paid at acquisition	**5**

- **Acquisition of Iuvo**

On 28 July 2022, the Group acquires 96.59% of the voting shares of Iuvo, a company that is not a public company, with with scope of business activity consulting and intermediary services, services in the field of information technologies, development and management of Internet platforms, marketing, advertising, market research, as well as any other commercial activity not prohibited by law.

The fair values of the distinguishable assets and liabilities of Iuvo at the date of acquisition are as follows

	Fair value at the date of acquisition
Assets	BGN thousand
Intangible assets	128
Cash and cash equivalents	182
Trade and other receivables	31
	341
Liabilities	
Borrowings	(2 000)
Trade and other payables	(121)
	(2 121)
Total identifiable net assets at fair value	**(1 780)**
NCI at fair value	60
Goodwill arising on acquisition (Note 15)	1 913
Consideration paid at acquisition	**193**

- **Acquisition of MFG Partners**

On 01 August 2022, the Group acquires 100% of the shares with voting rights of MFG Partners, a company that is not a public company, with the scope of business activity focused on acquisition of real estate, construction, mediation and consulting activities, commercial representation and mediation, as well as and carrying out all other activities that are not prohibited by the current Bulgarian legislation, provided that if a permit or license or registration is required to carry out any activity, this activity is carried out only after obtaining such a permit or license, respectively after carrying out of such registration.

The fair values of the distinguishable assets and liabilities of MFG Partners at the date of acquisition are as follows.

	Fair value at the date of acquisition
Assets	BGN thousand
Property, plant, and equipment	1 916
Loaned amounts	302
Cash and cash equivalents	10
Trade and other receivables	2
	2 230
Total identifiable net assets at fair value	**2 230**
Goodwill arising on acquisition (Note 15)	120
Consideration paid at acquisition	**2 350**

- **Acquisition of Smart Innovative Technologies**

On 02 November 2022, the Group acquires 100% of the voting shares of Smart Innovative Technologies, a company that is not a public company, with primary business activity focused on development, production, integration and trade of software products, consulting services, design, creation and computer technology implementation, construction and administration of computer networks and servers, know-how, author's works, industrial samples and other objects of intellectual property, hosting services, engineering, marketing, leasing and information activities and services, support, including of program systems, computer information systems, telecommunications and satellite systems, data analysis, internal and external trade, transactions in the country and abroad, commercial representation and mediation, including Internet marketing and Internet advertising, programming, impresario services, as well as any other activity not prohibited by law.

The fair values of the distinguishable assets and liabilities of Smart Innovative Technologies at the date of acquisition are as follows:

	Fair value at the date of acquisition
Assets	BGN thousand
Intangible assets	843
Cash and cash equivalents	26
Trade and other receivables	64
	933
Liabilities	
Borrowings	(1 342)
	(1 342)
Total identifiable net assets at fair value	**(409)**
Goodwill arising on acquisition (Note 15)	459
Consideration paid at acquisition	**50**

30. Contingent liabilities

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

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

31. Financial risk management

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

The objective of the Group 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 Group 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 Group is exposed include credit risk, liquidity risk, market risk and operational risk, as disclosed below.

A. Credit risk

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

The Group's credit policy and its implementation are analysed on an ongoing basis and if necessary, they are changed when proposed by the management. The management is responsible for the operational approach to risk management and sets priorities for operation in accordance with the risk management strategy and principles, adopts controls for credit risk and reviews its management procedures and system.

A.1. Credit risk measuring

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

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

Key input data used to measure expected credit loss include:

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

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

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.

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

A.3. Maximum credit risk exposure

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

	Maximum exposure	
	31 December 2022	**31 December 2021**
Cash and cash equivalents	21 125	12 337
Microloans granted to individuals	235 701	207 897
Individually significant loans granted	6 254	26 999
Other assets	47 781	31 865
Other assets	30 825	34 800
	341 686	**313 898**

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

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

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

Gross receivables As at 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Regularly paid	81 983	3 315	1 466	86 764
Overdue up to 30 days	44 052	3 425	99	47 576
Overdue from 31 to 90 days	-	17 076	4 843	21 919
Overdue more than 90 days	-	127	230 235	230 362
Total	**126 035**	**23 943**	**236 643**	**386 621**

As at 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross receivables	126 035	23 943	236 643	386 621
Impairment	(7 709)	(11 019)	(132 192)	(150 920)
Receivables, net	**118 326**	**12 924**	**104 451**	**235 701**

Gross receivables Year 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2022	63 978	17 963	158 796	240 737
Transfer to Stage 1	(5 345)	(2 768)	(719)	(8 832)
Transfer to Stage 2	(18 634)	14 224	(777)	(5 187)
Transfer to Stage 3	(1 656)	(18 258)	33 394	13 480
Acquired financial assets	124 821	23 950	84 967	233 738
Settled receivables	(37 129)	(11 168)	(39 018)	(87 315)
Balance as at 31 December 2022	**126 035**	**23 943**	**236 643**	**386 621**

Impairment of receivables Year 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2022	(1 066)	(1 840)	(12 369)	(15 275)
Transfer to Stage 1	260	7 117	62 136	69 513
Transfer to Stage 2	3 104	(3 930)	413	(413)
Transfer to Stage 3	(22)	7 661	(10 045)	(2 406)
Acquired financial assets	(17 031)	(26 628)	(236 188)	(279 847)
Settled receivables	7 046	6 601	63 861	77 508
Balance as at 31 December 2022	**(7 709)**	**(11 019)**	**(132 192)**	**(150 920)**

Gross receivables As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Regularly paid	66 758	-	16 186	82 944
Overdue up to 30 days	43 907	2 818	36	46 761
Overdue from 31 to 90 days	-	18 370	19 032	37 402
Overdue more than 90 days	-	26	154 730	154 756
Total	**110 665**	**21 214**	**189 984**	**321 863**

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

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

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

Impairment of receivables Year 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	(3 116)	(4 931)	(65 860)	(73 907)
Transfer to Stage 1	117	3	5	125
Transfer to Stage 2	(4)	1 288	1	1 285
Transfer to Stage 3	(69)	(63)	(37 560)	(37 692)
Acquired financial assets	(15 006)	(9 690)	(44 570)	(69 266)
Settled receivables	2 936	4 074	58 479	65 489
Balance as at 31 December 2021	**(15 142)**	**(9 319)**	**(89 505)**	**(113 966)**

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

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

Receivables gross	**31 December 2022**	**31 December 2021**
Regularly paid	8 840	33 800
Total	**8 840**	**33 800**

	31 December 2022	**31 December 2021**
Receivables gross	8 840	33 800
Impairment	(2 586)	(6 801)
Receivables, net	**6 254**	**26 999**

B. Liquidity risk

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

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

B.1. Liquidity risk management policy

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

B.2. Analysis of maturity of financial assets

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

As at 31 December 2022	Carrying (balance sheet) 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	93 365	184	365	68 271	26 725	1 700	97 245
Leasing liabilities	8 405	861	1 638	1 158	5 195	-	8 852
Trade payables	7 390	7 390	-	-	-	-	7 390
	109 160	**8 435**	**2 003**	**69 429**	**31 920**	**1 700**	**113 487**

As at 31 December 2021	Carrying (balance sheet) 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	78 000	139	277	43 115	30 521	4 290	78 342
Leasing liabilities	9 482	21	41	185	9 519	-	9 766
Trade payables	10 149	10 149	-	-	-	-	10 149
	97 631	**10 309**	**318**	**43 300**	**40 040**	**4 290**	**98 257**

C. Market risk

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

C.1 Interest rate risk

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

The Group is exposed to both risks - associated with fair value and associated with cash flows. Interest margins could increase because of these changes, which in turn would limit potential losses for the Group caused by changes in market interest rates.

Trade and other receivables/payables are not interest-bearing.

C.2 Foreign exchange risk

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

D. Operational risk

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

E. Fair value of financial assets and liabilities

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

For all other financial instruments, fair value is determined using valuation models. The fair values of loans and receivables, as well as liabilities to third parties, are determined using a current value model based on contractual cash flows, considering 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 Group.

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

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

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

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

Fair value of financial instruments:

	As at 31 December 2022		*As at 31 December 2021*	
Financial assets	*Book value*	*Fair value*	*Book value*	*Fair value*
Cash and cash equivalents	21 125	21 125	12 337	12 337
Microloans granted to individuals	235 701	235 701	207 897	207 897
Individually significant loans granted	6 254	6 254	26 999	26 999
Investments in financial assets	47 781	47 781	31 865	31 865
Total financial assets	**310 861**	**310 861**	**279 098**	**279 098**

	As at 31 December 2022		*As at 31 December 2021*	
Financial liabilities	*Book value*	*Fair value*	*Book value*	*Fair value*
Borrowings	93 365	93 365	78 000	78 000
Lease liabilities	8 405	8 405	9 482	9 482
Trade payables	7 390	7 390	10 149	10 149
Total financial liabilities	**109 160**	**109 160**	**97 631**	**97 631**

The following table provides information about the financial instruments that require fair value disclosure in accordance with IFRS 7 allocated according to the valuation methods used as at 31 December 2022

	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Cash and cash equivalents	21 125	-	-	21 125
Microloans granted to individuals	-	-	235 701	235 701
Individually significant loans granted	-	-	6 254	6 254
Investments in financial assets	302	-	47 479	47 781
Financial liabilities				
Borrowings	-	-	93 365	93 365
Lease liabilities	-	-	8 405	8 405
Trade payables	-	-	7 390	7 390

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

	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Cash and cash equivalents	12 337	-	-	12 337
Microloans granted to individuals	-	-	207 897	207 897
Individually significant loans granted	-	-	26 999	26 999
Investments in financial assets	333	-	31 532	31 865
Financial liabilities				
Borrowings	-	-	78 000	78 000
Lease liabilities	-	-	9 482	9 482
Trade payables	-	-	10 149	10 149

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

F. Capital management

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

Debt-to-equity ratio as of 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	31 December 2021
Total debt capital	140 036	117 339
Reduced with cash and cash equivalents	(21 125)	(12 337)
Net debt capital	118 911	105 002
Total equity belonging to the owners of the Company	252 315	216 914
Total capital belonging to the Company	371 226	321 916
Debt-to-equity ratio	**32%**	**33%**

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

32. Related party transactions

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

32.1. Related parties

In addition to the ultimate owners disclosed in Note 24 ultimate owners and unconsolidated subsidiaries disclosed in Note 28, the Group's related parties also include

Name	*Relation type*
Hyron Management AD, EIK 205202828	other type of relatedness
Settle Services AD, EIK 206395410	other type of relatedness
Breezy AD, EIK 206398463	other type of relatedness
New Pay AD, EIK 206470432	other type of relatedness
Nedelcho Yordanov Spasov	Ultimate shareholder
Stanimir Svetoslavov Vassilev	Ultimate shareholder
Antonia Vasileva Sabeva	Executive Director

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

32.2. Related parties transactions (amounts are net of VAT)

Related party	*Transaction type*	2022	2021
Purchases			
Shareholdes	Interest	14	10
Other type of relatedness	Interest	29	29
Other type of relatedness	Services re-invoiced	385	241
		428	**1 970**

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

Sales			
Other type of relatedness	Interest	218	151
Unconsolidated subsidiaries	Interest	-	389
Unconsolidated subsidiaries	Services	-	382
Unconsolidated subsidiaries	Services re-invoiced	-	1 744
		218	**2 666**

32.3. Related parties balances

		As at 31 December 2022			As at 31 December 2021		
Related party	*Transaction type*	*Receivables gross*	*Impair-ment*	*Receivables net*	*Receivables gross*	*Impair-ment*	*Receivable net*
Receivables' balances							
Unconsolidated subsidiaries	Loan	-	-	-	11 839	(2 043)	9 796
Other type of relatedness	Loan	5 913	(570)	5 343	4 221	(564)	3 657
Total loans granted (note 12)		*5 913*	*(570)*	*5 343*	*16 060*	*(2 607)*	*13 453*
Unconsolidated subsidiaries	Cession	-	-	-	498	-	498
Unconsolidated subsidiaries	Services	-	-	-	48	-	48
Unconsolidated subsidiaries	Recharges	-	-	-	1 261	-	1 261
Total other receivables		-	-	-	*1 807*	-	*1 807*
Total receivables		5 913	(570)	5 343	17 867	(2 607)	15 260

Related party	*Transaction type*	**31 December 2022**	**31 December 2021**
Payables' balances			
Shareholdes	Loan	1 086	713
Unconsolidated subsidiaries	Loan	-	22 683
Other type of relatedness	Loan	833	1 508
Total payables on borrowings (note 19)		***1 919***	***24 904***
Unconsolidated subsidiaries	Services	-	200
Jointly controlled entities	Recharges	29	-
Other type of relatedness	Services	92	14
Total trade payables		***121***	***214***
Total payables		**2 040**	**25 118**

Group's key management staff remuneration for 2022 totals BGN 5413 (2021: BGN 4757 thousand).

In 2022 and 2021, no loans were granted to management staff. No guarantees for receivables or payments to related parties have been provided or received.

The Group's management has analyzed the impact of the military conflict between Russia and Ukraine, which started after the date of the financial statements, on the receivables from related parties and it has estimated that the net value of receivables on loans granted is a reasonable approximation of their fair values:

- Easy Asset Management to Easy Credit LLC (non-consolidated subsidiary), for which in 2021 an impairment loss of 77% on nominal value was charged;
- Management Financial Group JSCo. to Flexible Financial Solutions, Ukraine (non-consolidated subsidiary), for which an impairment loss of 100% on nominal value was charged in 2021;
- Management Financial Group JSCo to Easy Asset Management Russia (non-consolidated subsidiary), for which an impairment loss of 100% on nominal value was charged in 2021;

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

On 06 April 2023, the joint-stock insurance company MFG Ins EAD, established on 01.08.2022, was inscribed with the Commercial Registry with the Registry Agency. The company was established with a capital of BGN 5,281,000. The sole owner of the capital and the founder is Management Financial Group AD.
On 18 May 2023, a change in the name of the company was made and the new name is Insurance Company INSTINCT EAD. The company has a subject of activity: carrying out all types of insurance for which a license has been obtained under the terms of the Insurance Code.
On 09 February 2023, the Financial Supervision Commission issued to Instinct EAD a general insurance company license. The insurance portfolio of ZD Instinct EAD consists of various products in several insurance classes:

- Credit protection;
- Card protection;
- Home protection;
- Travel protection;
- Accidents

On 26 September 2023, the company Settle Bulgaria AD was terminated. Company's winding up was iscribed with Registry Agency. MFG Invest AD, a subsidiary of Management Financial Group AD held 60 percent of the share capital of Settle Bulgaria AD.

33. Approval of the financial statements

These consolidated financial statements as of 31 December 2022 (including comparative information), were approved for issue by the Parent-Company's Board of Directors on 29 September 2023.