ACCESS FINANCE AD
Annual Activity Report
Independent Auditor’s Report
Individual Financial Statements

for the year ended 31 December 2023

ANNUAL ACTIVITY REPORT

Management presents its Individual Financial Statements for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). These Individual Financial Statements were audited by MGI Delta OOD.

CORPORATE INFORMATION

ACCESS FINANCE AD (Company or Entity) is a shareholding company. Established on 7 November 2013 as limited liability company with UIC 202806978, on 31.10.2022 the company was transformed based on Article 264 of the Commercial Law by changing the legal form of limited liability company "Access Finance" (transforming company) into joint stock company "Access Finance" (newly established company). As a result of the conversion, Access Finance OOD is terminated without liquidation. The company operates as a non-banking financial institution in Bulgaria. The seat and registered address of management are: zh.k. Ivan Vazov, "Balsha" St. No.1, block 9, floor 2, Sofia, Bulgaria. The company is represented by the executive director Tsvetan Petkov Krastev.

As of 31.12.2023 Access Finance AD is managed by a Board of Directors, with a mandate until 30.09.2025. The Board of Directors consists of the following members:
• Tsvetan Petkov Krastev
• Dimitar Aleksandrov Prodanski
• "Management Financial Group" AD, UIC 203753425

Access Finance AD is a non-banking financial institution, with a focus in the field of microcredit and the provision of credits through credit cards under the Byala Karta trademark, as well as other consumer loans. The company extends unsecured loans to low- and mid-level-income customers. The company has subsidiaries in Romania, Spain, and the United States of America. The company has no branches.

As of December 31, 2023, the total number of employees amounted to 212 employees (December 31, 2022: 212 employees).

Shareholder structure

As of December 31, 2023, the share capital of the company amounts to BGN 1,270,000.00 divided into 1,270,000.00 shares of BGN 1.00 each as follows:

Shareholder	Shares number	Par value per share in BGN	Total amount in BGN	% from shareholding capital
Management Financial Group AD	958 750	1.00	958 750	75,49%
Tsvetan Petkov Krastev	125 000	1.00	125 000	9,84%
Svetoslav Georgiev Radovenski	62 500	1.00	62 500	4,92%
Ivan Pascalev Arnaudov	62 500	1.00	62 500	4,92%
Apostol Ustianov Mushmov	26 250	1.00	26 250	2,07%
Antonia Vasileva Sabeva	25 000	1.00	25 000	1,97%
Angel Vassilev Madjirov	1 250	1.00	1 250	0,10%
Ivelina Tsankova Kavurska	1 250	1.00	1 250	0,10%
Petar Blagovestov Damyanov	1 250	1.00	1 250	0,10%
Filip Georgiev Kadiyski	1 250	1.00	1 250	0,10%
Dimitar Aleksandrov Prodanski	1 250	1.00	1 250	0,10%
Blagovest Yordanov Vitanov	625	1.00	625	0,05%
Maria Stavreva Velkova	625	1.00	625	0,05%
Pravda Georgieva Beremova	625	1.00	625	0,05%

Radostin Yureiv Bogdanov	625	1.00	625	0,05%
Martin Staykov Yanev	625	1.00	625	0,05%
Gergana Milkova Dimitrova	625	1.00	625	0,05%
Total shares	1 270 000	1.00	1 270 000	100%

Each share gives the right to one vote in the General Shareholders' Meeting, the right to a dividend and a liquidation share. The right to a dividend and liquidation share is determined in proportion to the nominal value of the shares. In 2023, the Company did not acquire or transfer its own shares, and as of December 31, 2023, and December 31, 2022, it did not own any own shares.

During the year ended on 31.12.2023, the Company distributed a dividend to the shareholder owning 1 /one/ preferred share, with the right to an additional dividend, namely Management Financial Group AD in the amount of BGN 200 thousand.

OVERVIEW

In 2023, Access Finance AD managed to consolidate its market positions against the background of intensifying competition in the segment and an uncertain macro environment. The Company's revenue grew by 9% on an annual basis to BGN 53,321 thousand due to increased average amounts of granted loans and realized higher profitability per unit.

35 thousand
newly issued cards and credits

162 thousand
active credit cards and credits

BGN 316 482 thousand
credits granted

BGN 68 774 thousand
gross client portfolio

ACCESS FINANCE

BGN 11 017 thousand
profit before tax

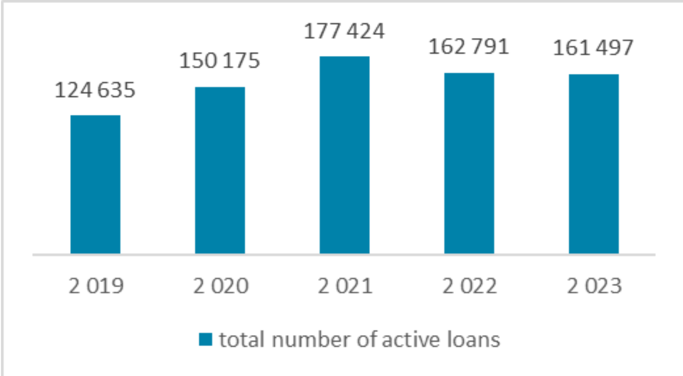
BGN 330
average income per credit card/credit

11 years
on the market in Bulgaria

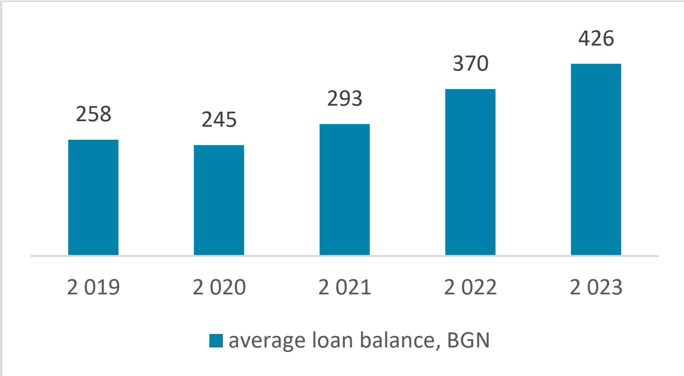
34%
operating expense to revenue ratio

In 2023, the Company's operating expenses grew moderately by 4% on annual basis. Impairment expenses increased moderately by 3% compared to the previous year.

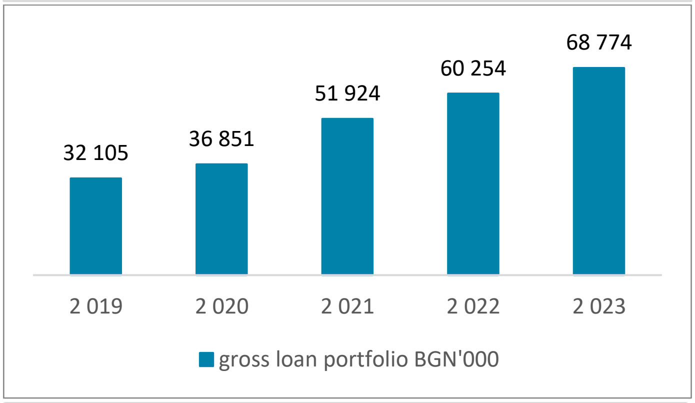
As of 31.12.2023, Access Finance provides financing for 152,438 active cards and 9,059 consumer loans. The total number of active loans decreased by 1% on an annual basis.



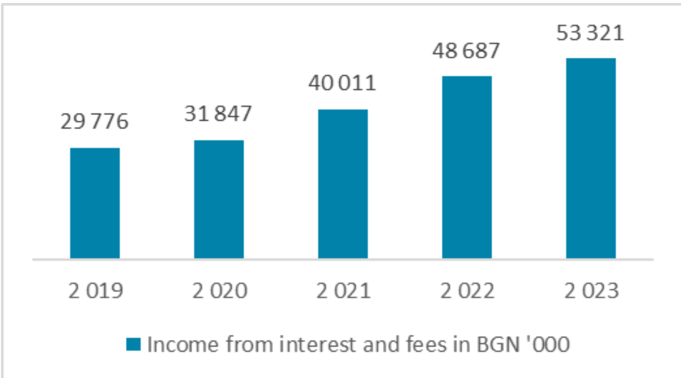
In 2023, the company is working towards increase in the average utilized amounts of credit, which grew by 15%.



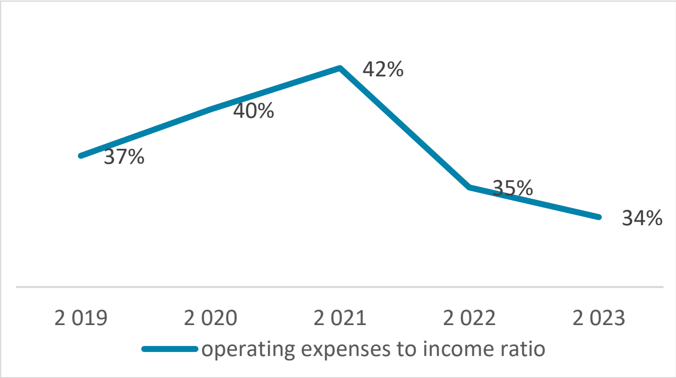
The gross loan portfolio grew by 12% on annual basis, reaching BGN 68,774 thousand, despite the slight decline in active loans and as a result of the increased average disbursed amounts.



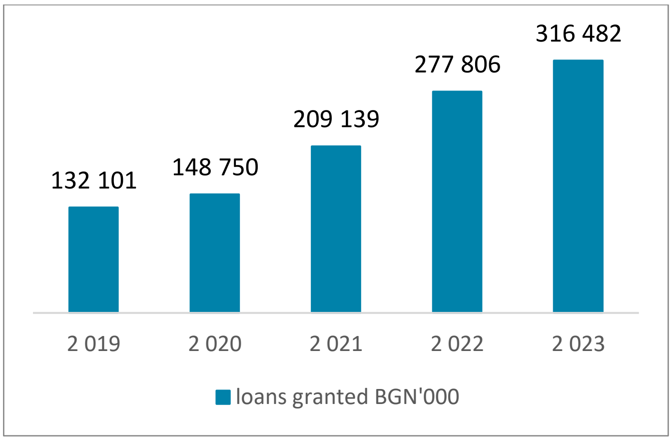
Income from interest, fees and penalties increased by 10%.



The operating expenses ratio (staff costs + general operating and other administrative expenses) to interest, fee and penalty income fell to 34% due to more moderate growth in expenses. In 2023, marketing and advertising expenses decreased by 29% on an annual basis.



The amount of loans granted increased by BGN 38,676 thousand compared to the previous year.



Access Finance AD operates in a highly developed and competitive financial services market and is exposed to price risk. Some of the Company's competitors are banking and nonbank financial institutions with access to cheap financial resources, which gives them an advantage in pricing.

Access Finance AD manages the risk of non-payment of due loans and interest through developed internal rules for credit risk management. The rules regulate the requirements for lending, classification of risk exposures and formation of provisions for impairment losses.

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

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

The management of the company currently observes the following financial indicators:

	2023	**2022**	**Difference**	
	BGN'000	**BGN'000**	**BGN'000**	**%**
Profit before tax	11 017	6 548	4 469	68%
Return on equity	19%	15%	0,0357	23%
Equity-To-Asset ratio	70%	60%	0,0949	16%
Debt-to-Assets Ratio	24%	35%	-0,1073	-31%

Markets

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

Participation of members of the Board of directors in commercial companies as unlimited liability partners, the holding of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, managers or board members

Tsvetan Petkov Krastev does not hold significant share (over 25%) of the capital of other companies. Participates in the management of:

Access Finance SL (The Kingdom of Spain)	B-88519400	Ex. Director and member of the Board of Directors
Access Finance Inc. (USA)	86-3827661	Member of the Board of Directors
Access Finance Sp.z.o.o. (Poland)	0001015583	Member of the Board of Directors

Dimitar Aleksandrov Prodanski does not hold significant share (over 25%) of the capital of other companies. Participates in the management of:

AXI Finance IFN S.A. (Romania)	35116319	Member of the Board of Directors
Access Finance SL (The Kingdom of Spain)	B-88519400	Member of the Board of Directors
Access Finance Sp.z.o.o. (Poland)	0001015583	Ex. Director and member of the Board of Directors

Management Financial Group AD, UIC 203753425, owns a significant share (more than 25%) of the capital of the following companies:

Name of the company	**UIC**	**%**
Easy Asset Management AD	131576434	88.42
Smart Asset Services EOOD	201389179	100
Viva Credit AD	207343548	99.21
Xpress Pay EOOD	202813549	100
Seewines AD	202972213	99.70
Smart Innovative Technologies LTD	203068866	100
Fintrade Finance AD	203429537	64.3
IUVO GROUP OŰ (Estonia)	14063375	96.59
Agency for control of outstanding debts AD	207172780	85
MFG Micro-Credit Ghana Limited (Ghana)	CS257312017	90
Liquid Dreams OOD	205188992	97.5
MFG Partners EOOD	205658146	100
MFG Invest AD	207055357	88.93
Flexible Financial Solutions TOV - in liquidation (Ukraine)	42953538	100
April Services ltd	205969592	91

Miafora Limited (Cyprus)	HE 411879	100
Easy Asset Management DOO Beograd-Novi Beograd (Serbia)	21617075	100
Iuvo OOD	206251285	96.59
MFG Digital Limited (Great Britain)	14000244	100
Insurance brokerage company M BROKER AD Skopje (N.Macedonia)	7594232	100
Agency for the control of overdue claims AKDP DOOEL Skopje (N. Macedonia)	7626428	100
SOFIA FIN-INVEST PRIVATE LIMITED (India)	ABJCS9900N	98
Insurance Company Instinct EAD	207335761	100
Prospect Capital EAD	205062449	100

Management Financial Group AD participates in the management of the following companies:

Viva Credit AD	207343548	Member of the Board of Directors
Fintrade Finance AD	203429537	Member of the Board of Directors
Agency for control of outstanding debts AD	207172780	Member of the Board of Directors

Contracts under Art. 240b of the Commercial Law concluded during the year

There are no contracts concluded between the Members of the Board of Directors and persons related to them and Access Finance AD, which go beyond the ordinary business or significantly deviate from the market conditions.

The group does not carry out activities in the field of scientific research and development.

Information on the acquisition of own shares required by Article 187d of the Commerce Act

The company has not acquired and does not hold its own shares.

Use of financial instruments

The company's financial assets at the end of the reporting period mainly include a portfolio of loans, investments in subsidiaries and cash. The financial risk management is comprehensively specified in Appendix 24 Financial risk management of this individual financial statement. Access Finance AD does not use hedging.

Ecology and environmental protection

The management of the Company pays attention to the reasonable way of using resources to optimize costs and protect the environment. A detailed report on the Company's responsibilities can be accessed at: https://mfg.bg/esg

Significant events after the reporting period

No events have occurred after December 31, 2023, that would require additional corrections and/or disclosures in these individual financial statements of the Company for the year ended December 31, 2023.

During 2024, Access Finance expands its foreign market by making an investment in a foreign company starting operations in Mexico. The trade name of the company is Doorstep Consulting Services S.A. de C.V. Pursuant to a purchase and sale contract with Easy Asset Management AD, the company purchased 100% of the shares of Doorstep Consulting Services S.A. de C.V., amounting to BGN 5 thousand.

On April 1, 2024, Management Financial Group AD acquired 625 common, outstanding registered shares pursuant to purchase contract. As of this date, Management Financial Group AD is the majority owner with 75.54% (as of 31.12.2023 - 75.49%).

Company's expected development and prospects

In 2024, the Company will focus on customer satisfaction in service and use of the products. One of the main highlights of the Company's activities will be on loyal customers. The Company plans to launch new credit products, initiatives and programs which will benefit loyal customers.

The objectives of Access Finance AD include strengthening the activity of the commercial network through active marketing systems and developing promotional schemes for the offered financial services. The future development of the Company is related to expansion of the activity by attracting new customers and affirming a leading position on the market.

Responsibilities of the management

The management of Access Finance AD has prepared the Financial Statements for 2023 which give a true and fair view of the state of the Company's affairs at the end of the year and its accounting results. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Management confirms that it has consistently applied adequate accounting policies and that the principle of prudence in assessing assets, liabilities, income and expenses is complied with when preparing the Financial Statements as of 31 December 2023.

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

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

Tsvetan Krastev
Executive Director

Date: May 17, 2024

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

	Note	2023	2022
Interest, fee, and penalty income	3	53 321	48 687
Interest and fee expense	4	(1 995)	(2 391)
Net interest, fee, and penalty income		**51 326**	**46 296**
Net other operating income	5	4 069	3 911
Net impairment losses on financial assets	6	(22 083)	(25 629)
Net impairment losses on investments in subsidiaries	13	(4 251)	-
Employee benefits expense	7	(7 705)	(6 726)
General administrative and other operating expenses	8	(10 339)	(10 574)
Profit before tax		**11 017**	**7 278**
Income tax expense	9	(1 112)	(730)
Profit for the year		**9 905**	**6 548**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent years			
Actuarial gains / (losses)		(5)	14
Other comprehensive income for the year, net of tax		**(5)**	**12**
Total comprehensive income for the year, net of tax		**9 900**	**6 562**

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

The individual financial statements were approved on 17 May 2024.

Executive Director　　Prepared by

Tsvetan Krastev　　Irena Davidkova

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

Vladimir Kolmakov
Manager and registered auditor in charge

ACCESS FINANCE AD
INDIVIDUAL STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(All amounts are presented in BGN'000 unless otherwise stated)

	Note	31.12.2023	31.12.2022
ASSETS			
Cash and cash equivalents	10	1 972	3 563
Microloans granted to individuals	11	58 258	48 561
Loans granted to related parties	12	1 249	2 345
Investments in subsidiaries	13	494	4 385
Property, plant, and equipment	14	149	184
Intangible assets	15	1 082	1 029
Right-of-use assets	16	451	834
Other assets	17	10 779	9 174
Deferred tax assets	18	31	34
TOTAL ASSETS		**74 465**	**70 109**
EQUITY AND LIABILITIES			
LIABILITIES			
Borrowings	19	18 091	24 552
Lease liabilities	20	463	845
Trade and other payables	21	3 529	2 280
Current tax liabilities		269	19
TOTAL LIABILITIES		**22 352**	**27 696**
EQUITY			
Share capital		1 270	1 270
Actuarial profit reserve		9	14
Retained earnings		50 834	41 129
TOTAL EQUITY	22	**52 113**	**42 413**
TOTAL LIABILITIES AND EQUITY		**74 465**	**70 109**

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

The individual financial statements were approved on 17 May 2024.

Executive Director Prepared by

Tsvetan Krastev Irena Davidkova

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

Vladimir Kolmakov
Manager and registered auditor in charge

ACCESS FINANCE AD
INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023
(All amounts are presented in BGN'000 unless otherwise stated)

	Share capital	**Actuarial profit reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2022	1 270	-	34 581	35 851
Total comprehensive income for the year, incl.:	-	*14*	*6 548*	*6 562*
Profit for the year	-	-	6 548	6 548
Other comprehensive income for the year	-	14	-	14
Balance at 31 December 2022	**1 270**	**14**	**41 129**	**42 413**
Total comprehensive income for the year, incl.:	-	*(5)*	*9 705*	*9 700*
Profit for the year	-	-	9 905	9 905
Other comprehensive income for the year	-	(5)	-	(5)
Transactions with owners, recognized directly in equity				
Dividends paid			(200)	(200)
Balance at 31 December 2023	**1 270**	**9**	**50 834**	**52 113**

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

The individual financial statements were approved on 17 May 2024.

Executive Director | Prepared by

Tsvetan Krastev | Irena Davidkova

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

Vladimir Kolmakov
Manager and registered auditor in charge

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

	Notes	2023	2022
Cash flows from operating activities			
Payments of microloans granted to individuals		(316 482)	(277 806)
Proceeds from repayment of microloans granted		348 198	305 556
Payments of loans granted to related parties		(8 757)	(7 913)
Proceeds from repayment of loans granted to related parties		1 168	546
Payments related to employees		(7 465)	(6 449)
Proceeds from customers		2 439	2 824
Payments to suppliers		(10 021)	(12 945)
Payments of corporate tax		(860)	(988)
Net other proceeds/(payments) for operating activities		(607)	(549)
Net cash (outflows) / inflows from operating activities		**7 613**	**2 276**
Cash flows from investing activities			
Acquisitions of property, plant, and equipment		(119)	(117)
Purchases of intangible assets		(453)	(612)
Payments for investments in subsidiaries		(361)	-
Net cash (outflows) / inflows from investing activities		**(933)**	**(729)**
Cash flows from financing activities			
Proceeds from borrowings		1 000	14 873
Repayments of borrowings, including interest		(8 600)	(13 296)
Repayments of lease liabilities		(471)	(437)
Dividends paid		(200)	-
Net cash (outflows) / inflows from financing activities		**(8 271)**	**1 140**
Net change in cash and cash equivalents		**(1 591)**	**2 687**
Opening cash and cash equivalents		3 563	876
Closing cash and cash equivalents	10	**1 972**	**3 563**

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

The individual financial statements were approved on 17 May 2024.

Executive Director   Prepared by

Tsvetan Krastev   Irena Davidkova

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

Vladimir Kolmakov
Manager and registered auditor in charge

1. General information

1.1 Legal status

Access Finance AD is a shareholding company, operating as a non-banking financial institution in Bulgaria. The seat and registered address of management are: zh.k. Ivan Vazov, "Balsha" st. No.1, block 9, floor 2, Sofia, Bulgaria. The Company is represented by the executive director Tsvetan Petkov Krastev.

1.2 Activities

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

2. Accounting policy

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

The individual financial statements include: individual statement of comprehensive income, individual statement of financial position as of 31 December, individual statement of changes in equity, individual cash flow statement, and notes to financial statements. The financial statements have been prepared on a historical cost basis, except for items in the statement of financial position requiring to be recognized at fair value in accordance with the applicable accounting standards. The company classifies expenses according to their nature.

In accordance with the requirements of IFRS 10 "Consolidated Financial Statements", the Company also prepares a consolidated financial statement.

The ultimate parent company, which prepares a consolidated financial statement for the largest group of companies in which the Company is included, is Management Financial Group AD.

2.1 Basis of preparation of individual financial statements

These Financial Statements have been prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). The reporting framework "IFRS adopted by the EU" is regulated in item 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 International Accounting Standards, International Financial Reporting Standards and related interpretations, subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board.

2.1.1 Comparative information

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

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

2.1.2 Going concern principle

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

2.1.3 Changes in accounting policies and errors

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

The Company retroactively corrects any material errors from previous periods by restating the comparative amounts for the previous period in which the error occurred.

2.1.4 New standards and clarifications

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

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

- **Amendments to IFRS 17 Insurance Contracts,** 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 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 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

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

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

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

- Amendments to IAS 1 Presentation of Financial Statements (effective from 1 January 2024):
  - ✓ Classification of current and non-current liabilities (issued on January 23, 2020);
  - ✓ Classification of current and non-current liabilities – postponement of the effective date issued on July 15, 2020); and
  - ✓ Non-current liabilities with covenants (issued on 31 October 2022)
- Amendments to IFRS 16 Leases: Lease Obligation on Sale and Leaseback (issued on 22 September 2022 – effective from 1 January 2024)

New standards and amendments to existing standards issued by the IASB 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 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Financing Arrangements with Suppliers, issued on 25 May 2023.
- Amendments to IAS 21 Amendments from Changes in Exchange Rates: Lack of Substitutability, issued on 15 August 2023.

The Company expects that the adoption of these new standards, amendments to existing standards and new clarifications will not have a material effect on the Company's financial statements 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.

In the Company's judgment, the application of hedge accounting for portfolios of financial assets and liabilities under **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 Transactions in foreign currency

(a) Functional and presentation currency

The individual elements of the Group's financial statements are valued in the currency of the main economic environment in which the enterprise operates ("functional currency"). The individual financial statement is presented in thousands of Bulgarian leva, which is the functional and presentation currency.

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

(b) Transactions and balances

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

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

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

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

Significant exchange rates:

	31 December 2023 BGN	**31 December 2022 BGN**
1 US dollar is equivalent to	1.76998	1.83371
1 euro is equivalent to	1.95583	1.95583

2.3 Revenue and expense recognition

Interest income and expense

For all financial instruments carried at amortized cost, interest-bearing financial assets classified as available-for-sale and financial instruments recognized 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 amortized cost of a financial asset or financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows for the life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

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

Fees and commissions income and expenses

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

Income from penalties

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

Income from dividends
Dividend income is recognized at the time the right to receive the payment is established.

Revenue from contracts with customers

Company recognizes 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 recognized in profit or loss when the service is provided;
- if the performance obligation is satisfied over time, the relevant revenue is recognized in profit or loss to reflect the progress of fulfilment of such obligation.

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

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

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

2.4 Financial instruments

Classification

In accordance with IFRS 9 Financial Instruments, the Company classifies financial assets based on the financial asset management business model and the characteristics of the contractual cash flows of the financial asset as (1) measured at amortized 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 amortized 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 amortized cost are debt instruments (loans granted) whose business model is held for collecting cash flows. The business model may have the objective assets to be held for collecting contractual cash flows, even if the Company sells the financial assets when there is an increase in the credit risk of the asset. In order to determine whether there has been an increase in the credit risk of the assets, the Company shall take into account all reasonable and substantiated information, including forward-looking information. Regardless of their frequency and amount, sales initiated due to an increase in the credit risk of assets are not incompatible with a business model whose objective is financial assets to be held for collecting contractual cash flows, as the credit quality of financial assets is relevant to the Company's ability to collect contractual cash flows. The business model used by the Company for loans granted is 'held for collection'. The Company sells a financial asset when there is an increase in the credit risk of the asset, which is not inconsistent with this model.

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

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

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

Initial recognition

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

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

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

Financial liabilities are initially recognized 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 amortized cost and any difference between the net proceeds and the redemption value is recognized in profit or loss during the period of the loan using the effective interest rate method.

Subsequent measurement

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

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

The amortized 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 amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, adjusted for impairment loss.

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

Measurement at fair value

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

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

Impairment

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

Impairment of receivables from granted individually significant credits

The company applies the general approach of IFRS 9 for measuring expected credit losses on receivables from individually significant loans granted.

Expected credit losses are calculated on the date of each reporting period.

Valuation of claims on individually significant loans for risk management purposes is a process that requires the use of models that reflect the impact on the exposure of changes in market conditions and the debtor's activity, expected cash flows and time to maturity. The assessment of the credit risk of individually significant loans granted leads to further judgments about the probability of default, the loss ratios associated with these judgments and the correlations between counterparties. The Company measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

To determine the credit risk of individually significant loans granted, the company's management has developed a methodology that includes two main components: determining the debtor's credit rating, and statistical models for calculating marginal PD by year for each rating. Regarding the rating, the management uses internal assessments of the credit rating of individual debtors based on the global methodologies of the world's leading rating agencies. The rating reflects financial ratios of leverage, liquidity, profitability, etc., quantitative (e.g. sales levels) and qualitative (e.g. financial policy, diversification, etc.) criteria according to the relevant methodology and industry.

Through statistical models based on historical global data on probabilities of default (PD) and transitions between different ratings, as well as on forecasts of key macroeconomic indicators (GDP growth, inflation, etc.), the required marginal PDs by year are determined for each rating.

Based on the established specific rating and the analysis of the characteristics of the debtor, including the occurring changes in them compared to the previous period, the stage of the instrument is determined (Stage 1, Stage 2 or Stage 3). The Company considers that a financial instrument has experienced a significant increase in credit risk when one or more of the following criteria are met:

(a) Quantitative criteria

- Increase in the lifetime probability of default (PD) of the financial asset at the reporting date compared to the lifetime probability of default at the date the asset was first recognized in the amount of 30%;

- The debtor is in arrears for more than 180 days, but less than 365 days, except for cases where the credit period could reach up to and over 2 years due to the financial specifics of the debtor;

- Actual or expected significant adverse changes in the debtor's operating results, above the permissible range, as measured by the debtor's key financial and operational indicators.

(b) Qualitative criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the debtor operates;

- Actual or expected significant adverse changes in the debtor's operating results;

- Early signs of cash flow / liquidity problems, such as delays in payments on trade payables / bank loans;

The criteria used to identify a significant increase in credit risk are monitored and reviewed periodically for appropriateness by the company's management.

The company considers a financial instrument in default and with an incurred credit loss when one or more of the following criteria is met:

(a) Quantitative criteria

- The debtor is more than 365 days late on his contractual payments, except for cases where the credit period could reach up to or over 2 years due to the financial specifics of the debtor;

- Occurred or imminent significant adverse changes and events in the debtor's business, financial conditions and business environment, measured through a serious decline in the debtor's main financial and operational indicators;

- The debtor reports a series of losses and negative net assets;

(b) Qualitative criteria

The debtor is unable to pay due to significant financial difficulties. These are cases when:

- The debtor is in breach of the financial contract, e.g. interest payments, collateral and/or other essential contract, incl. for financing;

- Adverse changes in the debtor's business, market, environment and regulations;

- Discounts and allowances made in connection with the debtor's financial difficulties;

- It is likely that the debtor will be declared bankrupt.

The definition of default is applied consistently to model probability of default (PD), exposure at default (EAD) and loss given default (LGD) through the company's expected loss calculations.

Expected credit losses are calculated by discounting the product of: probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

• PD represents the probability that the debtor will not fulfill his financial obligation in the next 12 months, or during the lifetime of the financial asset (lifetime PD), determined on the basis of public data on PD of generally accepted sources and statistical models of the effects of predictable macroeconomic factors. Also, the company's management has performed a historical analysis and identified the main economic variables affecting the credit risk and expected credit losses for each individually significant loan.

• EAD is the amount owed to the company by the debtor at the time of default, during the next 12 months or during the residual term of the claim, determined according to the specific characteristics of the instrument (amount owed, repayment plans, interest, term, etc.).

• LGD represents the company's expectation of the amount of loss from exposure in default . LGD varies according to the type of debtor, the type and seniority of the claim and the availability of collateral or other credit support. LGD is measured as loss relative to the amount of the claim at the time of default.

The discount rate used in calculating the expected credit loss (ECL) is the original effective interest rate on the instrument.

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

The categorization used by the company to assess the credit risk associated with receivables from individually significant loans is as follows:

Category	Description	Basis for recognition of expected credit losses
Regular (Stage 1)	Borrower is at low risk of default and is not in arrears	12-month expected credit losses
Doubtful (Stage 2)	Amounts overdue for more than 180 days or a material increase in credit risk compared to initially recognized	Expected credit losses over the lifetime of the asset
Non-performing (Stage 2)	Amounts overdue for more than 2 years or evidence that the asset is credit-impaired	Expected credit losses over the lifetime of the asset
Written off (Stage 4)	There is evidence that the debtor is in serious financial difficulties and the company has no realistic prospects of collecting the claim	The amount of the claim is written off

Financial liabilities

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

Loans from P2P investors

The company has signed cooperation agreement 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 Company in return for a prepayment. These rights are established through transfer agreements between investors and the P2P platform, which acts as an agent on behalf of the Company. The investor can choose how much to invest in a loan, the maximum threshold being up to 70% of the principal. The Company must pay to the investor the pro rata share of the funds borrowed for each debt instrument under the terms and conditions of the relevant individual agreement concluded between the Company and the customer.

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

Payables arising from assignments with right of recourse are initially recognized 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 amortized cost using the effective interest rate method. Amortized cost shall be calculated taking into account all issue costs and any discount or premium at settlement. Gains and losses are recognized as interest income/expenses in profit or loss when liabilities are written off. Expenses for interests paid to investors are presented as gross Interest expenses in the Statement of Comprehensive Income, calculated using the effective interest rate method.

Offsetting of financial instruments

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

2.5 Cash and cash equivalents

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

2.6. Property, plant and equipment

Initial measurement

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

Subsequent measurement

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

Depreciation methods

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

Useful life by groups of assets is as follows:

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

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

Subsequent costs

Expenses for repairs and maintenance are recognized 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 reorganization and reconstruction, are capitalized at the book value of the relevant asset and the remaining useful life is reviewed as of the date of capitalization. At the same time, the nondepreciated part of replaced components is written off from the asset's book value and is recognized 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 such indicators are present, the assets shall be tested for impairment and if the recoverable amount of an asset is lower than its carrying amount, the carrying amount shall be reduced to its recoverable amount. The recoverable amount of tangible fixed assets is the higher of the fair value less disposal costs of an asset and its value in use. In measuring asset's value in use, future cash flows are discounted to their current value by using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks specific to the asset. Impairment loss is recognized in the Statement of Comprehensive Income.

Gain or loss on sale

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

2.7 Intangible assets

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

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

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

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

Intangible assets are derecognized from the Statement of Financial Position when they are permanently withdrawn from use and no future economic benefits are expected from their disposal or they are sold.
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 recognized net in 'Other operating income/(loss)' in the Statement of Comprehensive Income (in profit or loss for the year).

2.8 Investments in subsidiaries

Long-term investments, representing shares in subsidiaries, are presented in the financial statements at acquisition price (cost), which represents the fair value of the consideration transferred, including the direct costs of acquiring the investment, less accumulated impairment.

Investments in subsidiaries held by the Company are subject to impairment review. When there is an indication of impairment, it is recognized in the statement of comprehensive income (in profit or loss for the year).

Investments in subsidiaries are derecognized when the rights deriving from them are transferred to other persons based on legal grounds, and thus control over economic benefits of the relevant investment is lost. The Gain or loss on their sale is recognized in 'Financial income' or 'Financial expenses' in the statement of comprehensive Income (in profit or loss for the year).

2.9 Lease

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

Lessee

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

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

a) right-of-use assets

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

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

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

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

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

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

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

b) lease liabilities

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;

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

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

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

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

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

The Company shall subsequently measure the lease liability by:

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

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

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

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

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

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

2.10 Income taxes

Current income taxes

Current income taxes of the Company are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate in Bulgaria for 2023 is 10% (2022: 10%).

Deferred income tax

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

Deferred tax assets are recognized 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 utilized, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit (loss) as of the transaction date.

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

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

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

As of 31 December 2023, the deferred tax assets and liabilities of the Company were measured at a rate of 10% (31 December 2022: 10%).

2.11 Employee benefits

Short-term benefits

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

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

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

Long-term benefits

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

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

2.12 Provisions

A provision is recognized when:

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

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

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

2.13 Equity

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

According to the requirements of the Commercial Law and the statute, the Company is obliged to form a "reserve fund" from the following sources:

- at least one-tenth of the profit, which is allocated until the funds reach one-tenth of the share capital or a larger part, determined by decision of the General Meeting of Shareholders;
- the funds received above the nominal value of the shares upon their issuance (share premium);
- other sources, by decision of the General Meeting of Shareholders.

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

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

2.14 Distribution of dividends

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

2.15 Related parties

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

2.16 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 recognized 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 2.9
- Recognition of deferred tax assets – Note 2.10
- Determination of fair value – Note 2.4

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

3. Interest, fee, and penalty income

	2023	**2022**
Interest income	22 708	20 553
Fee and penalty income	30 613	28 134
	53 321	**48 687**

4. Interest and fee expense

	2023	**2022**
Interest expense on borrowings from related parties	(534)	(1 299)
Interest expense on borrowings from P2P platforms	(1 065)	(954)
Interest expense on lease liabilities	(21)	(32)
Banking fees	(371)	(106)
Interest expense on defined employee benefit plans	(4)	-
	(1 995)	**(2 391)**

5. Net other operating income

	2023	**2022**
Income from ceded receivables	1 871	1 892
Revenue from services	2 681	2 474
Receivables write-offs	(388)	(436)
Loss from foreign exchange transactions and revaluations	(95)	(19)
	4 069	**3 911**

6. Net impairment losses on financial assets

	2023	**2022**
Net impairment losses on microloans granted to individuals	(11 358)	(16 530)
Net impairment losses on loans granted to related parties	(10 725)	(9 099)
	(22 083)	**(25 629)**

7. Employee benefits expense

	2023	**2022**
Salaries and wages	(6 515)	(5 663)
Social security	(966)	(856)
Expense on defined employee benefit plans	(11)	(10)
Social benefits	(213)	(197)
	(7 705)	**(6 726)**

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

8. General administrative and other operating expenses

	2023	2022
Advertising and marketing	(1 693)	(2 373)
Telecommunication and postage costs	(1 532)	(1 360)
Commission expense	(1 124)	(1 155)
Expenses for ATM fees	(1 608)	(1 473)
Consulting services	(179)	(477)
Depreciation and amortization	(845)	(639)
Plastic cards	(475)	(398)
Fees for card services	(852)	(841)
Subscriptions and licenses	(360)	(397)
Central Credit Register and National Social Security Institute fees	(148)	(130)
Repair and technical support	(117)	(102)
Fines and penalties	(1)	(12)
Utility costs	(64)	(108)
Short-term rent	(55)	(47)
Other operating expenses	(1 286)	(1 062)
	(10 339)	**(10 574)**

9. Income tax expense

	2023	2022
Profit before tax	11 015	7 278
Tax rate	10%	10%
Estimated income tax expense	(1 101)	(728)
Adjustments for tax purposes	(8)	(12)
Current income tax expense	**(1 109)**	**(740)**
Origination and reversal of temporary differences	(3)	10
Total income tax expense reported in the Statement of Comprehensive Income	**(1 112)**	**(730)**

10. Cash and cash equivalents

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

	31 December 2023	31 December 2022
Cash in bank accounts	1 969	3 560
Cash on hand	1	1
Cash equivalents	2	2
	1 972	**3 563**

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

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

11. Microloans granted to individuals

	31 December 2023	31 December 2022
Receivables from customers on microloans granted, gross	68 774	60 254
Impairment losses	(10 516)	(11 693)
	58 258	**48 561**

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

	2023	2022
Balance at 1 January	**(11 693)**	**(9 256)**
Impairment loss for the year	(11 358)	(16 530)
Written-off receivables	12 535	14 093
Balance at 31 December	**(10 516)**	**(11 693)**

12. Loans granted to related parties

	31 December 2023	31 December 2022
Loans granted to related parties, including accrued interest	28 251	18 622
Impairment losses	(27 002)	(16 277)
	1 249	**2 345**

The change in the impairment losses on receivables from loans granted to related parties is as follows:

	2023	2022
Balance at 1 January	**(16 277)**	**(7 178)**
Impairment expense for the period	(10 725)	(9 099)
Balance at 31 December	**(27 002)**	**(16 277)**

13. Investments in subsidiaries

	At 31 December 2023			**At 31 December 2022**		
	Investment, gross	*Impairment loss*	*Investment, net*	*Investment, gross*	*Impairment loss*	*Investment, net*
Axi Finance IFN SA, Romania	4 214	(3 809)	405	5 036	(657)	4 379
Access Finance S.L., Spain	6	-	6	6	-	6
Access Finance Sp.Z.O.O., Poland	83	-	83	-	-	-
Access Finance Inc., USA	277	(277)	-	-	-	-
	4 580	**(4 086)**	**494**	**5 042**	**(657)**	**4 385**

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

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

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

The company owns 100% of Access Finance Sp.Z.O.O. – Poland. The subsidiary was registered in accordance with Polish legislation in February 2023.

The company owns 100% of Access Finance Inc. – USA. The subsidiary was registered in accordance with the legislation of the United States of America in 2021.

The change in impairment losses of investments in subsidiaries is as follows:

	2023	2022
Balance at 1 January	**(657)**	**(657)**
Impairment loss for the period	(3 429)	-
Balance at 31 December	**(4 086)**	**(657)**

As of 31.12.2023, the Company's Management has performed an impairment test for investments in subsidiaries. For the purposes of the analysis, the companies' budgets for 5 years were taken, and a discount factor (24%) was applied based on a model for future cash flows.

14. Property, plant and equipment

	Computer equipment	Plant and equipment	Other	Total
Acquisition cost				
At 1 January 2022	462	203	15	680
Additions	113	3	-	116
Disposals	-	-	-	-
At 31 December 2022	**575**	**206**	**15**	**796**
Additions	99	19	1	119
Disposals	(9)	-	-	(9)
At 31 December 2023	**665**	**225**	**16**	**906**
Accumulated depreciation				
At 1 January 2022	373	90	11	474
Charge for the year	90	47	1	138
Eliminated on disposals	-	-	-	-
At 31 December 2022	**463**	**137**	**12**	**612**
Charge for the year	111	42	1	154
Eliminated on disposals	(9)	-	-	(9)
At 31 December 2023	**565**	**179**	**13**	**757**
Carrying amount				
At 31 December 2023	100	46	3	149
At 31 December 2022	112	69	3	184
At 1 January 2022	89	113	4	206

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

15. Intangible assets

	Software	Capitalized development costs	Total
Acquisition cost			
At 1 January 2022	176	224	400
Additions	612	559	1 171
Disposals	-	(292)	(292)
At 31 December 2022	**788**	**491**	**1 279**
Additions	453	295	748
Disposals	-	(453)	(453)
At 31 December 2023	**1 241**	**333**	**1 574**
Accumulated depreciation			
At 1 January 2022	167	-	167
Charge for the year	83	-	83
At 31 December 2022	**250**	**-**	**250**
Charge for the year	242	-	242
At 31 December 2023	**492**	**-**	**492**
Carrying amount			
At 31 December 2023	749	333	1 082
At 31 December 2022	538	491	1 029
At 1 January 2022	9	224	233

16. Right-of-use assets

	Buildings	Total
Acquisition cost		
At 1 January 2022	2 366	2 366
Additions	-	-
Disposals	(58)	(58)
At 31 December 2022	2 308	2 308
Additions	-	-
Disposals	67	67
At 31 December 2023	**2 375**	**2 375**
Accumulated depreciation		
At 1 January 2022	1 057	1 057
Charge for the year	417	417
At 31 December 2022	**1 474**	**1 474**
Charge for the year	450	450
At 31 December 2023	**1 924**	**1 924**
Carrying amount		
At 31 December 2023	451	451
At 31 December 2022	834	834
At 1 January 2022	1 309	1 309

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

Amounts recognized in profit or loss	**2023**	**2022**
Depreciation of right-of-use assets	(450)	(417)
Interest expense on lease liabilities	(21)	(32)
Expenses for short-term rent	(55)	(47)

17. Other assets

	31 December 2023	**31 December 2022**
Receivables from intermediaries on granted loans	5 716	4 510
Receivables under guarantees	3 087	3 086
Ceded receivables	1 012	449
Advance payments	367	416
Inventories	134	127
Trade receivables	324	63
Prepaid expenses	2	13
Other receivables	137	510
	10 779	**9 174**

18. Deferred tax assets

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

	Unused leaves	**Retirement benefit**	**Other**	**Total**
As at 01 January 2022	17	6	1	24
(Expense)/income in the income statement	3	1	6	10
As at 01 January 2023	20	7	7	34
(Expense)/income in the income statement	2	1	(6)	(3)
As at 31 December 2023	22	8	1	31

19. Borrowings

	Average interest rate	**Period**	**31 December 2023**	**31 December 2022**
Borrowings from related parties	9%	2029 г.	4 136	11 102
Borrowings from P2P investors	7%	2024 г.	13 955	13 450
Total, including:			**18 091**	**24 552**
Current			*13 955*	*13 450*
Non-current			*4 136*	*11 102*

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

20. Lease liabilities

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

Maturity structure of lease liabilities	**31 December 2023**	**31 December 2022**
Long-term part	-	428
Short-term part	463	417
	463	**845**

21. Trade and other payables

	31 December 2023	**31 December 2022**
Personnel and social security payables	937	837
Payables to suppliers	752	951
Taxes, different from corporate tax	113	89
Obligations for guarantees	1 017	203
Other payables	710	200
including to related parties	-	*61*
Total, including:	**3 529**	**2 280**
Current	*3 460*	*2 230*
Non-current	*69*	*50*

Personnel and social security payables

	31 December 2023	**31 December 2022**
Personnel payables, including:	*758*	*671*
Current payables for remunerations	496	434
Current payables for unused paid leave	178	172
Long-term payables on defined employee benefit plans	69	50
Food coupons	15	15
	758	**671**
Social insurance payables, including:	*179*	*166*
Current payables	*179*	166
	179	**166**
Total	**937**	**837**

Long-term payables on defined employee benefit plans

	2023	**2022**
Present value of liabilities on January 1	*50*	*54*
Current service cost	10	10
Interest expense	4	-
Retirement benefits paid during the period	-	-
Actuarial (profit) / loss for the period	5	(14)
Present value of liabilities on December 31	*69*	*50*

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

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

	2023	**2022**
Discount rate	4.5%	6%
Future increase in remunerations	6%	5%

Average maturity of retirement benefit obligations is 20 years.

The table below presents a sensitivity analysis of the significant assumptions as of 31 December 2023, calculated using a method that extrapolates the effect on the retirement benefit obligations, subject to a reasonable change in the underlying assumptions at the end of the reporting period.

Significant assumptions	**Variance**	**Absolute change**	**Relative change**
Discount rate	+0,50%	(1)	-10%
Discount rate	-0,50%	5	10%
Remuneration	+0,50%	1	10%
Remuneration	-0,50%	(5)	-10%

The expected payments as of 31.12.2023 in relation to the obligations for retirement benefits are as follows:

	Estimated payments
Payments in 2024	2
Payments in 2025	2
Payments in 2026	2
Payments in 2027	2
Payments in 2028	2

22. Equity

Share capital

As of December 31, 2023, the share capital remains unchanged compared to the end of the previous reporting period. The number of shares is 1,269,999 ordinary shares with a nominal value of BGN 1 and 1 preferred share with a nominal value of BGN 1. The majority shareholder of the Company is Management Financial Group AD, holding 75.49% of the Company's share capital.

Change in the reserves from accumulated actuarial gain / (loss)

	2023	**2022**
Accumulated actuarial gain / (loss) at 1 January	14	-
Actuarial gain / (loss) recognized as other comprehensive income	(5)	14
Accumulated actuarial gain / (loss) at 31 December	**9**	**14**

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

Retained earnings

	31 December 2023	31 December 2022
Retained earnings from previous periods	41 129	34 581
Current profit	9 905	6 548
Distributed dividend	(200)	-
	50 834	**41 129**

The changes in equity in 2022 are as follows:

- Reported profit for the period in the amount of BGN 6 548 thousand.
- During the reporting period, no decision was made to distribute a dividend.

The changes in equity in 2023 are as follows:

- Reported profit for the period in the amount of BGN 9 905 thousand
- During the reported period, the company distributed a dividend in the amount of BGN 200 thousand to the shareholder in the company, owning 1 /one/ preferred share, namely Management Financial Group AD.

Shareholder structure

As of December 31, 2023, the share capital of the company amounts to BGN 1,270,000.00 divided into 1,270,000.00 shares of BGN 1.00 each as follows:

Shareholder	Shares number	Par value per share in BGN	Total amount in BGN	% from shareholding capital
Management Financial Group AD	958 750	1.00	958 750	75,49%
Tsvetan Petkov Krastev	125 000	1.00	125 000	9,84%
Svetoslav Georgiev Radovenski	62 500	1.00	62 500	4,92%
Ivan Pascalev Arnaudov	62 500	1.00	62 500	4,92%
Apostol Ustianov Mushmov	26 250	1.00	26 250	2,07%
Antonia Vasileva Sabeva	25 000	1.00	25 000	1,97%
Angel Vassilev Madjirov	1 250	1.00	1 250	0,10%
Ivelina Tsankova Kavurska	1 250	1.00	1 250	0,10%
Petar Blagovestov Damyanov	1 250	1.00	1 250	0,10%
Filip Georgiev Kadiyski	1 250	1.00	1 250	0,10%
Dimitar Aleksandrov Prodanski	1 250	1.00	1 250	0,10%
Blagovest Yordanov Vitanov	625	1.00	625	0,05%
Maria Stavreva Velkova	625	1.00	625	0,05%
Pravda Georgieva Beremova	625	1.00	625	0,05%
Radostin Yureiv Bogdanov	625	1.00	625	0,05%
Martin Staykov Yanev	625	1.00	625	0,05%
Gergana Milkova Dimitrova	625	1.00	625	0,05%

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

23. Changes in liabilities arising from financial activities

	01 January 2023	Cash flows from financial activities	Non-monetary changes	31 December 2023
Borrowings	24 552	(7 600)	1 139	18 091
Lease liabilities	845	(471)	89	463
	25 397	**(8 071)**	**1 228**	**18 554**

	01 January 2022	Cash flows from financial activities	Non-monetary changes	31 December 2022
Borrowings	20 723	1 577	2 252	24 552
Lease liabilities	1 309	(437)	(27)	845
	22 032	**1 140**	**2 225**	**25 397**

24. Financial risk management

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

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

A. Credit risk

Credit risk arises from the risk of financial loss that may occur due to Company's customers, suppliers and creditors inability to fulfill their obligations. Credit risk is primarily related to loans granted to Company's customers.

The Company's credit policy and its implementation are analyzed on an ongoing basis and if necessary 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 assessment

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

For its internal needs, the Company uses its own models for measuring and analyzing credit risk. These models are subject to periodical review and their behavior is compared to actual values, and adjustments are made to baseline variables to optimize 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 (ECL) include:
- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

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

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

Probability of default includes both assessment upon application and behavioral assessment. A client shall be deemed to be in default, if he/she is past due more than 90 days on his/her obligations or if at least one of his/her exposures has been restructured. If the regular credit risk assessment identifies a customer who has been in arrears for a long period of time, he/she may trigger a default event even if the previous two criteria are met (probability of default or event leading to probability of default).

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

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

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

A.2. Credit risk management policy

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

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

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 2023	**31 December 2022**
Cash and cash equivalents	1 972	3 563
Microloans granted to individuals	58 258	48 561
Loans granted to related parties	1 249	2 345
Other assets	10 139	8 108
	71 618	**62 577**

A.4. Analysis of credit risk of microloans granted to individuals

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

Gross receivables At 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing	52 239	-	1 839	54 078
Overdue up to 30 days	331	1 742	134	2 207
Overdue from 31 to 90 days	-	204	2 362	2 566
Overdue more than 90 days	-	43	9 880	9 923
Total	**52 570**	**1 989**	**14 215**	**68 774**

Gross receivables At 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing	45 063	-	1 445	46 508
Overdue up to 30 days	413	1 281	87	1 781
Overdue from 31 to 90 days	-	490	2 499	2 989
Overdue more than 90 days	-	19	8 957	8 976
Total	**45 476**	**1 790**	**12 988**	**60 254**

At 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross receivables	52 570	1 989	14 215	68 774
Impairment	(1 627)	(661)	(8 228)	(10 516)
Net receivables	**50 943**	**1 328**	**5 987**	**58 258**

At 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross receivables	45 476	1 790	12 988	60 254
Impairment	(2 295)	(700)	(8 698)	(11 693)
Net receivables	**43 181**	**1 090**	**4 290**	**48 561**

Gross receivables 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2023	45 476	1 790	12 988	60 254
Transfer to Stage 1	368	(229)	(139)	-
Transfer to Stage 2	(583)	583	-	-
Transfer to Stage 3	(4 083)	(556)	4 639	-
Acquired financial assets	16 766	1 391	4 676	22 833
Settled receivables	(5 374)	(989)	(7 950)	(14 313)
Balance at 31 December 2023	**52 570**	**1 990**	**14 214**	**68 774**

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

Gross receivables 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	37 830	2 032	12 061	51 923
Transfer to Stage 1	180	(124)	(56)	-
Transfer to Stage 2	(422)	422	-	-
Transfer to Stage 3	(4 068)	(501)	4 569	-
Acquired financial assets	17 374	1 353	6 300	25 027
Settled receivables	(5 418)	(1 392)	(9 886)	(16 696)
Balance at 31 December 2022	**45 476**	**1 790**	**12 988**	**60 254**

Impairment of receivables 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2023	2 295	700	8 698	11 693
Transfer to Stage 1	189	(103)	(86)	-
Transfer to Stage 2	(30)	30	-	-
Transfer to Stage 3	(199)	(179)	378	-
Acquired financial assets	(265)	624	5 953	6 312
Settled receivables	(363)	(411)	(6 715)	(7 489)
Balance at 31 December 2023	**1 627**	**661**	**8 228**	**10 516**

Impairment of receivables 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	1 584	682	6 990	9 256
Transfer to Stage 1	87	(53)	(34)	-
Transfer to Stage 2	(18)	18	-	-
Transfer to Stage 3	(153)	(151)	304	-
Acquired financial assets	1 049	676	6 979	8 704
Settled receivables	(253)	(472)	(5 542)	(6 267)
Balance at 31 December 2022	**2 296**	**700**	**8 697**	**11 693**

A.5. Analysis of the credit risk of receivables on loans granted to related parties

The tables below analyze credit risk of individually significant loans granted to legal entities and individuals:

Gross receivables	**31 December 2023**	**31 December 2022**
Regular	-	-
Doubtful	-	-
Credit-impaired	28 251	18 622
Written off	-	-
Total	**28 251**	**18 622**

	31 December 2023	**31 December 2022**
Gross receivables	28 251	18 622
Impairment	(27 002)	(16 277)
Net receivables	**1 249**	**2 345**

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

B. Liquidity risk

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

B.1. Liquidity risk management policy

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

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

B.2. Analysis of maturity of financial liabilities

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

At 31 December 2023	**Carrying amount**	**Contractual undiscounted cash flows**					
		Up to 1 month	**1 - 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Financial liabilities							
Borrowings	18 091	-	-	14 355	5 956	-	20 311
Lease liabilities	463	39	77	347	-	-	463
Trade payables	752	-	752	-	-	-	752
	19 306	**39**	**829**	**14 702**	**5 956**	**-**	**21 526**

At 31 December 2022	**Carrying amount**	**Contractual undiscounted cash flows**					
		Up to 1 month	**1 - 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Financial liabilities							
Borrowings	24 552	-	-	15 685	15 322	-	31 007
Lease liabilities	845	36	73	327	472	-	908
Trade payables	951	-	951	-	-	-	951
	26 348	**36**	**1 024**	**16 012**	**15 794**	**-**	**32 866**

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

C. Market risk

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

C.1 Interest rate risk

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

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

At December 31, 2023	*Variable rate*	*Fixed rate*	*Interest-free*	*Total*
Financial assets				
Cash and cash equivalents	-	-	1 972	1 972
Microloans granted to individuals	-	58 258	-	58 258
Individually significant loans	-	1 249	-	1 249
Other assets	-	-	10 139	10 139
Total financial assets	**-**	**59 507**	**12 111**	**71 618**
Financial liabilities				
Borrowings	-	18 091	-	18 091
Lease liabilities	-	463	-	463
Trade payables	-	-	752	752
Total financial liabilities	**-**	**18 554**	**752**	**19 306**

At December 31, 2022	*Variable rate*	*Fixed rate*	*Interest-free*	*Total*
Financial assets				
Cash and cash equivalents	-	-	3 563	3 563
Microloans granted to individuals	-	48 561	-	48 561
Individually significant loans	-	2 345	-	2 345
Other assets	-	-	8 108	8 108
Total financial assets	**-**	**50 906**	**11 671**	**62 577**
Financial liabilities				
Borrowings	-	24 552	-	24 552
Lease liabilities	-	845	-	845
Trade payables	-	-	951	951
Total financial liabilities	**-**	**25 397**	**951**	**26 348**

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

C.2 Foreign exchange risk

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

At December 31, 2023	*BGN*	*EUR*	*USD*	*Total*
Financial assets				
Cash and cash equivalents	1 968	4	-	1 972
Microloans granted to individuals	58 258	-	-	58 258
Individually significant loans granted	-	1 249	-	1 249
Other assets	10 139	-	-	10 139
Total financial assets	**70 365**	**1 253**	**-**	**71 618**
Financial liabilities				
Borrowings	12 498	5 593	-	18 091
Lease liabilities	463	-	-	463
Trade payables	752	-	-	752
Total financial liabilities	**13 713**	**5 593**	**-**	**19 306**

At December 31, 2022	*BGN*	*EUR*	*USD*	*Total*
Financial assets				
Cash and cash equivalents	3 521	42	-	3 563
Microloans granted to individuals	48 561	-	-	48 561
Individually significant loans granted	-	2 002	343	2 345
Other assets	8 108	-	-	8 108
Total financial assets	**60 190**	**2 044**	**343**	**62 577**
Financial liabilities				
Borrowings	18 877	5 675	-	24 552
Lease liabilities	845	-	-	845
Trade payables	951	-	-	951
Total financial liabilities	**20 673**	**5 675**	**-**	**26 348**

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. The Company does not expect to eliminate all operational risks, but it seeks to manage those risks by establishing a good control environment, as well as by monitoring and managing potential risks. Control measures include effective segregation of duties, definition of access rights, authorization of transactions, and reconciliation of information from various sources, staff training and evaluation and other controls.

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

E. Fair value of financial instruments

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

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

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

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

These two types of input define the following hierarchy of fair value measurements:
- Level 1 – quotes from active markets for identical financial instruments. This includes listed equity and debt instruments.
- Level 2 – inputs other than Level 1 data that can be observed directly or indirectly (i.e. can be derived from market prices).
- Level 3 – unobservable inputs/or based on external market information. This includes instruments whose significant components cannot be observed.

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

Fair value of financial instruments:

	At 31 December 2023		***At 31 December 2022***	
Financial assets	*Book value*	*Fair value*	*Book value*	*Fair value*
Cash and cash equivalents	1 972	1 972	3 563	3 563
Microloans granted to individuals	58 258	58 258	48 561	48 561
Loans granted to related parties	1 249	1 249	2 345	2 345
Other assets	10 139	10 139	8 108	8 108
Total financial assets	**71 618**	**71 618**	**62 577**	**62 577**

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

	As at 31 December 2023		*As at 31 December 2022*	
Financial liabilities	*Book value*	*Fair value*	*Book value*	*Fair value*
Loans received	18 091	18 091	24 552	24 552
Lease payables	463	463	845	845
Trade payables	752	752	951	951
Total financial liabilities	**19 306**	**19 306**	**26 348**	**26 348**

The following table provides information about the financial instruments that require fair value disclosure in accordance with IFRS 7 allocated according to the valuation methods used at 31 December 2023:

	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets				
Cash and cash equivalents	1 972	-	-	1 972
Microloans granted to individuals	-	-	58 258	58 258
Loans granted to related parties	-	-	1 249	1 249
Other assets	-	-	10 139	10 139
Financial liabilities				
Loans received	-	-	18 091	18 091
Lease payables	-	-	463	463
Trade payables	-	-	752	752

F. Capital risk management

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

Debt-to-equity ratio at 31 December 2023 and 31 December 2022 is as follows:

	31 December 2023	**31 December 2022**
Total debt capital	22 352	27 695
Less cash and cash equivalents	(1 972)	(3 563)
Net debt capital	20 380	24 132
Equity	52 113	42 413
Total capital	**72 493**	**66 546**
Debt-to-equity ratio	**0.28**	**0.36**

The Company has a legal obligation for a minimum equity capital of BGN 1 million, which has been met as of 31 December 2023.

25. Related party transactions

Parties are considered related if one of the parties has the ability to significantly influence or control the other in making financial or operational decisions, or if they are subject to common control by a third party.

25.1. List of related parties

Company name	***Type of relationship***
Management Financial Group AD	Parent company and member of the Board of Directors
Dimitar Aleksandrov Prodanski	Member of the Board of Directors
Tsvetan Petkov Krastev	Member of the Board of Directors
Axi Finance IFN S.A. (Romania)	subsidiary
Access Finance S.L. (Spain)	subsidiary
Access Finance Sp.Z.O.O., (Poland)	subsidiary
Access Finance Inc., (USA)	subsidiary
Easy Asset Management AD	company under common control
Financial Bulgaria EOOD	company under common control
April Finance EAD	company under common control
SC Easy Asset Management IFN AD - Romania	company under common control
Easy Credit LLC - Ukraine	company under common control
Ai Credit SP.Z.O.O. - Poland	company under common control
Easy Payment Services OOD	company under common control
FD M Cash Macedonia LLC Skopje, Macedonia	company under common control
Easy Individual Solutions - Mexico	company under common control
Easy Asset Services AD	company under common control
Easy Asset Management , Albania	company under common control
MFG Invest AD	company under common control
Easy Asset Management Iberia - Spain	company under common control
Iuvo OOD	company under common control
Iuvo Group OU, Estonia	company under common control
Iuvo Credit OU, Estonia	company under common control
Iuvo Finance OU, Estonia	company under common control
Viva Credit AD	company under common control
Express Pay EOOD	company under common control
Smart Innovative Technologies EOOD	company under common control
Fintrade Finance AD	company under common control
Flexible Financial Solutions TOV, Ukraine	company under common control
Seawines Logistics EOOD	company under common control
Seawines Spirit AD	company under common control
Seawines AD	company under common control
Liquid Dreams OOD	company under common control
Colline Albelle SA, Italy	company under common control
Agency for Control of Outstanding Debts AD	company under common control
Agency for Control of Outstanding Debt SRL, Romania	company under common control
Insurance Company Instinct AD	company under common control
Smart Asset Services EOOD	company under common control
Chiron Management AD	company under common control through key management personnel
New Pay AD	company under common control through key management personnel
Setap Services AD - in liquidation	company under common control through key management personnel

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

Company name	***Type of relationship***
MFG Microcredit Ghana Limited	company under common control
Miafora Ltd, Cyprus	company under common control
MFG Digital Limited, UK	company under common control
April Services OOD	company under common control
MFG Partners EOOD	company under common control
Prospect Capital EAD	company under common control
Sofia Fin-invest Private Limited, India	company under common control

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

25.2. Related party transactions

Related party	*Transaction type*	**2023**	**2022**
Purchases			
Management Financial Group AD	Service received	4	71
Easy Asset Management AD	Service received	12	3
Easy Payment Services OOD	Service received	2 840	2 774
Easy Asset Services AD	Service received	8	8
Chiron Management AD	Service received	89	95
Viva Credit AD	Service received	-	11
IUVO GROUP OU	Service received	331	272
Easy Asset Management AD	Interest expense on loan	534	1 299
Smart Asset Services EOOD	Service received	464	385
		4 282	**4 918**

Sales	*Transaction type*	**2023**	**2022**
Easy Asset Management AD	Sale of services	1	4
Easy Payment Services OOD	Sale of services	948	810
Financial Bulgaria EOOD	Sale of services	699	909
Access Finance S.L.	Sale of services	-	26
Axi Finance IFN S.A.	Sale of services	-	26
Insurance Company Instinct AD	Sale of services	71	-
Access Finance S.L.	Interest income on loans	1 368	817
Axi Finance IFN S.A.	Interest income on loans	488	317
Easy Payment Services OOD	Interest income on loans	132	49
Access Finance INC	Interest income on loans	104	10
Agency for Control of Outstanding Debts AD	Income from cessions	1 437	1 597
		5 248	**4 565**

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

25.3. Related party balances

Related party	*Payables or receivables*	**31 December 2023**	**31 December 2022**
Receivables			
Easy Payment Services OOD	Sales invoices	324	58
Access Finance S.L.	Sales invoices	-	5
Agency for Control of Outstanding Debts AD	Cessions	795	449
Easy Payment Services Ltd	Advance provided	347	405
Easy Payment Services Ltd	Deposit	3 001	3 001
Easy Payment Services Ltd	Withdrawn principals and overpayments on credit cards	2 971	2 528
Easy Asset Management AD	Collected installments	2	8
Access Finance S.L.	Loan granted, incl. interest	17 021	11 081
Easy Payment Services OOD	Loan granted, incl. interest	1 002	1 262
Access Finance INC	Loan granted, incl. interest	1 651	343
Axi Finance IFN S.A.	Loan granted, incl. interest	8 577	5 937
		35 691	**25 077**
Payables			
Management Financial Group AD	Purchase invoices	5	18
Easy Asset Management AD	Purchase invoices	2	1
Easy Payment Services OOD	Purchase invoices	290	347
Chiron Management AD	Purchase invoices	8	8
IUVO GROUP OU	Purchase invoices	30	27
Easy Asset Management AD	loan received, incl. interest	4 136	11 102
Financial Bulgaria EOOD	Sums collected for guarantees	1 017	203
Smart Asset Services EOOD	Purchase invoices	72	102
		5 560	**11 808**

25.4. Dividends

Related party	*Transaction type*	**2023**	**2022**
Dividents			
Management Financial Group AD	Distribution of dividends	(200)	-

25.5. Loans

Related party	*Transaction type*	**2023**	**2022**
Loans			
Easy Asset Management AD	Loan received	500	7 160
Easy Asset Management AD	Repaid loan	(8 000)	(12 338)
Easy Payment Services OOD	Loan granted	-	1 213
Easy Payment Services OOD	Repayments of granted loans	(391)	-
Access Finance S.L.	Loan granted	5 349	5 613
Access Finance S.L.	Repayments of granted loans	(777)	(196)
Access Finance INC	Loan granted	1 257	334
Axi Finance IFN S.A.	Loan granted	2 151	753
Axi Finance IFN S.A.	Repayments of granted loans	-	(350)

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

The remuneration of the Company’s key management personnel for 2023 amounted to BGN 496 thousand (2022 – BGN 256 thousand).

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

26. Contingent liabilities

The Company is a party (defendant and plaintiff) to litigations related to business matters. The management of the Company, together with the legal advisor, have carried out an analysis of the litigation status and have determined that there are no material risks that would require the recognition of provisions in the financial statements as of 31 December 2023.

27. Events after the reporting period

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

In 2024, Access Finance expands its foreign market by making an investment in a foreign company starting operations in Mexico. The trade name of the company is Doorstep Consulting Services S.A. de C.V. Pursuant to a purchase and sale contract with Easy Asset Management AD, the company purchased 100% of the shares of Doorstep Consulting Services S.A. de C.V., amounting to BGN 5 thousand.

On 04.01.2024, Management Financial Group AD acquired 625 ordinary, materialized registered shares pursuant to purchase and sale contract. As of this date, Management Financial Group AD is the majority owner with 75.54% (as of 31.12.2023 - 75.49%).

28. Approval of the financial statements

This Individual financial statement (including comparative information) was approved for issue and publication by the Board of Directors on May 17, 2024.