stikcredit

annual report 2023

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Annual activity report

The current management report for Stik-Credit JSC (the "Company") presents a commentary and analysis of the financial report and other material information regarding the financial position and the results of the Company for 2023. It is prepared in accordance with art. 39 of the Accounting Act and the requirements of the Commercial Law.

Stik-Credit JSC is a joint-stock company with registered address Republic of Bulgaria, Shumen, 13 B Oborishte sq.

1. Corporate information

The company has a one-tier management system. The governing body of the Company is the Board of Directors. At the date of the financial report the Board of Directors:
is comprised of the following members:

1. Stefan Topuzakov - Chairman of the Board of Directors and Executive Director.
2. Svetlin Sabev - Member of the Board of Directors.
3. Kristian Georgiev - Member of the Board of Directors.

As of December 31, 2023 the Company is represented and managed by the Executive Director Stefan Topuzakov.

Branches
Stik Credit AD - branch Sofia, EIC of branch: 0011
Stik Credit AD - branch city of Smolyan, EIC of branch: 0026

Independent financial auditor
"ZACHARINOVA NEXIA" EOOD with registration No.138.

The Board of Directors decided that the annual financial report to be audited from “ZAHARINOVA NEXIA” LTD with registration number 138.

The management confirms that it has consistently followed an adequate accounting policy.

The management also confirms that it has complied with current IAS, IFRS, and the financial statements have been prepared on a going concern basis.

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

Information under Art. 187e and Art. 247 of the Commercial Law /TC/

In 2023 no shares of the company were acquired, owned and transferred by the members of the Board of Directors.

The members of the Board of Directors do not have special rights to acquire shares of the company.

The members of the Board of Directors do not participate in companies as unlimited partners. They own more than 25% of the capital of other companies.

Stefan Topuzakov participates and owns the following companies, and they appear related parties for Stik-Credit JSC:

Name of the company:	UIC	Position	Shareholding
St i K 9086 Pawn brokerage 2OOD	207468701	Manager	50%
Briz Konstrukt OOD	207624926	Manager	-
Stik Property OOD	207034039	Manager	50%
Casino Escape gr. Isperih OOD	200716044	Manager	33%
Dizbet OOD	207404339	Manager	17%
Ny Konsulting Vision – NKV EOOD	204507451	Manager	100%
TETS Shumen EOOD	207411376	Partner	50%
ST Investment EOOD	207609301	Manager	100%
Mrezha za aktualni novini OOD	207636444	Manager	50%
Foundation Lazar Ivilinov Todorov	207542500	Representer	-
STIK-CREDIT 9086 COOP	203532882	Board of Directors	-

Kristian Kostadinov participates and owns the following companies, and they appear affiliate parties for Stik-Credit JSC:

Name of the company	UIC	Position	Shareholding
St i K 9086 Pawn brokerage 2OOD	207468701	Manager	50%
Stik Property OOD	207034039	Owner	50%
Casino Escape gr. Isperih OOD	200716044	Owner	33%
Dizbet OOD	207404339	Partner	17%
TETS Shumen EOOD	207411376	Partner	50%
KK Investment EOOD	207610524	Manager	100%
Mrezha za aktualni novini OOD	207636444	Partner	50%
STIK-CREDIT 9086 COOP	203532882	Board of Directors	-

Svetlin Sabev participates and owns the following companies, and they appear affiliate parties for Stik-Credit JSC:

Name of the company	UIC	Position	Shareholding
Bedex OOD	203717240	Manager	50%
Afranga OOD	206337510	Manager	100%
CH Investment EOOD	207617115	Manager	100%
Dizbet OOD	207404339	Partner	17%

As of December 31, 2023 no contracts have been concluded under Art. 240b of the Commercial Law.

Share capital: As of December 31, 2023 the Company has registered capital in the amount of BGN 1,008 thousand, which is fully paid. During the reporting period there is no change in the amount of the registered capital. All shares are ordinary, in an un-certificated form and registered with equal rights, without restriction on the transfer.

Number of shares: At the end of the reporting period the capital of the Company was distributed in 10,008 shares, with a nominal value of BGN 100 each.

The shareholders of Stick - Credit JSC do not have different voting rights in the General Meeting of the Company.

The company is not aware of any agreements, the effect of which may on a subsequent date lead to a change in control.

Commercial activity of the Company: Stick - Credit JSC is a non-bank financial institution registered by the BNB according to Art. 3 para. 2 of the Credit Institutions Act with registration number BGR00370. The main activity of the Company consists in granting loans with funds that are not raised through public attraction of deposits or other repayable funds, as well as any activity for which there is no explicit legal prohibition for the activities subject to licensing - only after issuance of the respective license.

2. Operating and financial results

Despite the difficulties arising from the global pandemic and the impact of the military conflict between Russia and Ukraine in 2023, the Company reported another year of good results and financial stability. In 2023, the company's credit portfolio, after the review for expected credit losses, maintains its level compared to the previous year - BGN 22,958 thousand (2022 - BGN 22,913 thousand). The company maintains the achieved sustainable levels in 2023 and aims to expand its national office network, as well as to acquire a leadership position in the Internet lending market. As a result, the number of active customers grew to over 32 thousand by the end of the year.

The investments made by the company amount to 564 thousand levs, distributed as follows:
Investment properties – BGN 209 thousand
Land - BGN 8 thousand
Computer technology – BGN 9 thousand
Transportation vehicles – BGN 282 thousand
Others DMA – BGN 56 thousand

Our office teams constantly review market developments and customer service models to be able to quickly locate potential risks and adapt quickly to the changing environment. In 2023, the company opened 7 new offices in different regions of the country, while at the same time closing 4 of its existing offices and created 10 new jobs.

The company does not carry out activities in the field of scientific research and studies. Develops software products related to the current functionality of the core business.

Perspectives and development

Although the economic and political situation remains uncertain, the company enters 2024 with excellent operational performance and capital adequacy. Our employees, partners and customers have demonstrated resilience to the challenges posed by the pandemic and the war between Russia and Ukraine. The company's online business model and the functioning of our financial platform gives us reason for peace of mind, despite the increasing inflation worldwide, and ensures our smooth operations.

Entering 2024, the management will continue the focused efforts for growing the business on the Bulgarian market, planning to embark a number of marketing activities and technological enhancements, aimed at growing in the niche of online lending. The management will continue to analyze and research the credit market to expand the current office system of the company, maintaining a moderate credit risk policy given the uncertain and complex local and global environment.

Financial results

In 2023 the Company recorded BGN 146 thousand higher income from interest and fees compared to 2022 (2,6% growth), while a decrease of BGN 618 thousand was observed in the income from fees compared to 2022. During the year, the company realized income from the sale of financial instruments in amount of BGN 561 thousand.

Interest expenses in 2023 amounted to BGN 1,751 thousand, or BGN 125 thousand more than in 2022, when they amounted to BGN 1,626 thousand.

The net costs for impairment of loans and receivables in 2023 amounted to BGN 7,098 thousand, which represents a decrease of BGN 2,005 thousand compared to the costs of impairment of loans and receivables in 2022, when their amount was 9,103 thousand The decrease in impairment is due to the maintained levels of the loan portfolio throughout 2023 and its structure at the end of the reporting period, as well as the improved economic situation and expected lower loan losses compared to previous periods.

The total administrative and staff costs in 2023 amounted to BGN 9,278 thousand compared to BGN 9,660 thousand in 2022, or BGN 382 thousand less than the previous period (4% decrease).

The financial result for the reporting year 2023 formed a profit before taxes in the amount of 6,453 thousand BGN, and after taxation of 5,788 thousand BGN. The increase in profit of 1,835 thousand BGN compared to the profit for 2022 is mainly a result of strengthening the trend for optimization and effective business management.

The achieved results show that with its long-term history, Stick-Credit JSC is able to effectively manage and apply the experience gained in the financial services market, continues to successfully develop its innovative product range and maintains the high level of trust that its customers entrust it with.

In 2023 the Company reports financial indicators summarized as follows:

Results from activity	**2023**	**2022**	**Change**	**%**
Income from interest and fees	24 735	24 612	123	0,5%
Interest expense	1 751	1 626	125	8%
Net interest income	22 984	22 986	(2)	(0,01%)
Loan loss allowance	7 098	9 103	(2 005)	(22%)
Personnel expenses	5 655	5 624	31	1%
Total administrative expenses	3 623	4 036	(413)	(10%)
Profit before tax	6 453	4 408	2 045	46%
Corporate tax	665	455	210	46%
Net profit for the year	5 788	3 953	1 835	46%
Total comprehensive income for the year	5 788	3 953	1 835	46%

Key financial ratios	2023	2022
Net margin	23,14%	15,75%
Return on assets ratio	13,58%	10,62%
Return on liabilities ratio	31,30%	22,74%
Return on capital ratio	23,97%	19,91%

The financial indicators and ratios testify to a stable financial condition, rational and strategic purposeful management, in conditions of international economic uncertainty, preserving the achieved sustainable levels of profitability.

3. The military conflict between Russia and Ukraine - influence, effects, actions and measures taken

Despite the prevailing uncertain situation due to the military conflict between Russia and Ukraine and the restrictions imposed in connection with this, there is no deterioration of the payment ability of the clients is. In 2023 an increased demand for consumer loans and an improved behavior of bad loans have been observed.

The main risk identified by the company at the time of approval of the financial statements is the risk of a delay in collections related to increased inflation due to the military conflict between Russia and Ukraine, which directly affects the world economy. The management has made a detailed review of each exposure in the credit portfolio.

4. Significant events that occurred after the date on which the annual financial statements were prepared.

There are no significant events after the balance sheet date that have an impact on these annual financial statements.

Date: 19 June 2024

Executive Director:

/Stefan Topuzakov/

Independent auditors' report

TO SHAREHOLDERS OF

Stik Credit JSC, Shumen

Opinion

We have audited the special purpose financial statements of Stik Credit JSC (the Company), which comprise the statement of financial position as of 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the company as of 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EC).

Basis for opinion

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

Other information, different from the financial statements and auditor's report

The management is responsible for other information. The other information consists of a management report prepared by the management in accordance with chapter seven of the Accounting Act and it does not include the financial statements and our auditor's report thereto.

Our opinion regarding the financial statements does not include other information and we are not providing opinion in any form about its fairness, unless it is explicitly stated so in our report and to the level it is stated.

In relation to our audit of the financial statements our responsibility is to read the other information and to provide a professional judgement whether this other information is free from material misstatement in relation to the financial statements or the knowledge we have acquired in the course of the audit. In case we arrive to the conclusion, based on the work that we have performed, that a material misstatement is evident in the other information, we are required to disclose this fact.

We have nothing to disclose in this regard.

Additional procedures arising from the Accounting Act

In addition to our responsibilities under ISAs in relation to the management report, we performed the procedures, in addition to those required under the ISAs, in accordance with the "Instructions regarding new and expanded auditor's reports and auditor's communication" of the professional organisation of the registered auditors in Bulgaria - the Institute of certified public accountants (ICPA). These procedures involve verification of existence and verification of the form and substance of this other information to provide an assessment whether this other information conforms to the information required by chapter seven of the Accounting Act applicable in Bulgaria.

Statement in relation of art. 37 para. 6 of the Accounting Act

On the basis of the performed procedures, our opinion is that:

a) The information provided in the management report for the financial year conforms to the information provided in the financial statements.
b) The management report is prepared in compliance with the requirements of chapter seven of the Accounting Act.

Management's responsibilities for the financial statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS, as adopted by the EC, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, falsification, intentional omissions, statements to mislead the auditor, and neglect or circumvention of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

„ ЗАХАРИНОВА НЕКСИА" ЕООД
гр.София 1309, бул. „ Константин Величков" №157-159, ет.1, офис 3
тел: 02/920 46 70
email: office@zaharinovanexia.com
website: www.zaharinovanexia.com

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Audit firm with reg.number 138

„ZAHARINOVA NEXIA" LTD

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Dimitrina Zaharinova

Manager and registrated auditor accountable for the audit

Sofia,
15.07.2024

General Information

Company name	Stik Credit
Company legal status	Joint stock company
Registration number	202557159
Incorporation date	14 May 2013
Company website	www.stikcredit.com
Registered office	Oborishte sq. 13B Shumen, Bulgaria
Major shareholders	Stefan Topuzakov - 47% Kristiyan Kostadinov - 47%
Board Members	Stefan Topuzakov Kristiyan Kostadinov Svetlin Sabev
Financial year	1 January - 31 December 2023

Statement of comprehensive income

	Notes	2023 BGN (thousand)	2022 BGN (thousand)
Income from interest and charges	3	24 735	24 612
Interest expense	4	(1 751)	(1 626)
Net interest and fee income (expense)		**22 984**	**22 986**
Other operating income (losses), net	5	241	312
Financial income	6	37	175
Financial expenses	7	(433)	(302)
Personnel expenses	8	(5 655)	(5 624)
Losses from impairment of loans	12	(7 098)	(9 103)
Total administrative expenses	9	(3 623)	(4 036)
Profit (loss) from ordinary activities before tax		**6 453**	**4 408**
Corporate income tax	10	(655)	(455)
Net profit for the year		**5 788**	**3 953**
Other comprehensive income			
Total comprehensive income		**5 788**	**3 953**

Date of compilation: 19.06.2024
The annual financial report was approved by the Board of Directors on 15.07.2024. The appendices from p.6 to p.38 are an integral part of this annual financial report.

Stefan Topuzakov	Nadka Dimitrova
Executive Director	Prepared by

Annual financial statement, on which we have issued an audit report dated: 15.07.2024.

Dimitrina Zaharinova

Manager and registered auditor, accountable for the audit
„ZAHARINOVA NEXIA” LTD with reg.number 138

Statement of financial position

	Notes	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Assets			
Cash and cash equivalents	11	9 276	5 672
Loans to customers	12	22 958	22 913
Receivables from related parties	27	8 380	7 179
Other current assets	13	888	742
Land, machinery and equipment	14	1 135	731
TOTAL ASSETS		**42 637**	**37 237**
EQUITY AND LIABILITIES			
Liabilities			
Loan obligations	15	16 075	15 500
Long-term lease liabilities	18	409	345
Trade obligations	17	446	230
Short-term lease liabilities	18	243	183
Current tax liabilities	16	397	383
Other current liabilities	17	924	741
Total liabilities		**18 494**	**17 382**
Equity			
Principal Share capital	19	1 008	1 008
Reserves	20	101	101
Retained income	21	17 246	14 793
Profit for the financial year		5 788	3 953
Total equity		**24 143**	**19 855**
TOTAL EQUITY AND LIABILITIES		**42 637**	**37 237**

Date of compilation: 19.06.2024
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Stefan Topuzakov	Nadka Dimitrova
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Manager and registered auditor, accountable for the audit
„ZAHARINOVA NEXIA" LTD with reg.number 138

Statement of changes in equity

BGN (thousand)	Share capital	Reserves	Retained earnings	Profit for the year	Total
Balance as of 1 January 2022	**1 008**	**101**	**9 696**	**5 097**	**15 902**
Profit for the reporting year	**-**	**-**	**-**	3 953	3 953
Transfer of profit to retained earnings	**-**	**-**	5 097	(5 097)	-
Balance as of 1 December 2022	**1 008**	**101**	**14 793**	**3 953**	**19 855**
Balance as of 1 January 2023	**1 008**	**101**	**14 793**	**3 953**	**19 855**
Profit for the reporting year	-	-	-	5 788	5 788
Dividend paid	-	-	(1500)	-	(1500)
Transfer of profit to retained earnings	-	-	3 953	(3 953)	-
Balance as of 31 December 2023	**1 008**	**101**	**17 246**	**5 788**	**24 143**

Date of compilation: 19.06.2024
The annual financial report was approved by the Board of Directors on 15.07.2024. The appendices from p.6 to p.38 are an integral part of this annual financial report.

Stefan Topuzakov	Nadka Dimitrova
Executive Director	Prepared by

Annual financial statement, on which we have issued an audit report dated: 15.07.2024.

Dimitrina Zaharinova

Manager and registered auditor, accountable for the audit
„ZAHARINOVA NEXIA" LTD with reg.number 138

Statement of cash flow

	2023 BGN (thousand)	2022 BGN (thousand)
Cash flows from operating activities		
Net increase of loans granted	(3 455)	(6 429)
Interest and tax paid	20 432	19 863
Other receipts (payments), net	(351)	455
Payments to employees	(5 631)	(5 702)
Payments to suppliers	(2 989)	(3 923)
Corporate tax paid	(743)	(684)
Payments related to dividends (net)	(1 425)	-
Other receipts (payments) from operating activities, net	(220)	(285)
Net cash flows from operating activities	**5 636**	**3 295**
Cash flows from investing activities		
Purchase of long-term assets	(328)	(125)
Changes in loans provided to related parties	(379)	(4 603)
Net cash flows from investment activities	**(707)**	**(4 728)**
Cash flows from financing activities		
Received loans, net	58	3 897
Interest and tax paid from received loans	(1 133)	(434)
Lease payments	(248)	(214)
Net cash flows from financing activities	**(1 323)**	**3 249**
Net increase/decrease in cash and cash equivalents	**3 606**	**1 816**
Net effect from change of currencies	(2)	(3)
Cash and cash equivalents at the beginning of period	5 672	3 859
Cash and cash equivalents at the end of the period	**9 276**	**5 672**

Date of compilation: 19.06.2024
The annual financial report was approved by the Board of Directors on 15.07.2024. The appendices from p.6 to p.38 are an integral part of this annual financial report.

Stefan Topuzakov	Nadka Dimitrova
Executive Director	Prepared by

Annual financial statement, on which we have issued an audit report dated: 15.07.2024.

Dimitrina Zaharinova

Manager and registered auditor, accountable for the audit
„ZAHARINOVA NEXIA” LTD with reg.number 13

Corporate information

Stik-Credit JSC is incorporated in the Republic of Bulgaria, registered in the Commercial Register operated by the Registry Agency under company number 202557159 and with registered address at Shumen, 13 B Oborishte sq. The company is registered without a term or termination condition.

The primary activity of the Company is granting loans with own funds. The company is registered with the Bulgarian National Bank ("BNB") as a non-bank financial institution according to Art. 3, para. 2 of the Credit Institutions Act. The company is registered with the BNB by order reg. № BGR00370/2017.

Stik - Credit JSC is registered as a joint stock company. There is no publicly traded debt or securities and it is not a publicly registered Company. The company's shares are ordinary registered.

As of December 31, 2023 the share capital amounts to BGN 1,008,000 distributed in 10,080 shares, each with a par value of BGN 100. Shareholders holding shares amounting to more than 5% of the capital are as follows:

- Stefan Nikolaev Topuzakov - 4,738 shares - 47%
- Kristiyan Georgiev Kostadinov - 4,738 shares - 47%
- Ivaylo Lazarov Todorov - 604 shares - 6%

The company is managed by a Board of Directors consisting of the following elected members:

- Stefan Nikolaev Topuzakov
- Kristiyan Georgiev Kostadinov
- Svetlin Nikolov Sabev

The company is represented by Stefan Nikolaev Topuzakov.

The company keeps its accounting records in Bulgarian lev (BGN), which it accepts as its reporting currency for presentation. The data in the financial statements and the notes to them are presented in thousands of BGN.

Basis of preparation of the financial statements and significant accounting policies

a. Basis of compliance

These financial statements of Stick Credit JSC are prepared in accordance with the International Financial Reporting Standards (IFRS), which consist of: financial reporting standards and interpretations of the IFRS Interpretations Committee (IFRIC) approved by the Council on International Accounting Standards (IASB) and International Accounting Standards and Interpretations of the Standing Interpretations Committee (IAS), approved by the International Accounting Standards Committee (IASB), adopted by the Commission of the European Union, which are effectively in force on 1 January 2023. IFRS, adopted in the European Union, is the common name of the general-purpose framework - accounting base, equivalent to the framework introduced by the definition according to §1 item 8 of the Additional Provisions of the Accounting Act under the name "International Accounting Standards". For the current year the Company has complied with all standards and interpretations that have been relevant to its business.

b. New standards, amendments and clarifications to IFRS, which came into force on 1 January 2023.

The company applies the following new standards, amendments and clarifications to IFRS, developed and published by the International Accounting Standards Board, which are mandatory for application from the annual period beginning on January 1, but do not have a significant effect of their application on the financial result and financial position of Company:

• **Amendment to IAS 1 "Presentation of Financial Statements" and IFRS Statement of Annex 2: Disclosure of accounting policies effective from 1 January 2023 adopted by the EU**

The company discloses the material information related to the accounting policy instead of the main accounting policies. The amendments clarify that accounting policy information is material if users of the entity's financial statements need it to understand other material information in the financial statements, and if the entity discloses immaterial information about the accounting policy, that information must not outweigh material information. accounting policy information. To support this amendment, the IASB also amended Practice Statement No. 2 Making Judgments about IFRS Materiality to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

• **Amendments to IAS 8 "Accounting Policy, Changes in Accounting Estimates and Errors", effective from 1 January 2023, adopted by the EU**

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 that help companies distinguish changes in accounting estimates from changes in accounting policies. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, while changes in accounting policy are generally applied retrospectively to past transactions and other past events as well as to the current period.

The changes will help companies improve the quality of accounting policy disclosures so that the information is more useful to investors and other primary users of financial statements.

• **Amendment of IAS 12 "Income Taxes". Deferred taxes related to assets and liabilities arising from single transactions effective from 1 January 2023 adopted by the EU**

An entity shall apply changes in the standard to transactions that occur on or after the beginning of the most recent comparative period presented. Also, the Company should recognize at the beginning of the most recent comparative period presented deferred taxes for all temporary differences related to leases and decommissioning obligations and recognize the cumulative effect of the initial application of the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, if applicable) on the relevant date.

• Amendment to IAS 12 "Income Taxes" : International Tax Reform - Second Pillar Model Rules effective from 1 January 2023 adopted by the EU

Amendments to IAS 12 are:

- Exemption from the requirements of IAS 12 that the enterprise does not recognize and disclose information about deferred tax assets and liabilities related to taxes on the income of the second pillar of the OECD. The business must disclose that it has applied the exception.
- A disclosure requirement that requires an enterprise to disclose separately its current tax expenses (revenues) related to second pillar income taxes.
- A disclosure requirement that states that in periods in which the second pillar legislation is enacted or substantially enacted but not yet effective, the entity discloses known or reasonably estimable information that assists users of the financial statements understand the entity's exposure to second pillar income taxes arising from this legislation.
- The requirement that the entity apply the exception and the requirement to disclose that it has applied the exception immediately after the amendments are issued and retrospectively in accordance with IAS 8.

• IFRS 17 "Insurance contracts" effective from 1 January 2023, adopted by the EU

IFRS 17 replaces IFRS 4 Insurance Contracts. It requires an ongoing assessment model whereby assessments are reviewed each reporting period. Contracts are evaluated using:
- discounted cash flows with weighted probabilities;
- explicit risk adjustment and
- contract service allowance representing the unrealized contract profit that is recognized as revenue for the coverage period.
The standard allows for a choice in recognizing changes in the discount rate in either profit or loss or other comprehensive income. The new rules will affect the financial statements and key indicators of all companies that issue insurance contracts.

• 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 amendments concern the disclosure of comparative information about financial assets provided on initial application of IFRS 17. The amendments aim to help companies avoid temporary accounting mismatches between financial assets and insurance contract liabilities and therefore improve the usefulness of comparative information for users of financial statements.
IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences may result in temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when they apply IFRS 17 and IFRS 9 for the first time.
The amendments will help insurers avoid these temporary accounting mismatches and therefore improve the usefulness of comparative information for investors by being able to present comparative information about financial assets.

c. Standards and clarifications issued by the ISMS that have not yet entered into force and are not applied from an earlier date by the Company.

At the date of approval for issue of these annual financial statements, new standards, amendments and clarifications to existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial year commencing 01 January 2023, and not have been implemented from an earlier date by the Company. They are not expected to have a material effect on the Company's financial statements. Management expects all standards and amendments to be adopted in the Company's accounting policy during the first period beginning after the effective date. The changes are related to the following standards:

- **Amendments to IAS 1 Presentation of financial statements: Classification of liabilities as current and non-current, effective no earlier than January 1, 2024, adopted by the EU**

Changes in the classification of liabilities as current or non-current affect only the presentation of liabilities in the statement of financial position, but not the amount or timing of the recognition of assets, liabilities, income or expenses or the information companies disclose about these items. The amendments aim to clarify the following:
- The classification of liabilities as current or non-current should be based on existing rights at the end of the accounting period and align the wording of the texts in all affected paragraphs to clarify the "right" to defer the settlement of the liability by at least twelve the month. It is expressly stated that only the rights available "at the end of the reporting period" should affect the classification of the liability;
- The classification is not affected by the Company's expectations as to whether it will exercise its right to postpone the settlement of the liability; and
- Settlement of liabilities may be effected by transferring cash, capital instruments, other assets or services to the counterparty.

- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures": Financial arrangements with suppliers, effective from 1 January 2024, not yet adopted by the EU**

The amendments to IAS 7 and IFRS 7 will add disclosure requirements as well as “guidance” within the existing disclosure requirements that require entities to provide qualitative and quantitative information about supplier financing arrangements. These amendments add two disclosure objectives that will require entities to disclose in the explanatory notes information that enables users of financial statements to assess how supplier financing arrangements affect an entity's liabilities and cash flows and to understand the effect of financing arrangements from suppliers on the entity's exposure to liquidity risk and how the entity may be affected if arrangements are no longer available to it.

- **Amendments to IFRS 14 "Deferred accounts at regulated prices" effective from 1 January 2016, not adopted by the EU**

IFRS 14 “Deferred Accounts at Regulated Prices” allows companies applying IFRS for the first time to continue recognizing amounts related to regulated prices in accordance with the requirements of their previous accounting basis. To improve comparability with statements of companies that already apply IFRS and do not recognize such amounts, the standard requires that the effect of regulated prices be presented separately.

- **Amendments to IFRS 16 Leases: Sale and leaseback obligations effective no earlier than January 1, 2024, adopted by the EU**

The amendments to IFRS 16 require the lessee entity to measure subsequently the lease liabilities arising from the leaseback in a manner that does not recognize any amount of the gain or loss that relates to the right of use that it retains. The new requirements do not prevent the seller-lessee from recognizing in profit or loss a gain or loss related to the partial or full termination of the lease. The amendments to IFRS 16 do not prescribe specific requirements for measuring lease liabilities arising from leasebacks.

- **Amendments to IAS 21 "Effects of Changes in Exchange Rates", effective from 1 January 2025, not adopted by the EU.**

The amendments to IAS 21 regarding non-substitutability will specify when one currency can be exchanged for another currency and when not - one currency can be exchanged when the entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay as of the valuation date and for a specified purpose; one currency cannot be exchanged for another currency if the entity can only receive a negligible amount of the other currency.
Determining how the entity determines the exchange rate that applies when the currency is not exchangeable - when the currency is not exchangeable at the measurement date, the entity measures the spot exchange rate as the rate that would apply in a regular transaction between market participants on the valuation date and which would faithfully reflect the prevailing economic conditions.
Requirement to disclose additional information when the currency is not exchangeable - when the currency is not exchangeable, the entity discloses information that would enable users of its financial statements to assess how the lack of currency exchangeability affects or is expects to affect its financial results, financial condition and cash flows. The changes also include a new appendix with guidelines for implementing substitutability and a new illustrative example.

- **Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28**

The amendments clarify the accounting treatment of sales or contributions of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-cash assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 Business Combinations).
When the non-monetary assets represent a business, the investor will recognize the full gain or loss on the sale or contribution of the asset. If the assets do not meet the definition of a business, gain or loss is recognized by the investor only to the extent of the other investor's interest in the associate or joint venture. The changes are applied prospectively.
* In December 2015, the IASB decided to delay the implementation date of this amendment until the IASB finalizes its research project on the equity method.

d. Changes in accounting policies

The adopted accounting policies are consistent with those applied in the previous reporting period.

e. Going concern

The going concern assumption is a fundamental principle in the preparation of financial statements. According to this principle, an enterprise is generally considered to continue in the foreseeable future without the intention or necessity of liquidation, cessation of business or seeking protection from creditors as a result of existing laws or regulations. Accordingly, assets and liabilities are reported based on the ability of the enterprise to sell assets and settle its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate the Management takes into account all available information about the foreseeable future, covering at least, but not limited to, the twelve months from the end of the reporting period.

As at the date of preparation of these financial statements, the Management has assessed the ability of the enterprise to continue its activity as an operating enterprise based on the available information for the foreseeable future. Following the review of the entity's operations, the Management expects that the entity has sufficient financial resources to continue its operational existence in the near future and continues to apply the going concern principle in preparing the financial statements. In connection with the Management's assessment, which covers a period of 24 months after the end of the reporting period, that the company will continue its activities in the foreseeable future, is the fact that the current assets of the company significantly exceed its liabilities, which is a prerequisite for resource adequacy of the enterprise for its liquidity needs.

f. Comparative information

The Company has adopted to present comparative information in its financial statements for one previous period.

When for the purposes of more reliable presentation of the reporting objects and operations it is necessary to make changes in their classification and their presentation as separate components of the annual financial statement, the comparative data 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 is reflected retrospectively and the Company provides an additional statement of financial position at the beginning of the comparative period.

g. Reporting currency

The functional currency of the Company and the reporting currency of the presentation of the financial statements of the Company is the Bulgarian lev. As of January 1, 1999, the Bulgarian lev is pegged to the euro at the rate of BGN 1.95583 = BGN 1. Upon initial recognition, a foreign currency transaction is recorded in the functional currency, the exchange rate at the time of the transaction or operation being applied to the foreign currency amount. Cash and cash equivalents, loans and receivables, investments in securities, loans and other liabilities as monetary reporting items denominated in foreign currency are reported in the functional currency using the exchange rate published daily by the BNB.

The most significant exchange rates for the activity of the Company as of 31.12.2023 are as follows:

	31 December 2023	31 December 2022
	BGN	BGN
1 EUR is equal to	1.95583	1.95583

Non-monetary items in the statement of financial position that are initially denominated in a foreign currency are translated into the functional currency using the historical exchange rate at the date of the transaction and are not subsequently remeasured at the closing rate.

h. Accounting estimates and assumptions

The preparation of financial statements in accordance with IFRS requires from the management the exercise of judgement, to make estimates and assumptions, which influence the application of accounting principles and the reported amounts of assets, liabilities, income and expenses as well as to disclose contingent assets and liabilities as at the date of reporting. The estimates, accruals and underlying assumptions are based on knowledge available at the time when the financial statement was prepared and actual results may deviate from them. Items which involve a higher degree of subjective judgement or complexity, or where assumptions and estimates are material to the financial statement, are disclosed in Note u.

i. Land, machinery and equipment

Property, plant and equipment are measured and reported at acquisition price, reduced by accumulated depreciation and accumulated impairment losses.

Initial recognition

The acquisition cost includes the purchase price, non-refundable taxes and fees payable on purchase and all other direct costs necessary to bring the asset to working condition. The direct costs are: costs for site preparation, costs for initial delivery and processing, installation costs, costs for fees of persons related to the project, etc. The value threshold adopted by the Company for recognition of an asset in the group of land, machinery and equipment is BGN 700, below which the acquired assets, despite having the characteristics of fixed assets, are reported as current expense.

Subsequent measurement

Following the initial recognition, the long-term assets are measured at cost less accumulated depreciation value.

Subsequent costs

Subsequent costs incurred as a result of the replacement of a component of the tangible fixed assets, which is reported separately, are capitalised following the write-off of the replaced component. Other subsequent costs are capitalised only in case they lead to an increase of the economic benefit of using the respective asset above the one initially determined. All other subsequent costs related to the maintenance of the asset in serviceable condition are reported as current in the profit or loss statement and other comprehensive income.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable fixed assets. The amortization period of assets acquired under a lease is the shorter period between the term of the contract and the useful life of the assets, except when it is almost certain that the property will be acquired at the expiration of the lease contract.

The expected useful life is as follows:

IT equipment and hardware	-	2 years
Transportation vehicles	-	4 years
Office equipment and other long-term asses	-	7 years

At the end of each financial year, a review of the residual values, useful lives and methods of depreciation of the assets is performed and, if significant deviations from the expected future useful life are found, it is adjusted. The adjustment is treated as a change in the accounting estimates and is effective prospectively from the date the change is made.

Derecognition of fixed assets

Land, machinery or equipment is derecognised upon sale or when no future economic benefits are expected from its use. Gains or losses arising from the derecognition of the asset (representing the difference between the net disposal proceeds, if any, and the carrying amount of the asset) are included in the income statement and other comprehensive income when the asset is derecognised.

j. Intangible assets

Intangible assets are measured and reported at acquisition price, reduced by the accumulated amortization and accumulated impairment. Changes in the useful life are accounted for by a change in the amortization period or method, as appropriate, and are treated as changes in the accounting estimates. At each reporting date the Management reviews the useful lives of the intangible assets. Amortization is calculated using the straight-line method to reduce the cost of an intangible asset to its residual value over its useful life.

The Company assesses whether the useful life of an intangible asset is limited or unlimited. The useful life for software is 2 years.

k. Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument of another entity.

(i.) Financial assets

Initial recognition, classification and measurement

Upon initial recognition, financial assets are classified into three groups according to their subsequent measurement: at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss.

The Company initially measures the financial assets at fair value, and in the case of financial assets that are not reported at fair value through profit or loss, the direct transaction costs are added. Exceptions are trade receivables that do not contain a significant component of financing - they are measured on the basis of the transaction price determined using IFRS 15.

Purchases or sales of financial assets whose terms require delivery of the assets within a given period of time, usually established by law or current practice in the relevant market (regular purchases), are recognised on the trade date (transaction), i.e. on the date the company commits to purchase or sell the asset.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For the purposes of subsequent measurement of financial assets, the company has classified its financial assets in the category "*Financial assets at amortized cost*".

Financial assets at amortized cost (debt instruments)

The company measures its financial assets at amortized cost when both of the following conditions are met:

- The financial asset is held and used within a business model with objective to hold financial assets to collect contractual cash flows.
- 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.

After initial measurement, financial assets measured at amortised cost are measured at amortised cost using the effective interest rate (EIR). They are subject to impairment. Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the asset is written off, modified or impaired.
The company's financial assets at amortized cost include cash and cash equivalents, granted loans and trade and other receivables.

<u>Derecognition</u>

A financial asset (where applicable part of a financial asset or part of a group of similar financial assets) is derecognised from the statement of financial position of the company when:

- The rights to receive cash flows from the asset have expired, or
- The rights to receive cash flows from the asset have been transferred or the company has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Upon transferring the rights to receive cash flows from the asset or entering into an agreement for transfer, the company performs an evaluation of the extent to which it has transferred the risks and rewards of the ownership of the asset. In case the company has neither transferred, nor retained substantially all the risks and rewards of ownership of the financial asset, nor has it transferred control of it, the company continues to recognise the asset to the extent of its participation in it. In this case the company recognises the related liability. The transferred asset and the related liability are measured on the basis of the rights and obligations retained by the company.

The remaining participation, which takes the form of a guarantee over the transferred asset, is measured as the higher of initial balance sheet value of the asset and the maximum amount of the payment which the company may be subject to pay.

<u>Impairment of financial assets</u>

The company recognises an adjustment (provision for impairment) for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The expected credit losses are calculated in a manner reflecting:

- An objective amount taking into account probability of loss.
- Time value of money.
- Information regarding past events, current conditions and forecasted economic conditions.

Loans granted to customers

For the calculation of the expected credit losses on loans granted to customers, the Company applies the general approach for impairment, determined by IFRS 9 “Financial instruments”. The amount of the expected credit losses recognized as an impairment loss depends on the credit risk of the instrument on initial recognition and the change in credit risk in subsequent reporting periods.

Three levels of credit risk classification have been introduced, with specific reporting requirements for each level. Level 1 includes those financial instruments for which there has been no significant change in credit risk since initial recognition and the arrears on agreed payments do not exceed 30 days. Level 2 includes instruments whose credit risk has increased significantly since their initial recognition, but for which there is still no objective evidence of loss. Level 3 refers to financial instruments for which there is objective evidence of default and/or arrears of agreed payments exceeding 90 days.

At the end of each reporting period, the Company's Management assesses the level to which a financial asset belongs in order to apply the relevant requirements. A financial asset or group of financial assets is considered impaired and this incurs a loss when there is an objective evidence that it has deteriorated as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the expected future cash flows of the financial asset or group of financial assets that can be estimated. The accumulated impairment is presented by deducting from the carrying amount of the respective financial asset.

For loans that are not individually significant, the expected impairment losses are calculated collectively on a portfolio basis. Assets are grouped according to similar credit risk characteristics and are considered together for impairment.

The amount of loan impairment is calculated as the difference between the recoverable amount and the carrying amount of loans at the end of the reporting period. The loss is measured as the difference between the asset's carrying amount and the recoverable amount of the loan, which is the present value of expected future cash flows, discounted at the loan's original effective interest rate. The calculations of the amounts for impairment are performed by the Company on the basis of internally developed principles, rules and techniques.

The book value of the loans is reduced through the use of an adjustment account for impairment losses. The amount of the loss is recognized in the statement of comprehensive income. Future cash flows for a group of financial assets that are considered together for impairment are measured on the basis of contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted based on current available data to reflect the effect of existing conditions that did not affect the period on which historical loss experience is based and to eliminate the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce the differences between estimates and current losses. If, in a subsequent period, the amount of the impairment loss decreases and the decline can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through a reduction in the allowance account for the impairment loss.

As at the reporting date, for the purchased or initially created financial assets with credit impairment, the Company recognizes only the cumulative changes in the expected credit losses for the entire term of the instrument after the initial recognition as a loss adjustment.

The Company recognizes in profit or loss the amount of the change in expected credit losses for the entire term of the instrument as a gain or loss from impairment.

Trade receivables and assets under contracts with clients

To calculate the expected credit losses on trade receivables and assets under contracts with customers, the company has chosen to apply a simplified approach based on a matrix for calculating expected credit losses and does not track subsequent changes in their credit risk.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from them have expired, when substantially all the risks and rewards of ownership of the assets have been transferred or when the Company has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of them, or has transferred the rights to receive the cash flows from the asset, or has undertaken to pay all collected cash flows, without significant delay, to a third party to a transfer transaction.

(ii.) Financial liabilities

Initial recognition, classification and measurement

The financial liabilities of the company include trade and other liabilities, loans and other borrowed funds. Upon initial recognition, they are usually classified as liabilities at amortized cost.

Initially, all liabilities are recognized at fair value, and in the case of loans and borrowings, and trade and other payables, net of directly attributable transaction costs.

Subsequent measurement

Subsequent measurement of financial assets is determined by their classification. Generally, they are classified and measured at amortised cost.

Classification groups

Loans and other borrowings
After initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are reported in the statement of comprehensive income (in profit or loss for the year), when the respective financial asset is written-off as well as through amortisation base on the EIR.

Amortisation cost takes into account any discounts/premiums upon acquiring the asset as well as any taxes or expenses which represent an inseparable part of the EIR. Amortisation is included as a financial expense in the statement of comprehensive income.

Derecognition

The financial liabilities are derecognised when the payable is paid in full, cancelled or expires. When an existing financial liability is replaced with another financial liability from the same lender under substantially different terms, or the terms of an existing financial liability are substantially modified, then this change or modification is treated as a derecognition of the initial liability and the recognition of a new one. The difference in the respective balances is recognised in the statement of comprehensive income.

(iii.) Compensation (netting) of financial instruments

Financial assets and financial liabilities are offset (netted) and the net amount is recognized in the statement of financial position if there is an applicable legal right to offset the recognized amounts and if there is an intention to settle on a net basis, or to realize the assets and settle at the same time.

This requirement derives from the real economic nature of the relationship with a counterparty, that with the simultaneous existence of assets and liabilities, the expected actual future cash flow and benefits of these estimates for the company is the net flow, i.e. the net amount reflects the real right or obligation of these financial instruments - to receive or pay only the net amount.

The criteria that are applied to establish "the existence of a current and legally applicable netting right" are: not to depend on a future event, i.e. not to be applicable only in the event of a future event; and be practicable and legally defensible in the course of the ordinary activity, in the event of default/non-performance and in the event of insolvency.

l. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in current accounts with commercial banks, and cash in payment institutions.

Cash and cash equivalents for the purposes of the cash flow statement consist of cash on hand and in bank accounts - on sight and/or with an original term of up to three months, which funds are free from any restrictions.

m. Interest income and interest expense

Interest income and interest expense for all interest-bearing financial instruments are recognized in interest income and interest expense in the income statement and other comprehensive income using the effective interest method for all instruments except those designated as such at fair value through profit or loss. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Company estimates the cash flows approximately, considering all contractual terms of the financial instrument, but does not take into account future loan losses. The calculation includes all agreed outgoing and incoming cash flows that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Interest income is reported on the basis of the gross value of loans, with the exception of loans with objective evidence of impairment. In these cases, income is calculated using the original effective interest rate applied to the new carrying amount. The Company sells impaired loans through assignment, resulting in a lower level of Phase 3 loans.

Interest expense shows accrued interest expense for the year, regardless of whether it has actually been paid as of the date of this financial statement.
Exchange differences from foreign currency transactions are recognized net in the statement of comprehensive income.

n. Other income and financial revenue

Other income includes the net positive results, as well as gross income that are realized from activities other than the usual for the Company, and/or are incidental. Other income includes income from operating leases in accordance with accounting policies and IFRS 16 - Leasing, as well as income from sales of goods and fixed assets, net of their carrying amount, at which income is currently recognized in accordance with IFRS 15, in which the client receives control over them, respectively the obligation to perform is satisfied. Other income also includes written-off and undue liabilities, including financial liabilities and others that have been terminated or expired, as well as differences from write-offs related to provisions and surplus assets and inventories, and other.

o. Administrative expenses and financial expenses

Expenses are recognized when they arise on the basis of accrual principles and comparability between income and expenses. They are measured at the fair value of what has been paid or is due to be paid. Recognition of expenses for the current period is performed when their corresponding income is accrued.
An expense is recognized immediately in the income statement when the expense does not create a future economic benefit or when and to the extent that the future economic benefit does not meet the requirements or ceases to meet the requirements for recognition of an asset in the statement of financial position.
Negative exchange rate differences, commissions and fees paid to banks, etc. are reported as financial expenses.

p. Employee benefits

Employee benefits include all forms of remuneration for past service provided by employees and the relevant social security contributions required by law. In accordance with the requirements of IAS 19, accrued short-term employee benefits originating from unused staff leave and accrued on the basis of current insurance rates, insurance contributions on these benefits and other long-term benefits are also included.

<u>Short - term employee benefits</u>

Short-term employee benefits are measured on an undiscounted basis and are reported as an expense when the related services are received. Liabilities are recognized for the amount that is expected to be paid on short-term bonuses if the Company has a legal or constructive obligation to pay this amount as a result of past services provided by employees and the obligation can be measured reliably.

The Company reports short-term liabilities for compensatory leave arising from unused paid annual leave in cases where it is expected to be used within 12 months after the date of the reporting period during which employees have performed work related to these leaves.

<u>Long - term employee benefits</u>

Defined contribution plans
The main obligation of the company as an employer in Bulgaria is to provide mandatory insurance of its employees.

The amounts of the social security contributions are approved specifically by the Social Security Budget Act for the respective year. The contributions are distributed between the employer and the insured person in a ratio that changes annually and is determined by the insurance code. The total amount of the contribution for compulsory state social insurance and for health insurance for 2023 is 33.3% for those working under the conditions of the third category of labour. The distribution of the contributions for the Pensions Fund and for the Universal Pension Fund is 7.9% at the expense of the insured person and 9.9% at the expense of the insurer among the workers under the conditions of the third category of labour, for the other funds and for the health insurance contributions person 60: 40. For 2023 the amount and distribution of contributions between employee and employer for the other funds are retained.

These mandatory pension insurance plans applied by the company in its capacity as an employer are defined contribution plans.

Contributions due by the Company under defined contribution plans for social and health insurance are recognized as an expense in the statement of comprehensive income (in profit or loss), unless an IFRS requires that amount to be capitalized in the cost of a certain asset.

Defined benefit plans

According to the Labour Code, the company in its capacity as an employer in Bulgaria is obliged to pay the staff upon retirement compensation in the amount of two to six salaries depending on the length of service in the Company, as of the date of termination of employment. The payment of these benefits depends not only on financial variables but also on assumptions about demographic factors. At each reporting date, management estimates the estimated amount of potential costs payable at the current level of remuneration.

q. Leases

The company as a lessee

Lease recognition appraisal

The Company assesses whether a contract is or contains a lease. A lease is defined as "a contract or part of a contract that gives the right to use an asset (the underlying asset) for a specified period of time in exchange for remuneration". To apply this definition, the Company makes three main judgments:

- whether the contract contains an identified asset that is either explicitly stated in the contract or is specified by default at the time the asset is made available for use.
- the Company has the right to receive essentially all economic benefits from the use of the asset during the entire period of use, within the defined scope of its right to use the asset under the contract.
- the Company has the right to manage the use of the identified asset throughout the period of use.

Initial recognition and measurement

At the starting date of the lease agreement the Company recognizes the asset with the right of use and the lease liability in the statement of financial position. The asset with the right of use is valued at acquisition cost, which consists of the amount of the initial valuation of the lease liability, the initial direct costs incurred by the Company, an estimate of the costs that the lessee will incur for dismantling and relocating the main asset at the end of the lease and any lease payments made before the date of commencement of the lease less the lease incentives received.

The Company depreciates the asset with the right of use under the straight-line method from the date of commencement of the lease for the term of the lease agreement. The Company also reviews impaired assets when such indicators exist.

At the starting date of the lease agreement, the Company measures the lease liability at the present value of the lease payments that have not been paid as of that date, discounted by the Company's differential interest rate.

When a lease liability is revalued, the corresponding adjustment is recognized in the asset held for use or recognized in profit or loss if the carrying amount of the asset held for use is already reduced to zero.

The Company has chosen to account for short-term leases (up to 12 months) and leasing of low-value assets (up to USD 5,000), using the practical benefits provided in the standard. Instead of recognizing assets with a right of use and liabilities under leases, payments in respect of them are recognized as an expense in profit or loss on a straight-line basis over the term of the lease.

r. Income taxes

Tax recovery

Tax for recovery does not arise from contractual relationships and it is not classified as a financial asset. Tax paid for the current and previous periods which exceeds the amount due in the respective periods is recognised as an asset. Current tax assets for the current and previous periods are measured at the amount which is expected to be recovered from tax authorities using the tax rates and tax laws which have been enacted, or substantively enacted, by the date of preparation of the statement for financial position. Tax refunds are reported in item *other receivables* in the statement of financial position.

Tax liabilities

The Company's current tax liabilities do not arise from contractual relationships and are not classified as financial liabilities.

The current tax for the current and previous periods is recognized as a liability to the extent to which It is not paid.

Current tax liabilities for the current and prior periods are measured at the amount that is expected to be paid to the tax authorities when applying the tax rates and tax laws, effective as of the balance sheet date.

Deferred tax assets and liabilities

The deferred tax assets and liabilities are recognised in the balance sheet method for all temporary differences arising between tax bases of the assets and the liabilities and their carrying amount at the balance sheet date.

Deferred tax liabilities are recognized for all amounts due in future periods of taxes related to taxable temporary differences.

A deferred tax assets is recognized for recoverable amounts of tax related to deductible temporary differences, carry-over of unused tax losses and tax credits, to the extent that it is probable that future taxable profit will be available against which the temporary tax differences can be utilised.

As at the date of every statement of financial position, the company remeasures unrecognised deferred tax assets. The company recognises the unrecognised deferred tax assets in a previous period to the extent that it is probable that future taxable profit will be available against which the temporary tax differences can be utilised.

The carrying value of deferred tax assets is remeasured at the date of preparation of the statement of financial position. The company reduces the carrying value of the deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Any such reduction is rolled back to the extent to which it has become probable for the company to realise the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled / settled based on tax rates (and tax laws) that are enacted or substantively enacted as of the balance sheet date.

Current and deferred taxes are recognised as income or expense and are reported in the profit or loss for the period except for the extent to which the tax has arisen from a transaction or event which has been recognised in the same period or different period in the shareholders' equity.

s. Share capital and equity reserves

STICK - CREDIT JSC is a joint stock company registered in the Commercial Register in accordance with the legal requirements for the activity it carries out. The shareholders are responsible for the obligations of the Company up to the amount of their participation in the capital and may claim return of this participation only in liquidation or bankruptcy proceedings.

The company's capital consists of:

- Fixed capital presented at nominal value according to the decision to enter in the Commercial Register. The share capital is fully paid up.
- "Reserve" Fund, formed in accordance with the requirements of the Commercial Law and the Company's Articles of Association.
  Retained earnings
  Current financial result

<u>Dividends</u>

Dividends are recognized as a reduction of the Company's net assets and a current liability to the owners of the capital in the period in which their right to receive them has arisen.

In 2023, a decision was made to distribute dividends to shareholders in the amount of BGN 1,500 million.

t. Net profit or loss for the period

All income and expense items recognized for the period are included in profit or loss, unless a standard or interpretation in IFRS requires otherwise.

u. Earnings per share

Basic earnings per share are calculated by dividing net profit for the period by the weighted average number of ordinary registered shares during the reporting period.

v. Critical judgements in applying the accounting policy. Key estimates and assumptions with high uncertainty.

The preparation of financial statements in conformity with IFRS requires the management to make critical judgements, estimates and assumptions that affect the application of accounting policies and, accordingly, the reported values of assets, liabilities, income and expenses. As a result, actual results may differ from these estimates.

Estimates and assumptions are reviewed periodically. The effect of a change in estimates is reflected in the period of the change and in future periods, in case the change affects not only the current period. The principal judgments and assumptions applied in these financial statements are as follows:

Calculation of expected credit losses on loans, trade receivables and cash receivables and cash equivalents.

Impairment losses on loans and receivables

The Company's management has an established policy for monthly review of the loan portfolio to determine the amount of expected loan losses. In determining whether and to what extent the expected credit loss should be recognized in the income statement or other comprehensive income, it is assessed whether there is sufficient, visible and objective data indicating the existence of a measurable decrease in projected actual future portfolio cash flows (group) with loans with similar characteristics before even such a reduction can be accurately identified and measurable at the level of a specific loan in the portfolio.

The company has adopted a model for calculating impairment losses on loans, according to which the assessment and calculation of impairment of the loan portfolio include the following steps:

- Distribution of the portfolio by groups of days in arrears.
- Calculation of impairment ratios for each of the levels of arrears based on the transition of receivables from one level to another, averaged over twenty-four monthly periods.
- Calculation of the amount of the accumulated impairment loss on the loan portfolio of the Company at the end of the reporting period - as the difference between its carrying amount and recoverable amount. The change in its amount compared to the date of the previous individual statement of financial position is treated and recognized as an increase / decrease in the impairment loss for the current year (period).

The determination of the expected credit loss is made on the basis of the data on the total amount of the loan portfolio, segmented by groups of arrears on the basis of historical information for the previous twenty-four months.

The process of analysis and assessment to determine the expected credit loss begins from the first day after the loan is provided to the client. The Company monitors whether there are objective events and loss indicators for each loan in a group.

Related to leasing contracts

When identifying and classifying a lease or a leased item in a contract, the company's management makes several important assessments: whether there is a lease agreement, including whether the contract contains an identified asset and whether the right of control is transferred under it, over the used asset for the respective term of the contract; determining the term of the contract; determination of the differential interest rate under the lease agreements.

The management has made an analysis of the concluded lease agreements and has determined that there are twelve lease agreements, as well as that the right to control over the used qualifying assets is transferred under them for the respective term of the agreement. The identified assets are premises used for offices and cars.

w. Restatement of errors

Past period errors are omissions or inaccuracies in the Company's financial statements for one or more past reporting periods resulting from the non-use or misuse of reliable information that was available at the time the financial statements for those periods were approved for publication and it was possible, with reasonable efforts, to obtain and consider in the preparation and presentation of these financial statements.

These errors include the effects of mathematical errors, errors in the application of accounting policies, negligence or inaccurate presentation of facts.

Errors may arise in relation to the recognition, measurement, reporting and disclosure of items of the financial statements. Potential errors relevant to the current period and discovered within the current period are corrected before publishing the financial statements. Despite the best effort, errors may be determined in subsequent periods and such errors related to previous periods are corrected.

Errors from a previous period are corrected by a retroactive remeasurement unless doing so is practically impossible and the specific or cumulative effects from the error cannot be calculated.

x. Events after the balance sheet date

Post-year-end events are such events which arise between the balance sheet date and the date at which the financial statements are approved for publishing.

There are two types events:

- events which prove conditions existed as at the balance sheet data (adjusting events after the balance sheet date)
- events which are indicative for conditions that have occurred after the balance sheet data (non-adjusting events after the balance sheet date)

The company adjusts the carrying values, reported in the financial statements, to reflect the adjusting events after the balance sheet date and updates announcements. When the non-adjusting events after the balance sheet date have a significant impact and their non-disclosure would affect the ability of the readers to make accurate decisions, the company discloses such events for every significant category of non-adjusting events after the balance sheet date:

- the nature of the event
- an approximate estimate on its financial impact or statement that such estimate cannot be made

y. Related parties and related party transactions

For the purposes of these financial statements the company presents as related parties’ shareholders, their subsidiaries and associates, key management personnel, close family members, including companies controlled by all of the above, are considered and treated as related parties.

z. Contingent assets and liabilities

Contingent liability is such that:

- a possible liability which arises from past events and whose existence will be confirmed upon the occurrence or non-occurrence of one or more uncertain future events which cannot be entirely controlled by the company; or

- current liability which arises from past events but is not recognised because its repayment is unlikely to require an outflow of resources containing economic benefits and the amount of the liability cannot be determined with sufficient accuracy.

Contingent asset is a possible asset which arises from past events and whose existence can be confirmed upon the occurrence or non-occurrence of one or more uncertain future events which cannot be fully controlled by the company.

Contingent assets and liabilities are not recognised.

aa. Statement of cash flows

The company has adopted the direct method for measuring and reporting cash flows in the statement of cash flows. Cash flows from customers and cash payments to suppliers are reported gross inclusive of VAT (20%). The VAT paid on the purchase of fixed assets is directed to the line "purchase of fixed assets", insofar as it participates in the operating cash flows of the company for the respective period/month.

Cash flows are classified as cash flows from:

- Operating activities
- Investing activities
- Financing activities

bb. Statement of changes in equity

The company prepares a statement of changes in equity showing:

- profit or loss for the period
- any profit or loss for the period which, in accordance with the requirements of an accounting standard, is recognised directly in the equity capital, as well as the total amount of these articles
- for each component of equity, the effects of changes in the accounting policy or restatement of errors in accordance with IFRS 8
- transactions related to the shareholders capital, acting in their capacity as owners of the share capital, reported individually for each shareholder
- the balance of the retained earnings (i.e. accumulated profit or loss) in the beginning of the period and at the balance sheet date and movements for the period
- equalization of the book value of each class of paid-in capital and all reserves in the beginning and end of the period with each change reported separately

1. Income from interest and fees

	2023 BGN (thousand)	2022 BGN (thousand)
Interest income from granted loans	5 553	5 407
Income from fees to loan agreements	18 273	18 891
Other income from interest on loans	348	314
Income from operations with financial instruments	561	-
Total:	**24 735**	**24 612**

2. Interest expense

	2023 BGN (thousand)	2022 BGN (thousand)
Platforms for shared lending	1 726	1 614
Lease interest	25	12
Total:	**1 751**	**1 626**

3. Other income

	2023 BGN (thousand)	2022 BGN (thousand)
Income from commissions for money transfers	**200**	**184**
Income from sales of goods	10	-
Carrying value of goods sold	(6)	-
Profit / loss from sale of goods	**4**	**-**
Revenues from sale of fixed assets	23	276
Book value of sold fixed assets	(11)	(183)
Profit / loss from sale of fixed assets	**12**	**93**
Other operating income	24	25
Compensation according to PMS	1	10
Total:	**241**	**312**

4. Financial income

	2023 BGN (thousand)	2022 BGN (thousand)
Income from commissions	37	175
Total:	**37**	**175**

5. Financial expenses

	2023 BGN (thousand)	2022 BGN (thousand)
Fees	263	246
Negative exchange differences	3	3
Fines, penalty interest, etc.	167	53
Total:	**433**	**302**

6. Personnel expenses

	2023 BGN (thousand)	2022 BGN (thousand)
Salary costs	5 150	5 119
Social insurance costs	505	505
Total:	**5 655**	**5 642**

7. Administrative and other general expenses

	2023 BGN (thousand)	2022 BGN (thousand)
Advertising and marketing services	361	472
Consulting, legal and auditing services	852	1 218
Fees and commissions expenses - bank and payment institutions	5	26
Rent and maintenance	528	464
Credit scoring reports	237	316
Amortization	290	263
Fuel	251	298
IT services and applications	334	242
Telecommunication services	213	213
Office stationery and consumables	100	144
Courier services	21	21
Automobiles and lease	144	97
Other expenses	287	262
Total:	**3 623**	**4 036**

Office rent expenses include:

	2023 BGN (thousand)	2022 BGN (thousand)
Rent payments to short-term leases	295	287
Total:	**295**	**287**

8. Corporate income tax expenses

	2023 BGN (thousand)	2022 BGN (thousand)
Profit before tax	6 453	4 408
Tax effect of temporary differences, net	19	74
Tax effect of permanent differences, net	182	69
Tax result	6 654	4 551
Tax rate	10%	10%
Corporate income tax	**665**	**455**

The effective corporate income tax rate is 10.3% for 2023 and 10.3% for 2022.

9. Cash and cash equivalents

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Cash	1 498	1 424
Cash at banks and payment institutions	7 778	4 247
Total:	**9 276**	**5 672**

The company has blocked funds in the amount of BGN 10,000 representing a guarantee for the National Insurance Institute.

A review was made for expected credit losses according to IFRS 9, but the management considered the amount to be immaterial and no such was charged in 2023 and 2022.

10. Loans granted to customers

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Principal	28 089	27 001
Accrued interest and fees	9 904	8 370
Gross loan amount	**37 993**	**35 371**
Reduced by: impairment loss	(15 035)	(12 458)
Total:	**22 958**	**22 913**

Movements in the credit impairment allowance account

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
In the beginning of the period	**12 458**	**3 355**
Accrual for the period	7 098	9 103
Reduction for the period	(4 521)	
In the end of the period	**15 035**	**12 458**

The distribution of the loan receivables grouped by days in arrear is presented below by days past due.

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Loans not past due	11 809	11 784
1 - 90 days in arrear	5 041	5 425
Over 90 days in arrear	21 143	18 162
Total:	**37 993**	**35 371**

11. Other current assets

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Trade receivables from customers	243	183
Advance payments and prepaid expenses	29	41
Guarantees provided	234	64
Judgments and judgments awarded	129	77
Other receivables	253	377
Total:	**888**	**742**

12. Land, machinery and equipment, including right-of-use assets

	Buildings, including right-of-use assets	Transportation Vehicles, including right-of-use assets	Other assets	Asset acquisition cost	Total
Carrying amount					
Balance as at 01.01.2022	**479**	**645**	**93**	**54**	**1 271**
Additions	104	167	43	37	351
Written-off	(252)	(44)		(90)	(386)
Balance as at 31.12.2022	**331**	**768**	**136**	**1**	**1 236**
Additions	409	282	66	5	762
Written-off	(96)	(87)			(183)
Balance as at 31.12.2023	**644**	**963**	**202**	**6**	**1 815**

Depreciation

Balance as at 01.01.2022	**145**	**179**	**51**		**375**
Additions	82	153	29		264
Written-off	(104)	(30)			(134)
Balance as at 31.12.2022	**123**	**302**	**80**		**505**
Additions	80	177	33		290
Written-off	(39)	(76)			(115)
Balance as at 31.12.2022	**164**	**403**	**113**		**680**
Carrying amount as of					
01.01.2022	**334**	**466**	**42**	**54**	**896**
31.12.2022	**208**	**466**	**56**	**1**	**731**
31.12.2023	**480**	**560**	**89**	**6**	**1 135**

The company has prepared an impairment test for tangible assets as of December 31, 2023.
No indicators have been established that the book value of the assets exceeds their recoverable amount. The company has not pledged real estate, machinery and equipment as collateral for its obligations.

Additional information for the right-of-use assets included in the Land, machinery and equipment note is presented in the table below:

	Buildings BGN (thousand)	Vehicles BGN (thousand)
Reporting value		
Balance as of 1 January	**254**	**233**
Acquired during the period	192	-
Written-off during the period	(95)	(30)
Balance as of 31.12.2022	**351**	**233**
Accrued depreciation		
Balance as of 1 January	**106**	**160**
Accrued depreciation for the period	79	37
Written-off depreciation for the period	(39)	(30)
Balance as of 31 December	**146**	**167**
Carrying amount as of 31 December	**205**	**36**

13. Loans received

The Company's loan liabilities as of December 31, 2023 and 2022 represent liabilities for loans received from individuals and legal entities. Loans are compounded with a fixed interest rate, which ranges from 10% to 13.5%.

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Platforms for shared lending	16 075	15 500
Total:	**16 075**	**15 500**

Current	9 166	9 451
Non-current	6 909	6 049

14. Current tax liabilities

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Corporate income tax	257	335
Personal income tax	49	29
Withholding tax	9	14
Other alternative taxes	3	3
VAT	4	2
Dividend tax	75	-
Total:	**397**	**383**

15. Trade obligations and other current liabilities

Trade obligations

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Platforms for shared lending	446	230
Total:	**446**	**230**

Other current liabilities

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Current personnel liabilities	465	327
Social security liabilities	55	56
Health insurance liabilities	19	20
Liabilities for unused leave	275	252
Liabilities to insurers	65	50
Other liabilities	45	36
Total:	**924**	**741**

The net book value of current trade and other liabilities is assumed to be a reasonable approximation of their fair value.

16. Lease liabilities

This note provides information on leases where the company is the lessee.

Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts related to leases:

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Buildings	351	254
Vehicles	203	233
Total:	**554**	**487**

The Company's lease obligations as of December 31, 2023, are related to financial leases, concluded contracts for the right to use office premises and cars. They are presented net of the interest due and are as follows:

	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Up to one year	243	183
Over one year	409	345
Total:	**652**	**528**

Amounts recognized in the statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income shows the following amounts related to leases:

Depreciation of right-of-use assets	31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Buildings	79	82
Vehicles	37	75
Total:	**116**	**157**

Interest expenses during the period in the amount of BGN 25 thousand

The total cash flow for leasing in 2023. is in the amount of BGN 248 thousand.

17. Share capital

As of December 31, 2023, the registered share capital of the Company amounts to BGN 1,080 thousand, distributed in 10 thousand shares each with a nominal value of BGN 100. The share capital is fully paid.

As of December 31, 2023, the capital structure is presented as follows:

Shareholder	No. shares	Subscribed capital BGN (thousand)	Paid capital BGN (thousand)	Shareholding (%)
Stefan Nikolaev Topuzakov	4 738	474	474	47%
Kristiyan Georgiev Kostadinov	4 738	474	474	47%
Ivaylo Lazarov Todorov	604	60	60	6%

18. Reserves

Reserves include mandatory reserves as per art. 246 of the Commercial Act and they are formed with a decision of the General meeting of the shareholders.

19. Financial results

	BGN (thousand)
Profit as at 31.12.2021	14 793
Profit for 2022	3 953
Dividend distribution	(1 500)
Profit for 2023	5 788
Profit as at 31.12.2023	23 034

20. Movement of liabilities arising from financing activities

The table below presents changes in liabilities from financing activities, including monetary and non-monetary changes. Liabilities arising from financing activities are those for which the cash flows are, or future cash flows will be classified in the statement of cash flows as cash flows from financing activities.

Liabilities	Balance as at	Monetary flows		Non-monetary flows		Balance as at
	01.01.2023 BGN (thousand)	Received BGN (thousand)	Paid BGN (thousand)	BGN (thousand)	BGN (thousand)	31.12.2022 BGN (thousand)
Loans	15 500	5 358	(6 433)	1 650		16 075
Leasing - long-term and short-term	528		(248)	372		652
Total	**16 028**	**5 358**	**(6 681)**	**2 022**		**16 727**

21. Credit risk

The company is exposed to credit risk, which is the risk that customers - borrowers are unable or unwilling to pay the required amount at maturity. The company manages the credit risk according to a framework developed by it, which covers a wide range of mechanisms:

- The company has developed internally approved procedures, rules and models for assessing loan applications in order to minimize credit risk.
- The company performs constant analysis and control over the approved internal procedures, and also makes constant efforts to improve the models based on statistical and other information which it receives, making changes to the criteria, requirements and approval procedures.
- The company sets limits related to one borrower or a group of borrowers, geographical unit (street, neighbourhood, city or district), or a risk unit according to the developed scorecards and other categories of portfolio diversification.
- The Company makes efforts to renegotiate the terms of loans to borrowers who are unable or unwilling to pay the required amount at maturity.

The maximum credit risk exposure

BGN (thousand)		31.12.2023 BGN (thousand)	31.12.2022 BGN (thousand)
Cash and cash equivalents		9 276	5 672
Loans to customers		22 958	22 913
Receivables from related parties		8 380	7 179
Other current assets		888	742
	Total:	**41 502**	**36 506**

The above table presents the credit risk exposure of the Company as of December 31, 2023, and 2022. For the balance sheet assets the credit risk exposure presented in the table is based on the net carrying amount as reported in the statement of financial position of the Company for the respective period.
As of December 31, 2023, 55% of the maximum credit risk exposure is related to the loan portfolio. The Company's cash and payment operations are concentrated in various first-class banks. In the distribution of cash flows between them, the Management of the Company takes into account a number of factors, including the amount of capital, security, liquidity, credit potential of the bank and others.

22. Foreign exchange risk

The Bulgarian lev is pegged to the euro in the ratio of BGN 1.95583 per 1 euro as of January 1, 1999, which is a result of the currency board that came into force in July 1997. As of December 31, 2023, and December 31, 2022, the Company's exposure to foreign currencies is only in euros and therefore the Company's currency risk is assessed as minimal.

23. Liquidity risk

Liquidity risk is the risk that it is impossible for the Company to pay its liabilities when they are due. The Company is exposed to liquidity risk, which arises from the objective mismatch between the maturities of assets and liabilities.

The main objective of the Company's liquidity risk management is to ensure stable growth of the loan portfolio and to lead liquidity efficiency by securing debt financing for the needs of its credit products and maintaining a minimum cash surplus. The Company's Management believes that the coincidence and controlled mismatch of undiscounted cash flows and the risk of changes in interest rates are important for maximizing profitability. It is normal for companies operating in the field of consumer lending to have a good match of cash flows in the short term, due to the rapidturnover. The presence of a cash flow mismatch and the lack of cash surpluses potentially leads to higher returns, but this also leads to an increased risk of loss. The presence of a mismatch in cash flows with cash surpluses reduces profitability due to inefficient use of funds, but at the same time achieves more stable liquidity.

The table below presents the undiscounted cash flows of the Company from other financial liabilities at the end of the reporting period to the remaining maturity. The amounts indicated are the agreed undiscounted cash flows, which include interest, if any.

As of 31 December 2023	No maturity	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
Financial liabilities						
Loans received	1 319	1 441	936	5 470	6 909	16 075
Liabilities to related parties						
Lease liabilities		20	61	162	409	652
Trade and other liabilities	41	819	92	482	333	1 767
	1 360	**2 280**	**1 089**	**6 114**	**7 651**	**18 494**

As of 31 December 2022	No maturity	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
Financial liabilities						
Loans received	1 319	1 578	1 144	5 410	6 049	15 500
Liabilities to related parties						
Lease liabilities		16	46	121	345	528
Trade and other liabilities	56	595	66	637		1 354
	1 375	**2 189**	**1 256**	**6 168**	**6 394**	**17 382**

The liquidity of the various elements of the statement of financial position at 31.12.2023 is as follows:

As of 31 December 2023	No maturity	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 months	Total
Cash and cash equivalents		9 276				9 276
Loans to customers, net		4 114	9 765	1 876	7 203	22 958
Other receivables	59	46	207	292	8 664	9 268
Total assets	**59**	**13 436**	**9 972**	**2 168**	**15 867**	**41 502**
Loan liabilities	1 319	1 441	936	5 470	6 909	16 075
Other liabilities	41	839	153	644	742	2 419
Total liabilities	**1 360**	**2 280**	**1 089**	**6 114**	**7 651**	**18 494**
Difference in maturity thresholds	(1 301)	11 156	8 883	(3 946)	8 216	23 008
With accumulation	(1 301)	9 855	18 738	14 792	23 008	23 008

As of 31 December 2022	No maturity	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 months	Total

Cash		5 672				5 672
Loans to customers, net		6 767	8 593	2 647	4 906	22 913
Other receivables	67	58	165	493	7 138	7 921
Total assets	**67**	**12 497**	**8 758**	**3 140**	**12 044**	**36 506**
Loan liabilities	1 319	1 578	1 144	5 410	6 049	15 500
Other liabilities	56	611	112	758	345	1 882
Total liabilities	**1 373**	**2 189**	**1 256**	**6 168**	**6 394**	**17 382**
Difference in maturity thresholds	(1 308)	10 308	7502	(3 028)	5 650	19 124
With accumulation	(1 308)	9 000	16 502	13 474	19 124	19 124

24. Capital management

The Management of the Company uses for current monitoring and planning of the capital structure the debt ratio, the ratio between total debt capital and equity of the Company.

The debt ratio as of December 31, 2023, and 2022 is as follows:

	31.12.2023	31.12.2022
Total debt capital	18 494	17 382
Less: cash and cash equivalents	(9 276)	(5 672)
Net debt capital	9 218	11 710
Total equity	24 143	19 855
Total capital	**33 361**	**31 565**
Debt ratio	0.28	0.37

The company has a legal obligation as of December 31, 2023, for a minimum mandatory share capital of BGN 1,000 thousand, which requirement is fulfilled.

The Company's Management constantly monitors and updates the risk management procedures in order to adapt them and make them more effective in relation to the business environment.

25. Related parties

The related parties with which the Company is in a relationship of control, as well as companies with which the Company has carried out transactions are as follows:

Kristiyan Georgiev Kostadinov	Shareholder
Stefan Nikolaev Topuzakov	Shareholder
Ivaylo Lazarov Todorov	Shareholder
Svetlin Nikolov Sabev	Key management personnel
St i K 9086 Pawn brokerage 2OOD	Company under the control of shareholders
Stik Property OOD	Company under the control of shareholders
Dizbet OOD	Company under the control of shareholders

Casino Escape OOD	Company under the control of shareholders
Ny Konsulting Vision – NKV EOOD	Company under the control of shareholders
Mrezha za aktualni novini OOD	Company under the control of shareholders
Foundation Lazar Ivilinov Todorov	Foundation under the control of shareholders
TETS Shumen EOOD	Company under the control of shareholders
ST Investment EOOD	Company under the control of shareholders
KK Investment EOOD	Company under the control of shareholders
STIK-CREDIT 9086 COOP	Cooperation under the control of shareholders
Bedex OOD	Company under the control of key management personnel
Afranga EOOD	Company under the control of key management personnel
SN Investment EOOD	Company under the control of key management personnel
Briz Konstrukt OOD	Company under the control of shareholder

<u>Related party transactions</u>

The volume of transactions with related parties of the Company are as follows:

Related party	**Transaction type**	**31.12.2023** BGN (thousand)	**31.12.2022** BGN (thousand)
Stefan Nikolaev Topuzakov	Interest income on a loan	51	28
Svetlin Nikolov Sabev	Interest income on a loan	6	-
Casino Escape OOD	Interest income on a loan	698	603
Kristiyan Georgiev Kostadinov	Interest income on a loan	11	-
Casino Escape OOD	Costs for external services	4	-
New Consulting EOOD	Interest income on a loan	-	16
Stik Property OOD	Interest income on a loan	10	-
Dizbet OOD	Interest income on a loan	60	4

The carrying amount of the related party transactions are as follows:

Related party	**Transaction type**	**31.12.2023** BGN (thousand)	**31.12.2022** BGN (thousand)
Stik Property OOD	Loan granted and interest receivables	365	-
Dizbet OOD	Loan granted and interest receivables	2 433	-
Kristiyan Georgiev Kostadinov	Loan granted and interest receivables	178	-

Stefan Nikolaev Topuzakov	Loan granted and interest receivables	628	240
Casino Escape OOD	Loan granted and interest receivables	4 657	6 785
Svetlin Nikolov Sabev	Loan granted and interest receivables	89	-
New Consulting EOOD	Loan granted and interest receivables	-	118
Briz Konstrukt OOD	Loan granted and interest receivables	30	-

Current receivables from related parties as of 31.12.2023 amount to BGN 1,548 thousand, and non-current receivables amount to BGN 6,832 million.

The interest rate between related parties ranges from 10% to 13.5%. No security is provided for the granted loans. They are granted for a period between 24 and 36 months.

In 2023, the gross remuneration of the Company's key management personnel and insurance costs amount to BGN 1,417 million (2022: BGN 1,415 thousand).

26. The military conflict between Ukraine and Russia

The year 2023 continues to be marked by the military conflict between Ukraine and Russia, as well as a new one in the Middle East. They have a significant effect on the global economy, resulting in distinct effects on different local economies. The future development of conflicts is associated with a lot of uncertainty and cannot be predicted in its entirety. The Company's management monitors and analyses the impact of conflicts on the activity, business environment and liquidity of assets. The main risk that the company identified at the time of approval of the financial statement is a risk of delay in collections related to increased inflation. The management has made a detailed review of each exposure in the credit portfolio.

27. Contingent assets and liabilities

The company has provided a guarantee in the amount of BGN 10,000. in favor of the National Statistical Institute with maturity until 30.05.2026

The company is conducting a number of lawsuits against its debtors with financial interest in the amount of BGN 457 thousand. The company also leads several cases against KZP for acts imposed against it in the amount of BGN 66 thousand. Lawsuits with a total value of BGN 658 thousand have been filed against the Company.

28. Unavailable Transactions

The company did not carry out investment and financial transactions where no money or cash equivalents were used.

29. Events after balance sheet date

No significant material events have occurred after the balance sheet date related to the property and the financial condition of the company, as well as until the date of authorization for issuance of this report.

30. Approval of the financial statements

The financial statements prepared as of 31 December 2023 are approved for publishing by the Board of Directors on 15 July 2024.

Prepared by: Nadka Dimitrova

Executive Director: Stefan Topuzakov