stikcredit

# 2021
# ANNUAL REPORT

This report is prepared in accordance with the
International Financial Reporting Standards
as adopted by the European Union

# Table of contents

# 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 2021. 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. A change of members in the Board of Directors was entered in the Commercial register on 02.12.2021. 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, 2021 the Company is represented and managed by the Executive Director Stefan Topuzakov.

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.
In 2021 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 pawn brokerage OOD | 2000363620 | Manager | 50% |
| TIBERUS GOLD AND EXCANGE OOD | 206085618 | Manager | 33% |
| Casino Escape OOD | 200716044 | Manager | 33% |
| ICREDIT OOD | 203966334 | Manager | 100% |

| | | | |
|---|---|---|---|
| New Consulting Vision - NCV EOOD | 204507451 | Manager | 100% |
| Afranga OOD | 206337510 | Owner | 33% |

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 pawn brokerage OOD | 2000363620 | Manager | 50% |
| TIBERUS GOLD AND EXCANGE OOD | 206085618 | Owner | 33% |
| Casino Escape OOD | 200716044 | Owner | 33% |
| Afranga OOD | 206337510 | Owner | 33% |

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% |
| TIBERUS GOLD AND EXCANGE OOD | 206085618 | Owner | 33% |
| Afranga OOD | 206337510 | Owner | 33% |

As of December 31, 2021 no contracts have been concluded under Art. 240b of the Commercial Law.

**Share capital:** As of December 31, 2021 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, in 2021 the Company reported another year of excellent results and stable growth. In 2021, the company's impaired loan portfolio increased by 75% and reached BGN 21, 532 thousand, an increase of BGN 9,246thousand compared to the previous year.The growth in the loan portfolio is a result of the company's targeted policy to expand its national office network, as well as the desire to gain a leading position in the online lending market. As a result, the number of active customers increased to over 24 thousand by the end of the year.

The investments made by the company amount to 501 thousand levs, distributed as follows:
Land – BGN 28 thousand
Buildings and constructions – BGN 108 thousand
Computer technology – BGN 16 thousand
Transportation vehicles – BGN 340 thousand
Others DMA – BGN 9 thousand

In 2021, the company opened 10 new offices in different regions in the country and created 47 new workspaces.

In 2021, the company granted loans amounting to BGN 38,3 million, which is an increase of 68% compared to the previous year. In 2021, the Company continued to cooperate with leading peer-to-peer lending platforms, which are an important source of attracted funding for the company. During the previous (2020) year, the Management made a strategic decision to develop its own peer-to-peer lending marketplace - afranga.com, which was launched in early 2021.

Perspectives and development

Although the economic and political situation remains uncertain, the company enters 2022 with excellent operational performance and capital adequacy. Our employees, partners and customers have demonstrated resilience to the challenges posed by the pandemic. The online business model of the company makes us prepared,  despite rising global inflation and ensuring our operations smoothly.

Entering 2022, 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 in order 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 2021 the Company recorded BGN 5,872 thousand higher income from interest and fees compared to 2020 (58% growth). The result of the increase in revenues is due to the long-term efforts of the Management to increase the volume of loans and the size of the loan portfolio.

Interest expenses in 2021 amount to BGN 966  thousand or BGN 448  thousand more than in 2020, when they amounted to BGN 518 thousand. The reason for their increase is due to the fact that in 2021 the Company has increased the amount of attracted resources which were used for financing the expansion of its activity, due to the increase of the needs for investment and working capital.

The net impairment losses on loans and receivables in 2021 amount to BGN 1,562thousand, which is an increase of BGN 318 thousand compared to the impairment losses on loans and receivables in 2020, when they amounted to BGN 1,244 thousand. The increase in the impairment is due to the growth of the loan portfolio throughout 2021 and its structure at the end of the reporting period.

The total administrative expenses and personnel expenses in 2021 amount to BGN 7,744 thousand compared to BGN 3,373 thousand in 2020 or by BGN 4,371 thousand more compared to the previous period (130% growth), which is in sync with the development of the Company in 2021. The change of the administrative expenses in 2021 is in line with the growing business of the Company during the year and the registered growth of portfolio and revenues during the period. The increase is mainly due to an increase in staff costs, advertising costs, partner commissions and rental and maintenance costs.

The financial result for the reporting year 2021 forms a profit before taxes in the amount of BGN 5,687 thousand, and after taxation of BGN 5,097 thousand. The increase in the profit of BGN 523 thousand compared to the profit for 2020 is mainly due to growth in interest and fee income (11% growth).

The achieved results show that with its 9-year 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 2021 the Company reports financial indicators summarized as follows:

| Results from activity | 2021 | 2020 | Change | % |
|---|---|---|---|---|
| Income from interest and fees | 15 918 | 10 046 | 5 872 | 58% |
| Interest expense | (966) | (518) | (448) | 86% |
| Net interest income | 14 952 | 9 528 | 5 424 | 57% |
| Loan loss allowance | (1 562) | (1 244) | (318) | 26% |
| Personnel expenses | (4 582) | (1 168) | (3 414) | 292% |
| Total administrative expenses | (3 162) | (2 205) | (957) | 443% |
| Profit before tax | 5 687 | 5 027 | 660 | 13% |
| Corporate tax | (590) | (453) | (137) | 30% |
| Net profit for the year | 5 097 | 4 574 | 523 | 11% |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | 5 097 | 4 574 | 523 | 11% |

| Key financial ratios | 2021 | 2020 |
|---|---|---|
| Net margin | 31.50% | 44.52% |
| Return on assets | 17.71% | 25.97% |
| Return on liabilities | 39.57% | 79.06% |
| Return on capital | 32.05% | 38.56% |

The financial indicators and ratios testify to a stable financial condition despite the growing volume of core business, which requires additional levels of external financing and increased operating costs.

3. Covid-19 pandemic - impact, effects, actions and measures taken

On 11.03.2020 The World Health Organization declared a coronavirus pandemic. On 13.03.2020 The Government of the Republic of Bulgaria declared a state of emergency on the territory of the country, as a result of which a number of restrictive measures were taken. On 24.03.2020 The Law on the State of Emergency was published, which adopted measures for the time of the epidemiological state of emergency in various areas - employment and social security, taxation and annual financial closure, non-compliance and enforcement, deadlines and others. An emergency epidemic situation was introduced in the Republic of Bulgaria by a decision of the Council of Ministers in May 2020. Throughout 2021, this decision was extended, the last one being until March 31, 2022.

During the state of emergency, the procedural deadlines for court, arbitration and enforcement proceedings ceased to run. Seizures of bank accounts of individuals, seizures of wages and pensions, as well as inventories of movable and immovable property owned by individuals were stopped. For the period of the state of emergency, the application of the consequences of delay in payment of debts of private entities, including interest and penalties for delay, as well as the non-monetary consequences such as early repayment, cancellation of contract, seizure of property was suspended.

By orders of the Minister of Health in order to protect and preserve the life and health of the population restrictions were introduced related to entering the country, compliance with physical distance requirements, disinfection and wearing face masks in closed public places, temporary suspension or restricting the regime of operation of public facilities and/or services provided to citizens.

Despite the prevailing pandemic situation and the restrictions imposed in connection with it, the condition of customers continued to improve in the first months of 2022. The improvement is reflected in the increased demand for consumer loans, growth of the loan portfolio and the improved performance of delinquent loans.

The main risk that the company identifies at the time of approval of the financial statements is the risk of increased late payment rates, connected to high inflation due to the war conflict between Russia and Ukraine, which directly affects the world economy. The Management has made a detailed review of each exposure in the loan 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: 05 May 2022

Executive Director:

/Stefan Topuzakov/

# Independent auditors' report

To Shareholders of Stik Credit JSC
Shumen

Report regarding the financial statements' audit

Opinion

We have audited the special purpose financial statements of Stik Credit JSC (the Company), which comprise the statement of financial position as at 31 December 2021, 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 of the financial position of the company as at 31 December 2021 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 those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the Independent Financial Audit Act (IFAA),applicable to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IFAA and the IESBA 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, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

**Sofia,**
**05.05.2022г.**

**„ZAHARINOVA NEXIA" LTD**
**Audit firm with reg.number 138**

**Dimitrina Zaharinova**
**Manager and registrated auditor accountable for the audit with reg.number 0415**

**Sofia 1309, bul.K.Velichkov, №157-159, fl.1, office 3**

# 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<br>Shumen, Bulgaria |
| **Major shareholders** | Stefan Topuzakov - 47%<br>Kristiyan Kostadinov - 47% |
| **Board Members** | Stefan Topuzakov<br>Kristiyan Kostadinov<br>Svetlin Sabev |
| **Financial year** | 1 January - 31 December 2021 |

STIK CREDIT JSC:

# Statement of comprehensive income

**for the year ending 31 December 2021**

| | Notes | 2021<br>BGN<br>(thousand) | 2020<br>BGN<br>(thousand) |
|---|---|---|---|
| Income from interest and charges | 3 | 15 918 | 10 046 |
| Interest expense | 4 | (966) | (518) |
| **Net income from interest** | | **14 952** | **9 528** |
| Other income, net | 5 | 133 | 148 |
| Financial income | 6 | 132 | 80 |
| Financial expenses | 7 | (224) | (112) |
| Personnel expenses | 8 | (4 582) | (1 168) |
| Losses from impairment of loans | 12 | (1 562) | (1 244) |
| Total administrative expenses | 9 | (3 162) | (2 205) |
| **Profit before tax** | | **5 687** | **5 027** |
| Corporate income tax | 10 | (590) | (453) |
| **Net profit for the year** | | **5 097** | **4 574** |
| **Other comprehensive income** | | | |
| **Total comprehensive income** | | **5 097** | **4 574** |

This financial statement is approved by the Board of Directors on 05.05.2022. The accompanying notes from p. 6 - 38 form an integral part of the financial statements.

| Stefan Topuzakov | Nadka Dimitrova |
|---|---|
| Executive Director | Prepared by |

The audit report is based on the financial statement issued on 05.05.2022

Dimitrina Zaharinova
Manager and registrated auditor accountable for the audit with reg.number 0415 „ZAHARINOVA NEXIA" LTD with reg.number 138

STIK CREDT JSC:

# Statement of financial position

**for the year ending 31 December 2021**

| | Notes | 31.12.2021 BGN (thousand) | 31.12.2020 BGN (thousand) |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 11 | 3 859 | 3 218 |
| Loans to customers | 12 | 21 532 | 12 286 |
| Receivables from related parties | 27 | 1 953 | 1 180 |
| Other current assets | 13 | 543 | 360 |
| Land, machinery and equipment | 14 | 896 | 568 |
| **TOTAL ASSETS** | | **28 783** | **17 612** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| | | | |
| **Liabilities** | | | |
| Short-term loans | 15 | 10 589 | 4 460 |
| Liabilities to related parties | 27 | 74 | 70 |
| Trade and other payables | | 320 | 244 |
| Short-term lease | 18 | 228 | 124 |
| Current tax liabilities | 16 | 647 | 388 |
| Other current liabilities | 17 | 686 | 146 |
| Long-term lease | 18 | 337 | 319 |
| **Total liabilities** | | **12 881** | **5 751** |
| | | | |
| **Equity** | 19 | 1 008 | 1 008 |
| Share capital | 20 | 101 | 51 |
| Reserves | 21 | 9 696 | 6 228 |
| Retained income | | 5 097 | 4 574 |
| Profit for the financial year | | **15 902** | **11 861** |
| **Total equity** | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **28 783** | **17 612** |

This financial statement is approved by the Board of Directors on 05.05, 2022. The accompanying notes from p. 6 - 38 form an integral part of the financial statements.

| | |
|---|---|
| Stefan Topuzakov | Nadka Dimitrova |
| Executive Director | Prepared by |

The audit report is based on the financial statement issued on 05.05.2022

Dimitrina Zaharinova
Manager and registrated auditor accountable for the audit with reg.number 0415 „ZAHARINOVA NEXIA" LTD with reg.number 138

# STIK CREDT JSC: **Statement of changes in equity**

**for the year ending 31 December 2021**

| BGN (thousand) | Share capital | Reserves | Retained earnings | Profit for the year | Total |
|---|---|---|---|---|---|
| **Balance as of 1 January 2020** | **1 008** | **51** | **2 952** | **3 276** | **7 287** |
| Profit for the reporting year | - | - | - | 4 574 | 4 574 |
| Transferred to retained earnings | - | - | 3 276 | (3 276) | - |
| **Balance as of 31 December 2020** | **1 008** | **51** | **6 228** | **4 574** | **11 861** |
| | | | | | |
| **Balance as of 1 December 2021** | **1 008** | **51** | **6 228** | **4 574** | **11 861** |
| Profit for the reporting year | - | - | - | 5 097 | 5 097 |
| Dividend paid | | | (1 000) | | (1 000) |
| Other comprehensive income | - | 50 | (106) | - | (56) |
| Transferred to retained earnings | - | - | 4 574 | (4 574) | - |
| **Balance as of 31 December 2021** | **1 008** | **101** | **9 696** | **5 097** | **15 902** |

This financial statement is approved by the Board of Directors on 05.05, 2022. The accompanying notes from p. 6 - 38 form an integral part of the financial statements.

| Stefan Topuzakov | Nadka Dimitrova |
|---|---|
| Executive Director | Prepared by |

The audit report is based on the financial statement issued on 05.05.2022

Dimitrina Zaharinova
Manager and registrated auditor accountable for the audit with reg.number 0415 „ZAHARINOVA NEXIA" LTD with reg.number 138

STIK CREDT JSC:

# Statement of cash flow

**for the year ending 31 December 2021**

| | 2021 BGN (thousand) | 2020 BGN (thousand) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net increase of loans granted | (9 185) | (4 150) |
| Interest paid | 14 284 | 9 490 |
| Other receipts (payments), net | 78 | (129) |
| Payments to employees | (4 043) | (1 188) |
| Payments to suppliers | (3 145) | (1 752) |
| Corporate tax paid | (468) | (415) |
| **Net cash flows from operating activities** | **(2 479)** | **(1 856)** |
| **Cash flows from investing activities** | | |
| Purchase of long-term assets | (78) | (73) |
| Changes in loans provided to related parties | (734) | (857) |
| **Net cash flows from investment activities** | **(812)** | **(930)** |
| **Cash flows from financing activities** | | |
| Received loans, net | 5 617 | 1 458 |
| Interest and tax paid from received loans | (341) | (461) |
| Payments connected with dividends, net | (176) | (127) |
| Lease payments | (950) | |
| Other payments from financing activities, net | (208) | (72) |
| **Net cash flows from financing activities** | **3 942** | **798** |
| **Net increase/decrease in cash and cash equivalents** | **651** | **1 724** |
| **Net effect from change of currencies** | (10) | (4) |
| Cash and cash equivalents at the beginning of period | 3 218 | 1 498 |
| **Cash and cash equivalents at the end of the period** | **3 859** | **3 218** |

This financial statement is approved by the Board of Directors on 05.05, 2022. The accompanying notes from p. 6 - 38 form an integral part of the financial statements.

| | |
|---|---|
| Stefan Topuzakov | Nadka Dimitrova |
| Executive Director | Prepared by |

The audit report is based on the financial statement issued on 05.05.2022

Dimitrina Zaharinova
Manager and registrated auditor accountable for the audit with reg.number 0415 „ZAHARINOVA NEXIA" LTD with reg.number 138

# Stik Credit JSC
# Notes to the financial statements

### 1. Company name and registered address

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, 2021 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.

### 2. 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 2021. 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". The Company has complied with all standards and interpretations that have been relevant to its business.

*b. Standards and interpretations that have entered into force for the first time during the current reporting period, beginning on or after 1 January 2021, but without material effect of their incorporation on the financial results and the financial condition of the Company.*

• Amendments to IFRS 4 Insurance Contracts - Postponement of IFRS 9, effective from 1 January 2021, adopted by the EU
IFRS 9 reviews the accounting of financial instruments and is effective for annual accounted periods beginning on or after 1 January 2018. However, for insurers that meet the eligibility criteria, IFRS 4 provides a temporary exemption that allows them to continue to apply IAS 39 Financial Instruments: Recognition and Measurement, not application of IFRS 9.

This temporary exemption is applicable for annual periods beginning before 1 January 2021.

In June 2020, the Council on International Accounting Standards published an amendment to IFRS 4 to extend the temporary exemption from the application of IFRS 9 to annual periods beginning before 1 January 2023. This amendment maintains the alignment with the dates of entry into force of IFRS 9 and IFRS 17.

• Amendments to IFRS 9, IAS 30, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Reform - Phase 2, effective from 1 January 2021, adopted by the EU
The changes in Phase 2 address issues that could affect financial reporting when the IBOR is replaced by an alternative interest rate benchmark. The amendments are relevant to many entities, in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply hedge accounting requirements in IFRS 9 or IAS 39 for relationship hedging. affected by the reform. The amendments to Phase 2 shall apply for annual periods beginning on or after 1 January 2021.

Changes in IRFS in power from 01 April 2021.
• Amended IFRS 16 - Leasing
During May 2020, the Council on International Accounting Standards published COVID-19 related concessions for rent (change of IFRS 16). The declaration changes IFRS 1+ Contracts for rent to provide the tenants exemption from assessing whether the COVID-19 rental concession is a lease modification. When issued, the practical tool was limited to rental concessions, for which any reduction in lease payments affects not only the payments, initially due on or before 30 June 2021. The landlords keep making rental discounts, related to COVID-19 to the tenants and because the results of the pandemic from COVID-19 are lasting and significant, the Council decided to review the opportunity to extend the period, through which the practical feasibility is available for use.

• Extension (issued on 31 March 2021)
Allows the lessee to apply the practical tool with respect to COVID-19 rental discounts to rental concessions for which the reduction in lease payments affects only payments originally due on or before 30 June 2022 (instead of only payments initially due on or before 30 June 2021)

Requires the lessee applying the amendment to do so for annual periods beginning on or after 1 April 2021 (in the EU from 1 April 2021 for financial years beginning on or after 1 January 2021 at the latest)

Requires the lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of the initial application of the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period, when the lessee applies the amendment for the first time (without recalculation of comparative data).

*c. Standards, amendments and clarifications that have not yet entered into force, adopted by the EU and not applied from an earlier date by the Company*

As of the date of approval of these financial statements, new standards, amendments and clarifications to existing standards have been published, but are not in force or have not been adopted by the EU for the financial year beginning on 1 January 2021 and have not been applied from an earlier date by the Company. They are not expected to have a material effect on the Company's financial statements. The management expects all standards and amendments to be adopted in the Company's accounting policy in the first period beginning after the date of their entry into force.

The changes are related to the following standards:
Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, effective from 1 January 2022, adopted by the EU

• **IFRS 3 "Business Combinations - reference to the conceptual framework"**
Update IFRS 3 Business Combinations to refer to the 2018 Conceptual Financial Reporting Framework to define what constitutes an asset or liability in a business combination. Prior to the amendment, IFRS 3 refers to the Conceptual Framework for Financial Reporting of 2001. In addition, a new exception has been added to IFRS 3 for liabilities and contingent liabilities. The exception specifies that for certain types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 "Taxes", rather than the 2018 conceptual framework. Without this new exception, an entity would recognize certain liabilities in a business combination that it would not recognize in accordance with IAS 37. Therefore, immediately after the acquisition, it should derecognise such liabilities and recognize a gain that does not reflect economic gain. It is clarified that the acquirer should not recognize contingent assets, as defined in IAS 37, at the acquisition date.

• ***Property, plant and equipment – Pro*ceeds before commissioning *(Amendments to IAS 16)***
The amendments prohibit the deduction from the price of property, plant and equipment of any proceeds from the sale of manufactured items, while bringing this asset to the location and conditions necessary for its operation in the manner prescribed by management. Instead, the entity recognizes revenue from the sale of such items and the cost of producing them in profit or loss. Effective for periods beginning on or after 01 January 2022.

• Burdensome contracts - Contract performance costs (Amendments to IAS 37)
The amendments specify that the "performance costs" of the contract include "costs that are directly related to the contract". Costs that are directly related to the contract can be either additional costs for the implementation of the contract (examples of this are direct labour, materials) or the allocation of other costs that are directly related to the performance of the contracts (an example may be the allocation of the depreciation fee for property, machinery and equipment used to perform the contract). Effective for periods beginning on or after 1 January 2022.

**Annual improvements 2018-2020 effective from 1 January 2022, adopted by the EU**- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
IFRS 1 - The amendment allows a subsidiary that applies paragraph D16 (a) of IFRS 1 to measure cumulative differences in the transaction using the amounts reported by its parent based on the date of the parent's transition to IFRSs.

IFRS 9 - The Amendment clarifies which fees an entity includes when applying the "10 per cent test" in paragraph B3.3.6 of IFRS 9 when considering whether to write off a financial asset. An enterprise includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received either by the enterprise or by the creditor on behalf of the other.

IFRS 16 - Amendment of Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the lessor recovering lease improvements to avoid possible confusion regarding the treatment of lease incentives that may arise due to the way in which the leasing incentives are illustrated in this example.

IAS 41 - The Amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude tax cash flows when measuring the fair value of a biological asset using a present value technique.

**Documents issued by the IASB / IFRIC that have not been approved for implementation by the EU**

The Company's management considers it appropriate to disclose that the following new or revised standards, new interpretations and amendments to existing standards that have already been issued by the International Accounting Standards Board (IASB) at the reporting date but have not yet been approved for implementation by the European Commission and, accordingly, were not taken into account in the preparation of these financial statements. The dates of entry into force will depend on the European Commission's approval decisions.

- Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-Current, effective from 1 January 2023, not yet adopted by the EU - The amendments are intended to promote consistency in the application of the requirements by helping companies determine whether in the statement of financial position debt and other liabilities with uncertain settlement dates should be classified as current (due or potentially due to be settled within the one year) or non-current. Effective for the period beginning on or after January 1, 2022

- Amendments to IAS 1 Presentation of Financial Statements and IFRSs Statement of Practice 2: Disclosure of Accounting Policies, effective from 1 January 2023, not yet adopted by the EU
- Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: The definition of accounting estimate, effective from 1 January 2023, has not yet been adopted by the EU.
- Amendments to IAS 12 Deferred Taxes, effective from 1 January 2023, not yet adopted by the EU
- ***IFRS 17 "Insurance Contracts" in force since January 1, 2023, not yet adopted by the EU*** - IFRS 17 requires insurance liabilities to be measured at current performance and provides a more uniform approach to measurement for all insurance contracts. These requirements are designed to achieve the objective of consistent, based on the principle of accounting for insurance contracts.

***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 made an assessment of the ability of the enterprise to continue its activity as an operating enterprise on the basis of 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 31.12.2020 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| | 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 because 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 based on 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. 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 EIR. They are subject to impairment. . Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired. The company's financial assets at amortised cost includes trade receivables, accrued income and loan to parent and other related companies.

Derecognition

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.

Impairment of financial assets

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, if relevant.

The expected credit losses are calculated in a manner reflecting:

- An objective amount considering 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 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 based on 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 considers 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 consider 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 based on the gross value of loans, except for loans with objective evidence of impairment. In these cases, income is calculated using the original effective interest rate applied to the new carrying amount.

Exchange differences on 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 based on 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.

Short - term employee benefits

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.

Long - term employee benefits

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 2021 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 2022 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". In order 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:

- Share capital represented at nominal value according to a decision for entry in the Commercial Register. The share capital is fully paid.
- Reserve Fund formed in accordance with the requirements of the Commerce Act and the Articles of Association of the company.
- The financial result which includes as at the date of preparation of the financial statements the retained earnings from previous reporting periods and the profit for the current year.

Dividends

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 2021, a decision was made to distribute dividends to shareholders in the amount of BGN 1,000 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 based on 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 twenty-five 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 of post-year-end 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 the above, are considered and threated 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 paid VAT for purchases of long-term assets is reported in line "payments to suppliers" 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

## Additional information to the financial statements

### 3. Income from interest and fees

| | 2021 BGN (thousand) | 2020 BGN (thousand) |
|---|---|---|
| Interest income from granted loans | 3 252 | 2 453 |
| Income from fees to loan agreements | 12 448 | 7 477 |
| Other income from interest | 218 | 116 |
| Total: | 15 918 | 10 046 |

### 4. Interest expense on loans received

| | 2021 BGN (thousand) | 2020 BGN (thousand) |
|---|---|---|
| Crowdfunding platforms | 954 | 507 |
| Interest for lease payments | 12 | 11 |
| Total: | 966 | 518 |

### 5. Other income

| | 2021 BGN (thousand) | 2020 BGN (thousand) |
|---|---|---|
| Income from commissions for money transfers | 125 | 114 |
| Income from sales of goods | 1 | 12 |
| Carrying value of goods sold | (1) | (11) |
| Profit/loss from sale of goods | 0 | 1 |
| Revenues from sale of fixed assets | (5) | |
| Book value of sold fixed assets | (6) | |
| Profit / loss from sale of fixed assets | (1) | |
| Other operating income | 9 | 33 |
| Total: | 133 | 148 |

### 6. Income from financial operations

| | 2021 BGN (thousand) | 2020 BGN (thousand) |
|---|---|---|
| Income from commissions | 132 | 80 |
| Total: | 132 | 80 |

## 7. Expenses from financial operations

| | 2021<br>BGN (thousand) | 2020<br>BGN (thousand) |
|---|---|---|
| Fees | 175 | 108 |
| Negative exchange differences | 10 | 4 |
| Fines, penalty interest, etc. | 39 | |
| Total: | 224 | 112 |

## 8. Personnel expenses

| | 2021<br>BGN (thousand) | 2020<br>BGN (thousand) |
|---|---|---|
| Salary costs | 4 246 | 987 |
| Social insurance costs | 336 | 181 |
| Total: | 4 582 | 1 168 |

## 9. Administrative and other general expenses

| | 2021<br>BGN (thousand) | 2020<br>BGN (thousand) |
|---|---|---|
| Advertising and marketing services expenses | 417 | 423 |
| Consulting, legal and auditing services | 1 062 | 422 |
| Fees and commissions expenses - bank and payment institutions | 7 | 384 |
| Rent and maintenance | 363 | 263 |
| Credit scoring reports | 275 | 185 |
| Amortization | 205 | 136 |
| Fuel | 157 | 89 |
| IT services and applications | 168 | 81 |
| Telecommunication services | 122 | 77 |
| Office stationery and consumables | 125 | 45 |
| Courier services | 15 | 10 |
| Automobiles and lease | 91 | 7 |
| Other expenses | 155 | 83 |
| Total: | 3 162 | 2 205 |

Office rent expenses include:

| | 2021 BGN (thousand) | 2020 BGN (thousand) |
|---|---|---|
| Rent payments to short-term leases | 241 | 263 |
| Total: | 241 | 263 |

## 10. Corporate income tax expenses

| | 2021 BGN (thousand) | 2020 BGN (thousand) |
|---|---|---|
| Profit before tax | 5 687 | 5 027 |
| Tax effect of temporary differences, net | 62 | 524 |
| Tax effect of permanent differences, net | 147 | 28 |
| Tax result | 5 895 | 4 531 |
| Tax rate | 10% | 10% |
| Corporate income tax | 590 | 453 |

The effective corporate income tax rate is 10.3% for 2021 and 9.01% for 2020.

## 11. Cash and cash equivalents

| | 2021 BGN (thousand) | 2020 BGN (thousand) |
|---|---|---|
| Cash | 1 766 | 2 013 |
| Cash at banks and payment institutions | 2 093 | 1 205 |
| Total: | 3 859 | 3 218 |

## 12. Loans granted to customers

| | 2021 BGN (thousand) | 2020 BGN (thousand) |
|---|---|---|
| Principal | 20 682 | 11 244 |
| Accrued interest and fees | 4 074 | 2 333 |
| Other loans | 131 | 499 |
| Gross loan amount | 24 887 | 14 076 |
| Reduced by: loan loss allowance | (3 355) | (1 790) |
| Total: | 21 532 | 12 286 |

Movements in the loan loss allowance account

| | 2021<br>BGN (thousand) | 2020<br>BGN (thousand) |
|---|---|---|
| In the beginning of the period | 1 790 | 549 |
| Accrued for the period | 1 565 | 1 244 |
| Reduced for the period | | (3) |
| Written off | - | - |
| In the end of the period | 3 355 | 1 790 |

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

| | 2021<br>BGN (thousand) | 2020<br>BGN (thousand) |
|---|---|---|
| Loans not past due | 13 319 | 6 297 |
| 1 - 90 days in arrear | 4 562 | 2 409 |
| Over 90 days in arrear | 7 006 | 5 370 |
| Total: | 24 887 | 14 076 |

## 13. Other current assets

| | 2021<br>BGN (thousand) | 2020<br>BGN (thousand) |
|---|---|---|
| Receivables from customers | 70 | 52 |
| Advance payments and prepaid expenses | 74 | 74 |
| Guarantees provided | 52 | 52 |
| Court receivables | 251 | 154 |
| Other receivables | 96 | 28 |
| Total: | 543 | 360 |

## 14. Land, machinery and equipment

| | Buildings | Transportation Vehicles | Other assets | Asset acquisition cost | Total |
|---|---|---|---|---|---|
| Carrying amount | | | | | |
| Balance as at 01.01.2020 | 149 | 45 | 53 | 5 | 252 |
| Additions | 194 | 289 | 15 | 5 | 498 |
| Written-off | | (1) | | | (1) |
| Balance as at 31.12.2020 | 343 | 333 | 68 | 5 | 749 |
| Additions | 136 | 339 | 25 | 148 | 648 |
| Written-off | | (27) | | (99) | (126) |
| Balance as at 31.12.2021 | 479 | 645 | 93 | 54 | 1 271 |
| | | | | | |
| Depreciation | | | | | |
| Balance as at 01.01.2020 | 17 | 9 | 19 | | 45 |
| Additions | 50 | 69 | 17 | | 136 |
| Balance as at 31.12.2020 | 67 | 78 | 36 | | 181 |
| Additions | 78 | 111 | 15 | | 204 |
| Disposals | | (10) | | | |
| Balance as at 31.12.2021 | 145 | 179 | 51 | | 375 |
| | | | | | |
| Carrying amount as at | | | | | |
| 01.01.2020 | 132 | 36 | 34 | 5 | 207 |
| 31.12.2020 | 276 | 256 | 31 | 5 | 568 |
| 31.12.2021 | 334 | 466 | 42 | 54 | 896 |

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) |
|---|---|---|
| Balance as at 1 January | 343 | 279 |
| Acquired during the period | 18 | - |
| Written-off during the period | | (9) |
| Balance as at 31.12.2021 | 361 | 270 |
| Accrued depreciation | | |
| Balance as at 1 January | 50 | 58 |
| Accrued depreciation for the period | 78 | 62 |
| Written-off depreciation for the period | | (9) |
| Balance as at 31 December | 128 | 111 |
| Carrying amount as at 31 December | 233 | 159 |

## 15. Short-term loans received

The liabilities on loans of the Company as of December 31, 2021 and 2020 represent a liability on loans received from individuals and legal entities. The loans bear interest at a fixed interest rate.

| | 2021<br>BGN (thousand) | 2020<br>BGN (thousand) |
|---|---:|---:|
| Crowdfunding platforms | 10 589 | 4 460 |
| Total: | 10 589 | 4 460 |

## 16. Current tax liabilities

| | 2021<br>BGN (thousand) | 2020<br>BGN (thousand) |
|---|---:|---:|
| Corporate income tax | 554 | 376 |
| Personal income tax | 93 | 12 |
| Total: | 647 | 388 |

## 17. Other current liabilities

| | 2021<br>BGN (thousand) | 2020<br>BGN (thousand) |
|---|---:|---:|
| Current personnel liabilities | 394 | 67 |
| Social security liabilities | 46 | 21 |
| Healthy insurance liabilities | 15 | 7 |
| Liabilities for unused leave | 180 | 20 |
| Liabilities to insurers | 39 | 3 |
| Other liabilities | 12 | 28 |
| Total: | 686 | 146 |

## 18. Lease liabilities

The lease obligations of the Company as of December 31, 2021, are related to concluded contracts for the right-of-use office premises and cars. They are presented net of interest due and are as follows:

| | 2021<br>BGN (thousand) | 2020<br>BGN (thousand) |
|---|---:|---:|
| Up to one year | 228 | 124 |
| Over one year | 337 | 319 |
| Total: | 565 | 443 |

## 19. Share capital

As of December 31, 2021, 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, 2021, 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% |

## 20. 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.

## 21. Financial results

| | BGN (thousand) |
|---|---|
| Profit as at 31.12.2019 | 6 228 |
| Profit for 2020 | 4 574 |
| Profit as at 31.12.2020 | 10 802 |
| Profit for 2021 | 5 097 |
| Dividend distribution | (1 000) |
| Distribution of profit in reserves | (51) |
| Other | (56) |
| Profit as at 31.12.2021 | 14 792 |

## 22. 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 01.01.2021 BGN (thousand) | Monetary flows Received BGN (thousand) | Monetary flows Paid BGN (thousand) | Non-monetary flows BGN (thousand) | Balance as at 31.12.2021 BGN (thousand) |
|---|---|---|---|---|---|
| Loans | 4 460 | 5 495 | | 634 | 10 589 |
| Liabilities to related parties | 42 | | -1 | 5 | 46 |

## 23. 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 to minimize credit risk.
- The company performs constant analysis and control over the approved internal procedures, and 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) | | 31.12.2021 BGN (thousand) | 31.12.2020 BGN (thousand) |
|---|---|---|---|
| Cash and cash equivalents | | 3 859 | 3 218 |
| Loans to customers | | 21 532 | 12 286 |
| Receivables from related parties | | 1 953 | 1 180 |
| Other current assets | | 543 | 360 |
| | Total: | 27 887 | 17 044 |

The above table presents the credit risk exposure of the Company as of December 31, 2021, and 2020. 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, 2021, 75% 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 considers a number of factors, including the amount of capital, security, liquidity, credit potential of the bank and others.

## 24. 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, 2021, and December 31, 2020, the Company's exposure to foreign currencies is only in euros and therefore the Company's currency risk is assessed as minimal.

## 25. 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 at 31 December 2021 | No maturity | Up to 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Total |
|---|---|---|---|---|---|---|
| Financial liabilities | | | | | | |
| Short-term loans | 1 319 | 1 519 | 971 | 5 051 | 1 729 | 10 589 |
| Liabilities to related parties | | - | 74 | | | 74 |
| Lease liabilities | | 19 | 57 | 152 | 337 | 565 |
| Trade and other liabilities | 74 | 735 | 59 | 785 | | 1 653 |
| | 1 393 | 2 273 | 1 161 | 5 988 | 2 066 | 12 881 |

| As at 31 December 2020 | Up to 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 months | Total |
|---|---|---|---|---|---|
| Financial liabilities | | | | | |
| Short-term loans | 24 | 408 | 1 043 | 2 985 | 4 460 |
| Related parties liabilities | - | - | 70 | - | 70 |
| Lease liabilities | 10 | 30 | 84 | 319 | 443 |
| Trade and other liabilities | 382 | - | 396 | - | 778 |
| | 416 | 438 | 1 593 | 3 304 | 5 751 |

The liquidity of the various elements of the statement of financial position at 31.12.2021 is as follows:

| As at 31 December 2021 | No maturity | Up to 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 months | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | | 3 859 | | | | 3 859 |
| Loans to customers, net | | 5 335 | 2001 | 8 575 | 5 621 | 21 532 |
| Other receivables | 39 | 78 | 116 | 229 | 2 034 | 2 496 |
| Total assets | 39 | 9 272 | 2 117 | 8 804 | 7 655 | 27 887 |
| Loan liabilities | 1 319 | 1 519 | 971 | 5 051 | 1 729 | 10 589 |
| Other liabilities | 74 | 754 | 171 | 956 | 337 | 2 292 |
| Total liabilities | 1 393 | 2 273 | 1 142 | 6 007 | 2 066 | 12 881 |
| Difference in maturity thresholds | (1 354) | 6 999 | 975 | 2 797 | 5 589 | 15 006 |
| With accumulation | (1 354) | 5 645 | 6 620 | 9 417 | 15 006 | 15 006 |

| As at 31 December 2020 | No maturity | Up to 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | | 3 218 | - | - | - | 3 218 |
| Loans to customers, net | | 2 650 | 1 428 | 5 659 | 2 549 | 12 286 |
| Other receivables | | 154 | 50 | 154 | 1 182 | 1 540 |
| Total assets | | 6 022 | 1 478 | 5 813 | 3 751 | 17 064 |
| Loan liabilities | | 24 | 408 | 1 043 | 2 985 | 4 460 |
| Other liabilities | | 412 | 30 | 460 | 389 | 1 291 |
| Total liabilities | | 436 | 438 | 1 503 | 3 374 | 5 751 |
| Difference in maturity thresholds | | 5 586 | 1 040 | 4 310 | 377 | 11 313 |
| With accumulation | | 5 586 | 6 626 | 10 936 | 11 313 | 11 313 |

## 26. 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, 2021and 2020 is as follows:

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Total debt capital | 12 881 | 5 751 |
| Less: cash and cash equivalents | (3 859) | (3 218) |
| Net debt capital | 9 022 | 2 533 |
| Total equity | 15 902 | 11 861 |
| Total capital | 24 924 | 14 394 |
| Debt ratio | 0.36 | 0.18 |

The company has a legal obligation as of December 31, 2021, 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 to adapt them and make them more effective in relation to the business environment.

**27. 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 OOD | - | company under the control of shareholders |
| TIBERUS GOLD AND EXCANGE OOD | - | company under the control of shareholders |
| ICREDIT OOD | - | company under the control of shareholders |
| Casino Escape OOD | - | company under the control of shareholders |
| New Consulting EOOD | - | company under the control of shareholders |
| Stik i Nik EOOD | - | company under the control of shareholders |
| Afranga OOD | - | company under the control of shareholders |
| St i K 9086 | - | cooperation under the control of shareholders |
| Bedex OOD | - | company under the control of key personnel |

Related party transactions

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

| Related party | Transaction type | 31.12.2021 BGN (thousand) | 31.12.2020 BGN (thousand) |
|---|---|---|---|
| Stefan Nikolaev Topuzakov | Interest income on a loan | 3 | 3 |
| TIBERUS GOLD END EXCHANGE OOD | Interest income on a loan | 9 | 2 |
| Casino Escape OOD | Interest income on a loan | 43 | 23 |
| St i K 9086 OOD | Interest income on a loan | - | - |
| HLS Consult OOD | Costs for external services | - | 26 |
| New Consulting EOOD | Interest income on a loan | 2 | - |
| ST i K 9086 OOD | Costs for interest on a loan | 4 | - |

| | | | |
|---|---|---|---|
| ST i K 9086 OOD | Costs for external services | 2 | - |
| Ivaylo Lazarov Todorov | Interest income on a loan | 1 | - |

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

| Related party | Transaction type | 31.12.2021 BGN (thousand) | 31.12.2020 BGN (thousand) |
|---|---|---|---|
| St i K 9086 OOD | Loan received | 46 | 42 |
| Ivaylo Lazarov Todorov | Loan granted | 1 | 35 |
| Kristiyan Georgiev Kostadinov | Loan granted | 27 | 27 |
| Stefan Nikolaev Topuzakov | Loan granted and interest receivables | 256 | 229 |
| Casino Escape OOD | Loan granted and interest receivables | 1 555 | 559 |
| TIBERUS GOLD AND EXCHANGE OOD | Loan granted and interest receivables | 14 | 230 |
| New Consulting EOOD | Loan granted | 102 | 100 |
| St i K 9086 OOD | Overpaid amount on loan | 20 | 20 |
| St i K pawn brokerage | Overpaid amount | 8 | 8 |

In 2021, the gross remuneration of the key management personnel of the Company and the insurance costs amount to BGN 1 588 million (2020: BGN 50 thousand).

Current receivables from related parties as of 31.12.2021 amount to BGN 219 thousand, and non-current receivables amount to BGN 1 734 million.

## 28. Covid-19 pandemic - impact, effects, and measures

On 11.03.2020 The World Health Organization declared a coronavirus pandemic. On 13.03.2020 The Government of the Republic of Bulgaria declared a state of emergency on the territory of the country, as a result of which a number of restrictive measures were taken.

On 24.03.2020 The Law on the State of Emergency was published, which adopted measures for the time of the epidemiological state of emergency in various areas - employment and social security, taxation and annual financial closure, non-compliance and enforcement, deadlines, and others. An emergency epidemic situation was introduced in the Republic of Bulgaria by a decision of the Council of Ministers in May 2020. Throughout 2021, this decision was extended, the last one being until March 31, 2022. During the state of emergency, the procedural deadlines for court, arbitration and enforcement proceedings ceased to run. Seizures of bank accounts of individuals, seizures of wages and pensions, as well as inventories of movable and immovable property owned by individuals were stopped. For the period of the state of emergency, the application of the consequences of delay in payment of debts of private entities, including interest and penalties for delay, as well as the non-monetary consequences such as early repayment, cancellation of contract, seizure of property was suspended. By orders of the Minister of Health in order to protect and preserve the life and health of the population restrictions were introduced related to entering the country, compliance with physical distance requirements, disinfection and wearing face masks in closed public places, temporary suspension or restricting the regime of operation of public facilities and/or services provided to citizens.

Despite the prevailing pandemic situation and the restrictions imposed in connection with it, the condition of customers continued to improve in the first months of 2022. The improvement is reflected in the increased demand for consumer loans, growth of the loan portfolio and the improved performance of delinquent loans.

The main risk that the company identifies at the time of approval of the financial statements is the risk of increased late payment rates, connected to high inflation due to the war conflict between Russia and Ukraine, which directly affects the world economy. The Management has made a detailed review of each exposure in the loan portfolio.

**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 at 31 December 2021 are approved for publishing by the Board of Directors on 5 May 2022.

Prepared by: Executive Director:

Nadka Dimitrova Stefan Topuzakov