# AVAFIN HOLDING LTD

REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS

Year ended 31 December 2023

# AVAFIN HOLDING LTD

## REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2023

## CONTENTS

# BOARD OF DIRECTORS AND OTHER OFFICERS

| | |
|---|---|
| **Board of Directors:** | Matiss Ansviesulis<br>Andrey Gershfeld (alternate director: Davis Barons)<br>Davis Barons<br>Gerhardus Metselaar Fourie (alternate director: Wilhelm Christaffel Koster)<br>Adam Cillie Retief (alternate director: Grant Robert Hardy)<br>Patrick Koeck (appointed on 24/05/2023) |
| **Company Secretary:** | ENW Services Ltd |
| **Independent Auditors:** | BDO Ltd<br>Certified Public Accountants (CY) and Registered Auditors<br>261, 28th October Street (Seafront Road)<br>View Point Tower Floors 6, 7 and 8<br>P. O. Box 51681<br>3507 Limassol, Cyprus |
| **Registered office:** | Kimonos, 40<br>3095, Limassol<br>Cyprus |
| **Bankers:** | AS Blueorange Bank<br>BGZ BNP Paribas S.A.<br>Komercni banka, a.s.<br>Ceska sporitelna, a.s.<br>Moneta Bank, a.s.<br>Fio Banka, a.s.<br>ThePay.cz, s.r.o.<br>Bankinter S.A.<br>Caixabank, S.A.<br>Banco Santander, S.A.<br>NEO PAYMENT FACTORY S.L.<br>UAB Neo Finance<br>Luminor Bank AS<br>Swedbank AB<br>AS Citadele Banka<br>Signet Bank<br>Banco Inbursa SA Mexico DF<br>BBVA Bancomer, S.A. Institucion De Banca Multiple<br>Banco Actinver, S.A. Institucion De Banca Multiple<br>Actinver Casa De Bolsa, S.A. DE C.V.<br>Alior Bank S.A.<br>Velo bank<br>Mbank S.A.<br>Millennium Bank S.A.<br>Bank Pekao S.A.<br>PKO B.P. S.A.<br>Santander Bank S.A. |

# MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2023.

**Incorporation**

The Group Avafin Holding Ltd was incorporated in Cyprus on 1 September 2014 as a private limited liability Group under the provisions of the Cyprus Companies Law, Cap. 113.

**Principal activities and nature of operations of the Group**

The principal activity of the Group is the provision of online consumer loans in Europe and Latin America.

**Review of current position, future developments and performance of the Group's business**

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered highly satisfactory.

AvaFin Holding Ltd is an international fintech company that leverages an in-house cutting-edge financial technology platform to offer loan products with minimal time-to-cash and maximum customer convenience.

Offering online consumer loans in Poland, Czechia, Latvia, Spain and Mexico, AvaFin empowers underbanked consumers to achieve their financial goals with ease and convenience. Through smart data scoring models, AvaFin ensures quick evaluation and high accuracy of credit scores, continually enhancing risk models with real-time transactional data. The Group’s lending process is fully automated, covering front-end, back-end, and risk engine operations, making it ready to scale for new markets and increased loan volume.

AvaFin is committed to maintaining its positive momentum into the upcoming financial year. With a steadfast focus on enhancing customer experience, the Group will advance its global rebranding effort to ensure a consistent brand presence across all its operating countries.

AvaFin will also prioritize achieving operational excellence, with a key emphasis on technological advancements and the strategic use of data to optimize decision-making and streamline processes. Another strategic focus of the Group is to invest in employee competences, fostering their development, and augmenting their expertise. Through these strategic initiatives, AvaFin will be poised to continue delivering exceptional value to customers while solidifying their market position.

**Principal risks and uncertainties**

The principal risks and uncertainties faced by the Group are disclosed in notes 6, 7, 31 and 33 of the consolidated financial statements.

**Use of financial instruments by the Group**

The Company is exposed to credit risk, liquidity risk, currency risk, interest rate risk and capital risk management from the financial instruments it holds as disclosed in note 6.

**Results**

The Group's results for the year are set out on page 7.

**Dividends**

The Board of Directors does not recommend the payment of a dividend.

**Share capital**

**Issued capital**
On 03 July 2023, the Group issued additional 745 ordinary shares with a nominal value of €1.

# MANAGEMENT REPORT

**Board of Directors**

The members of the Group's Board of Directors as at 31 December 2023 and at the date of this report are presented on page 1. On 24 May 2023 Mr. Patrick Koeck was appointed as director.

In accordance with the Group's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

**Operating Environment of the Group**

Any significant events that relate to the operating environment of the Group are described in note 31 to the consolidated financial statements.

**Events after the reporting period**

Any significant events that occurred after the end of the reporting period are described in note 35 to the consolidated financial statements.

**Related party transactions**

Disclosed in note 32 of the consolidated financial statements.

**Independent Auditors**

The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

DocuSigned by:
Patrick Koeck
7BBF66922C2846E...

Patrick Koeck
Director

15 March 2024

Tel: +357 25 847 400
Fax: +357 25 735 455
www.bdo.com.cy

261, 28th October Street
*(Seafront Road)*
View Point Tower
Floors 6, 7 and 8
PO Box 51681
3507 Limassol
Cyprus

# Independent Auditor's Report

## To the Members of Avafin Holding Ltd

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Avafin Holding Ltd (the "Company") and its subsidiaries (the "Group"), which are presented in pages 7 to 47 and comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements 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

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

# Independent Auditor's Report (continued)

## To the Members of Avafin Holding Ltd

**Responsibilities of the Board of Directors for the Consolidated Financial Statements (continued)**

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

# Independent Auditor's Report (continued)

## To the Members of Avafin Holding Ltd

### Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

### Other Matter

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

**Yiannis Kapetanios**
Certified Public Accountant (CY) and Registered Auditor
for and on behalf of

**BDO Ltd**
**Certified Public Accountants (CY) and Registered Auditors**

Limassol, 15 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

| | Note | 2023<br>€ | 2022<br>€ |
|---|---|---|---|
| **Revenue** | 8 | **97,271,672** | 68,901,225 |
| Cost of sales | 9 | **(56,585,919)** | (39,785,138) |
| **Gross profit** | | **40,685,753** | 29,116,087 |
| Portfolio sale result | | **159,309** | 221,833 |
| Other operating income | 10 | **4,878,570** | 6,835,342 |
| Selling and distribution expenses | 11 | **(10,961,468)** | (8,568,728) |
| Administration expenses | 12 | **(18,851,708)** | (16,403,465) |
| Other expenses | 13 | **(6,117,459)** | (707,511) |
| **Operating profit** | | **9,792,997** | 10,493,558 |
| Finance income | 14 | **2,165,669** | 1,366,080 |
| Finance costs | 14 | **(263,398)** | (239,310) |
| **Profit before tax** | | **11,695,268** | 11,620,328 |
| Tax | 15 | **(3,801,277)** | (3,323,969) |
| **Net profit for the year** | | **7,893,991** | 8,296,359 |
| **Other comprehensive income** | | | |
| Exchange difference arising on the translation and consolidation of foreign companies' financial statements | | **1,317,303** | (198,983) |
| **Other comprehensive income for the year** | | **1,317,303** | (198,983) |
| **Total comprehensive income for the year** | | **9,211,294** | 8,097,376 |

The notes on pages 12 to 47 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

| | Note | **2023** € | 2022 € |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **206,181** | 177,720 |
| Intangible assets | 17 | **9,065,124** | 8,772,795 |
| Investments in subsidiaries | 18 | **47,500** | 47,500 |
| Right-of-use-assets | 22 | **311,899** | 412,436 |
| Loans receivable | 19 | **3,436,323** | 3,410,791 |
| Deferred tax assets | 27 | **6,971,295** | 4,165,423 |
| | | **20,038,322** | 16,986,665 |
| **Current assets** | | | |
| Consumer loans portfolio | 20 | **65,714,195** | 44,476,194 |
| Trade and other receivables | 20 | **7,366,350** | 7,545,670 |
| Loans receivable | 19 | **6,352** | - |
| Financial assets at fair value through profit or loss | 21 | **237,468** | 43,566 |
| Cash and cash equivalents | 23 | **19,464,778** | 13,240,612 |
| | | **92,789,143** | 65,306,042 |
| **Total assets** | | **112,827,465** | 82,292,707 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 24 | **139,012** | 138,267 |
| Share premium | | **11,157,023** | 11,157,023 |
| Other reserves | | **(271,542)** | (1,588,845) |
| Retained earnings | | **20,978,743** | 13,084,752 |
| **Total equity** | | **32,003,236** | 22,791,197 |
| **Non-current liabilities** | | | |
| Borrowings | 25 | **15,000,000** | 10,220,905 |
| Lease liabilities | 26 | **223,100** | 336,565 |
| Deferred tax liabilities | 27 | **8,930** | 472,126 |
| | | **15,232,030** | 11,029,596 |
| **Current liabilities** | | | |
| Trade and other payables | 28 | **10,936,323** | 6,576,333 |
| Deferred income | 29 | **735,025** | 590,874 |
| Borrowings | 25 | **44,286,763** | 36,308,411 |
| Lease liabilities | 26 | **130,985** | 121,230 |
| Current tax liabilities | 30 | **9,503,103** | 4,875,066 |
| | | **65,592,199** | 48,471,914 |
| **Total liabilities** | | **80,824,229** | 59,501,510 |
| **Total equity and liabilities** | | **112,827,465** | 82,292,707 |

The notes on pages 12 to 47 form an integral part of these consolidated financial statements.

On 15 March 2024 the Board of Directors of Avafin Holding Ltd authorised these consolidated financial statements for issue.

| | |
|---|---|
| DocuSigned by: | DocuSigned by: |
| Davis Barons | Patrick Koeck |
| 9B2867DAA7A34D0... | 7BBF66922C2846E... |
| Davis Barons | Patrick Koeck |
| Director | Director |

# AVAFIN HOLDING LTD

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2023

| | Note | Share capital € | Share premium € | Translation reserve € | Retained earnings € | Total € |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2022** | | **137,714** | **11,157,023** | **(1,389,862)** | **4,788,393** | **14,693,268** |
| Net profit for the year | | - | - | - | 8,296,359 | 8,296,359 |
| Other comprehensive income for the year | | - | - | (198,983) | - | (198,983) |
| Issue of share capital | 24 | 553 | - | - | - | 553 |
| **Balance at 31 December 2022/ 1 January 2023** | | **138,267** | **11,157,023** | **(1,588,845)** | **13,084,752** | **22,791,197** |
| Net profit for the year | | - | - | - | 7,893,991 | 7,893,991 |
| Other comprehensive income for the year | | - | - | 1,317,303 | - | 1,317,303 |
| Issue of share capital | 24 | 745 | - | - | - | 745 |
| **Balance at 31 December 2023** | | **139,012** | **11,157,023** | **(271,542)** | **20,978,743** | **32,003,236** |

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at the rate of 17% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents and domiciled. Deemed dividend distribution is also subject to a 2.65% contribution to the General Healthcare System. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

# CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2023

| | Note | 2023 € | 2022 € |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit before tax** | | **11,695,268** | 11,620,328 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 16 | **79,328** | 136,046 |
| Exchange difference arising on the translation and consolidation of foreign companies' financial statements | | **1,317,303** | (198,983) |
| Amortisation of license and software | 17 | **1,990,331** | 2,337,464 |
| Profit from the sale of property, plant and equipment | | **(69)** | (261) |
| Loss on liquidation of property, plant and equipment | | **10,176** | - |
| Amortisation of right-of-use assets | | **144,803** | 119,820 |
| Change in deferred tax asset and liability - exchange difference | | **(300,512)** | (215,927) |
| Change in impairment allowance | | **13,745,816** | (6,135,340) |
| Investments write-off | | **-** | 285 |
| Change in current tax receivable | | **259,447** | 564,832 |
| Change in current tax and public liabilities | | **664,712** | 423,244 |
| Change in prepaid expenses and accrued income | | **(71,321)** | (148,106) |
| Change in interperiod settlements and provisions | | **3,147,031** | 945,699 |
| Change in goodwill and other | | **14,636** | 48,431 |
| | | **32,696,949** | 9,497,532 |
| **Changes in working capital:** | | | |
| Increase in trade and other receivables | | **(634,706)** | (3,206,582) |
| Increase in trade and other payables | | **1,369,536** | 136,286 |
| Change in payday loans | | **(34,551,820)** | (3,329,699) |
| **Cash (used in)/generated from operations** | | **(1,120,041)** | 3,097,537 |
| Tax paid | | **(2,818,933)** | (1,372,881) |
| **Net cash (used in)/generated from operating activities** | | **(3,938,974)** | 1,724,656 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for purchase of intangible assets | 17 | **(2,282,531)** | (1,859,532) |
| Payment for purchase of property, plant and equipment | 16 | **(100,247)** | (143,010) |
| Loans repayments received | | **(31,884)** | (1,839,795) |
| Proceeds from disposal of property, plant and equipment | | **69** | 261 |
| **Net cash used in investing activities** | | **(2,414,593)** | (3,842,076) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of share capital | | **745** | 553 |
| Repayments of borrowings | | **(10,387,995)** | (23,096,886) |
| Repayments of lease liabilities | | **(180,459)** | (203,946) |
| Proceeds from borrowings | | **16,979,835** | 15,543,857 |
| Proceeds from bonds | | **6,165,607** | 12,447,264 |
| **Net cash generated from financing activities** | | **12,577,733** | 4,690,842 |
| **Net increase in cash and cash equivalents** | | **6,224,166** | 2,573,422 |
| Cash and cash equivalents at beginning of the year | | **13,240,612** | 10,667,190 |
| **Cash and cash equivalents at end of the year** | 23 | **19,464,778** | 13,240,612 |

The notes on pages 12 to 47 form an integral part of these consolidated financial statements.

### 1. Incorporation and principal activities

#### Country of incorporation

Avafin Holding Ltd (the "Company") was incorporated in Cyprus on 1 September 2014 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Kimonos, 40, 3095, Limassol, Cyprus.

#### Principal activities

The principal activity of the Group is the provision of online consumer loans in Europe and Latin America.

As of 31 December 2023 the subsidiaries consolidated by the Group were as follows:

| Name | Country of incorporation and principal place of business | Group share of ownership |
|---|---|---|
| **Creamfinance Poland Sp. z o.o.** | **Poland** | **100%** |
| **KIM Finance Sp. z o.o.** | **Poland** | **100%** |
| **MDP Finance Sp. z o.o.** | **Poland** | **100%** |
| **DJK Finance Sp. z o.o.** | **Poland** | **100%** |
| **Creamwise Europe Sp. z o.o.** | **Poland** | **100%** |
| **Kancelaria Prawno-Windykacyjna Lex Actum Sp. z o.o.** | **Poland** | **100%** |
| **Microfinance Organisation Creamfinance Georgia LLC** | **Georgia** | **100%** |
| **Avafin Latvia SIA** | **Latvia** | **100%** |
| **Avafin Software SIA** | **Latvia** | **100%** |
| **Creamfinance Czech s.r.o.** | **Czech Republic** | **100%** |
| **RRM Ltd** | **Malta** | **100%** |
| **Creamfinance Spain S.L.** | **Spain** | **100%** |
| **Available Finances S.A. de C.V.** | **Mexico** | **100%** |
| **Cream Finance Holding Ltd** | **UK** | **100%** |
| **Avafin Holding Ltd** | **Cyprus** | **Parent** |

On 8 December 2023, Creamfinance Denmark was liquidated.

On 28 December 2023, JJK Finance Sp. z.o.o. merged into KIM Finance Sp. z.o.o..

In 2024, it is the Group's intention to finalise the liquidation of Microfinance Organisation Creamfinance Georgia LLC and Cream Finance Holding Ltd (UK).

**2. Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

**3. Adoption of new or revised standards and interpretations**

As from 1 January 2023, the Group adopted all the IFRSs and International Accounting Standards (IAS), which are relevant to its operations.

The adoption of these Standards had a material effect on the consolidated financial statements as follows:

**4. Material accounting policies**

The material accounting policies adopted in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all years presented in these separate financial statements unless otherwise stated.

Management seeks not to reduce the understandability of these separate financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes.

**Basis of consolidation**

The Group has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Group at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent Group Avafin Holding Ltd and the financial statements of the subsidiaries.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

**4. Material accounting policies (continued)**

**Business combinations (continued)**

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

**Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates". Goodwill on acquisitions of investments in joint ventures is included in "investments in joint ventures".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is recognised immediately in profit or loss.

**4. Material accounting policies (continued)**

**Business combinations involving entities under common control**

For common control business combinations the predecessor approach is applied. This method accounts for the assets and liabilities of the acquired business using previous carrying values. No fair value adjustments are applied, the only potential adjustments relate to unification of accounting policies.

No goodwill is recognised as a result of the business combination, the difference between acquirer's cost of investment and the equity of the acquired entity is presented as part of retained earnings on consolidation. All costs related to the combination are recognised immediately in profit or loss.

Non-controlling interest are measured as a proportionate share of the book value of the related assets and liabilities.

**Revenue**

**Recognition and measurement**

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes).

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices ) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by Management.

**Identification of performance obligations**

The Group assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

**4. Material accounting policies (continued)**

**Revenue recognition (continued)**

- **Loan Origination Fees and Interest Income**

  For all financial instruments measured at amortised cost, loan origination fees and interest income or expense is recorded using EIR, which is the rate that exactly discounts estimated future cash payments or receipts over an expected life of a financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or the financial liability. While calculating EIR, the Group takes into account all contractual terms of the financial instrument, but not future credit losses. The carrying amount of the financial asset or the financial liability is adjusted if the Group revises its estimates as to such payments or receipts. The adjusted carrying amount is calculated based on the original EIR and is recognised as interest income or expense in the income statement.

  Interest income on debt securities designated to measurement at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) at the moment of the initial recognition is recognised in interest income.

  Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income is calculated on the present value of an amount due (i.e. the value less value adjustment) and continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

- **Other Fee and Commission Income**

  Other fees and commissions for activities not related to the internal rate of return on loans, advances and other receivables are spread over time at the straight line method or recognised on a one off basis at the moment of their receipt depending on the nature of such fees and commissions.

- **Financing component**

  The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

**Finance income**

Interest income on loans granted other than consumer loans is recognised on a time-proportion basis using the effective method.

**Finance costs**

Interest expense and other borrowing costs are charged to profit or loss using the effective interest rate method or as incurred depending on the nature of other borrowing costs.

**Foreign currency translation**

**(1) Functional and presentation currency**
Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Group's functional and presentation currency.

**(2) Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. The foreign functional currencies of component companies are Polish Zloty, Czech Koruna, Georgian Lari, Danish Krone and Mexico. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

**(3) Valuation of foreign exchange derivative transactions**
Changes in fair value of foreign exchange derivative transaction portfolio are fully recognised in finance income / cost.

**4. Material accounting policies (continued)**

**Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

**Employee benefits**

The Group and its employees contribute to the Government Social Insurance Fund based on employees' salaries.

**Short term Employee Benefits**

Short term employee benefits (other than on account of the termination of an employment contract) include remuneration, bonuses, paid holidays and social insurance contributions. The Group recognises an anticipated and not discounted value of short term benefits as costs in the period, in which employees performed their work (irrespectively of payment timing) in correspondence with other liabilities in the statement of financial position. The amount of short term benefits for unused holidays is calculated as total unused leaves per employee.

**Long term Employee Benefits**

Long term employee benefits other than pension schemes are the amount of future benefits that the employee will receive for the performance of services in current and previous periods, but which are not due in full during 12 months from such performance. Provisions for retirement severance pay under the Labour Code are estimated based on actuarial valuations.

The provision, which is the result of such actuarial valuation, if material, is recognised and adjusted annually. Provisions for long term benefits are recognised as Provisions in the statement of financial position in correspondence with remuneration costs in the income statement.

**Dividends**

Dividend distribution to the Company's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Company's shareholders.

**Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

| | |
|---|---|
| Computers and technical equipment | 3-10 years |
| Motor vehicles | 5-6 years |
| Fixtures and fittings | 3-10 years |
| Leashold improvements - cost | 5-50 years |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

**4. Material accounting policies (continued)**

**Property, plant and equipment (continued)**

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The amortisation period for intangible assets is 2-5 years.

**Licences and software**

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of five years. Amortisation commences when the computer software is available for use.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The amortisation period for licences and software is 2-5 years.

**4. Material accounting policies (continued)**

**Leases**

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;

(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and

(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group’s incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes:

• amounts expected to be payable under any residual value guarantee;

• the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;

• any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

• lease payments made at or before commencement of the lease;

• initial direct costs incurred; and

• the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

**4. Material accounting policies (continued)**

**Leases (continued)**

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement.

During the year, the Group did not apply IFRS 16 on leases existed in Spain, Latvia and Mexico. The amount was insignificant on Group level.

**Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**Financial assets**

**Financial assets - Classification**

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

Financial assets measured at amortised cost are assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in ‘finance income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost, to be measured or at FVTOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

**Financial assets - Recognition and derecognition**

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**4. Material accounting policies (continued)**

**Financial assets (continued)**

**Financial assets - Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Financial assets - Reclassification**

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

**Consumer loans**

Loans originated by the Group by providing money directly to borrowers are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate, as stated before, is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

**Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 360 days past due.

**4. Material accounting policies (continued)**

**Financial assets (continued)**

**Prepayments**

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank or at brokers and cash in hand. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

**Financial liabilities - measurement categories**

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

**Borrowings**

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

**Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

**Deferred income**

Deferred income represents income receipts which relate to future periods.

**Share capital**

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

**Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

## 5. New accounting pronouncements

At the date of approval of these consolidated financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the consolidated financial statements of the Group.

At the date of approval of these consolidated financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

**(i) Adopted by the European Union**

**Amendments**
*IFRS Interpretations Committee*

- *Amendments to IAS 1 Presentation of Financial Statements:*
  *• Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020);*
  *• Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and*
  *• Non-current Liabilities with Covenants (issued on 31 October 2022) (effective for annual periods beginning on or after 1 January 2024).*
- *Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022) (effective for annual periods beginning on or after 1 January 2024).*

**(ii) Not adopted by the European Union**

**Amendments**

- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023) (effective for annual periods beginning on or after 1 January 2024).*
- *Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023) (effective for annual periods beginning on or after 1 January 2025).*

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the consolidated financial statements of the Group.

## 6. Financial risk management

### Financial risk factors

The Group is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

### 6.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

| | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| **Fixed rate instruments** | | |
| Financial assets | **77,017,397** | 53,391,124 |
| Financial liabilities | **(43,856,487)** | (36,308,228) |
| **Floating rate instruments** | | |
| Financial assets | **2,000,000** | 1,940,000 |
| Financial liabilities | **(15,000,000)** | (10,000,000) |
| | **20,160,910** | 9,022,896 |

**6. Financial risk management (continued)**

**6.2 Credit risk**
Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables.

*(i) Risk management*

Credit risk is managed centrally.

Management assesses the credit quality of the banks taking into account its financial position, past experience and other factors.

*(ii) Impairment of financial assets*

The Group has the following types of financial assets that are subject to the expected credit loss model:
- Consumer loan portfolio
- Other financial assets
- prepayments

**Other financial assets**

Other financial assets at amortised cost include other receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is past due in making a contractual payment.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

No significant changes to estimation techniques or assumptions were made during the reporting period.

**Credit risk management practices – impairment calculation for loan portfolios**

**Portfolio segmentation and homogenous groups**

The Group uses following approach to establish homogenous groups for impairment calculations:
- Each of Group’s countries is assessed separately.
- Each brand and product in a country is generally assessed separately as customer profile, loan size and maturity usually differ; however, in cases the risk profiles are very similar and/or data availability is limited, i.e. for recently launched brands/products, specific brands/products might be grouped or specific brands/products will be used as a proxy for other ones.
- Each risk category based on internal credit scoring and 30-day delay bucket is assessed separately as risk profile and expected credit losses are usually different. Split in risk categories and delay buckets are as follows:
  a. No delay:
     - Low risk category with risk grade 1-3;
     - Medium risk category with risk grade 4-6;
     - High risk category with risk grade 7-9.
  b. 1-30 days of delay;
  c. 31-60 days of delay;
  d. 61-720 days of delay;
  e. 721+ days of delay.

**6. Financial risk management (continued)**

**6.2 Credit risk (continued)**

*(ii) Impairment of financial assets (continued)*

**Probability of Default**

Probability of default (PD) is likelihood that a loan will default in the future and is applied to each homogenous group separately The default is defined as failure of borrower to meet its payment obligations as a result loan passing 60 day of delay threshold (default indicator = 60+ days). PD is based on migration of loan amounts. Due to the homogenous loan amounts in the defined segments PD is de facto defined on obligor basis. Markov chain model is used to derive migration matrices that tracks loan portfolio movements between the different buckets.

PD may be adjusted to reflect the forecast of future conditions and to remove the effects of the conditions in the historical periods that are not relevant to the future contractual cash flows.

Forward looking factors analysed when considering necessity of adjusting PD calculated based on historical data include the following:

a) External drivers
- Real GDP growth rate
- Inflation rate
- Unemployment rate
- Regulatory changes

b) Internal drivers
- Underwriting assumptions (changing risk appetite)
- Internal processes expected improvements

PD is discounted with the effective interest rate in order to represent the time value of money and reflect expected timing of impairment occurrence.

PD period for impairment calculations are set as follows:

⇒ 12 months PD is used for no delay portfolio;

⇒ Significant increase in credit risk is defined as 1 DPD, hence lifetime PD is used for 1-60 days delay portfolio as this part of portfolio is treated as one having significant increase in credit risk since issue date. Group applies 36 months PD as “lifetime” because app. 99% of 1-60 days delay loans are either repaid or defaulted during given period of time.

**6.3 Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

**6. Financial risk management (continued)**

**6.3 Liquidity risk (continued)**

| **31 December 2023** | Carrying amounts € | Contractual cash flows € | 3 months or less € | 3-12 months € | 1-2 years € | 2-5 years € |
|---|---|---|---|---|---|---|
| Loans received from unrelated parties | 21,450,251 | 22,329,974 | 5,343,174 | 16,936,290 | 50,510 | - |
| Bonds issued to unrelated parties | 23,829,656 | 29,890,565 | 495,588 | 10,412,105 | 1,987,805 | 16,995,067 |
| Trade and other payables | 10,560,682 | 10,560,682 | 10,560,682 | - | - | - |
| Payables to related parties | 375,642 | 375,642 | 375,642 | - | - | - |
| Loans received from related parties | 14,006,856 | 16,120,388 | 4,113 | 16,116,275 | - | - |
| | **70,223,087** | **79,277,251** | **16,779,199** | **43,464,670** | **2,038,315** | **16,995,067** |

| 31 December 2022 | Carrying amounts € | Contractual cash flows € | 3 months or less € | 3-12 months € | 1-2 years € | 2-5 years € |
|---|---|---|---|---|---|---|
| Loans received from unrelated parties | 19,972,026 | 21,206,221 | 5,618,670 | 15,014,753 | 572,798 | - |
| Bonds issued to unrelated parties | 17,664,048 | 21,424,960 | 265,844 | 8,674,880 | 935,092 | 11,549,144 |
| Trade and other payables | 6,138,655 | 6,138,655 | 6,138,655 | - | - | - |
| Payables to related parties | 437,680 | 437,680 | 437,680 | - | - | - |
| Loans received from related parties | 8,893,242 | 9,013,926 | 7,534,081 | 1,199,523 | 280,322 | - |
| | 53,105,651 | 58,221,442 | 19,994,930 | 24,889,156 | 1,788,212 | 11,549,144 |

**6.4 Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Polish Zloty, Mexican Peso, Czech Koruna, Japanese Yen, Danish Krone, US Dollar and the Georgian Lari. The Group's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | | **Liabilities** | | **Assets** |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **€** | € | **€** | € |
| Polish Zloty | **13,402,199** | 11,127,347 | **45,879,693** | 37,263,783 |
| Czech Koruna | **2,245,529** | 738,991 | **10,894,101** | 5,095,715 |
| Georgian Lari | **166** | 166 | **1,112** | 1,112 |
| Danish Krone | **-** | 248,743 | **-** | 303,403 |
| Mexican peso | **6,940,374** | 1,794,568 | **23,177,859** | 14,851,754 |
| US Dollar | **9,488** | 2,344 | **12,351** | 12,950 |
| Japanese Yen | **16,937,812** | 14,429,344 | **15,899,553** | 13,910,714 |
| | **39,535,568** | 28,341,503 | **95,864,669** | 71,439,431 |

**6. Financial risk management (continued)**

Sensitivity analysis
A 10% strengthening of the Euro against the following currencies at 31 December 2023 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

| | | **Equity** | | **Profit or loss** |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **€** | € | **€** | € |
| Polish Zloty | **(2,952,499)** | (2,376,040) | **(1,169,881)** | (823,702) |
| Czech Koruna | **(786,234)** | (396,066) | **(145,993)** | (20,166) |
| Georgian Lari | **(86)** | (86) | **-** | - |
| Danish Krone | **-** | (4,969) | **-** | 33,318 |
| Mexican peso | **(1,476,135)** | (1,187,017) | **(1,183,000)** | (1,116,493) |
| US Dollar | **(260)** | (964) | **(260)** | (964) |
| Japanese Yen | **94,387** | 47,148 | **94,387** | 47,148 |
| | **(5,120,827)** | (3,917,994) | **(2,404,747)** | (1,880,859) |

**6.5 Capital risk management**

Capital includes equity shares.

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from last year.

**7. Critical accounting estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Judgments*

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### 7. Critical accounting estimates and judgments (continued)

*Critical judgements in applying the Group's accounting policies*

- **Impairment of investments in subsidiaries**

  The Group periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of financial assets**

  The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

- **Impairment of non-financial assets**

  The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Impairment of intangible assets**

  Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Impairment of goodwill**

  Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units using a suitable discount rate in order to calculate present value.

### 8. Revenue

| | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| Payday and instalment loans fees and interest | **97,271,672** | 68,901,225 |
| | **97,271,672** | 68,901,225 |

The main categories of revenue have been presented in the table below:

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Loan fee | **48,684,479** | 42,047,786 |
| Interest fee | **23,650,272** | 10,977,619 |
| Extension fee | **21,968,317** | 13,199,420 |
| Late fees and penalties | **3,417,517** | 3,121,754 |
| Other fee income/(reversed income) | **(448,913)** | (445,354) |
| | **97,271,672** | 68,901,225 |

Reversed income presented in Other fee income includes refunds of interest and fees previously received from customers and recognised as revenue.

### 9. Cost of sales

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Impairment cost (ECL provision) | **36,143,026** | 21,454,870 |
| Other direct costs | **7,568,731** | 5,344,156 |
| Loan insurance and CDS costs | **6,274,773** | 7,858,735 |
| Interest on borrowings from related parties (Note 32.2) | **1,518,722** | 738,068 |
| Interest on borrowings from unrelated parties | **5,080,667** | 4,389,309 |
| | **56,585,919** | 39,785,138 |

### 10. Other operating income

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Other operating income from related parties (Note 32.3) | **-** | 400 |
| Other operating income from unrelated parties | **4,878,570** | 6,834,942 |
| | **4,878,570** | 6,835,342 |

### 11. Selling and distribution expenses

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Other financial services | **269,310** | 166,041 |
| Marketing - Online sales | **10,646,527** | 7,719,778 |
| Marketing - Media | **36,091** | 629,789 |
| Marketing - PR | **4,232** | 5,772 |
| Marketing - Production | **-** | 607 |
| Marketing - Other | **5,308** | 46,741 |
| | **10,961,468** | 8,568,728 |

**12. Administration expenses**

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Staff costs | **10,462,288** | 8,669,778 |
| Lease expenses, exploitation and office expenses | **486,306** | 408,549 |
| Computer supplies, telecommunication and software expenses | **1,807,333** | 1,574,085 |
| Auditors' remuneration | **285,361** | 251,262 |
| Travel expenses | **181,479** | 153,057 |
| Other professional fees | **3,012,511** | 2,402,350 |
| Amortisation of right-of-use assets (Note 22) | **144,803** | 119,820 |
| Amortisation of intangible assets (Note 17) | **1,990,331** | 2,337,464 |
| Depreciation (Note 16) | **79,328** | 136,046 |
| Sundry expenses | **401,968** | 351,054 |
| | **18,851,708** | 16,403,465 |

The average number of staff for 2023 was 362 (2022: 341).

**13. Other expenses**

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Other operating expenses - related (Note 32.4) | **12,328** | - |
| Other operating expenses - unrelated | **6,105,131** | 707,511 |
| | **6,117,459** | 707,511 |

**Middlemarch case**

The Company was in a legal dispute with Middlemarch Securities LLC, a US-based advisory firm, over the eligibility of a success fee in relation to the investment of Capitec Bank into Creamfinance in 2017 – 2018.

On 29.06.2020, the American Arbitration Association issued a final award, ordering the Company to pay a success fee, legal fees, arbitration fees and to provide Middlemarch Securities LLC with warrants in the Company. The Company did not recognise the award and protested its execution. Subsequently Middlemarch submitted an application for the recognition of the award with the courts in Cyprus and in Poland.

On 20.06.2023, Warsaw Court of Appeals accepted Middlemarch Securities LLC's motion and confirmed the enforceability of the arbitral award dated 29 June 2020 issued against AvaFin Holding Ltd and authorised Middlemarch to enforce in Poland the following deliverables adjudicated in the award:

1. Success fee: EUR 1,893,133.00

2. Legal fees: USD 695,540.62 and EUR 2,765.00

3. Reimbursement of arbitration fees: USD 117,871.50

4. Additional benefit pursuant to the agreement concluded with Middlemarch: 2,494 warrants.

The Company paid the monetary part of the award (1 - 3) as well as court fees amounting to PLN 437, and negotiated a settlement of the warrants claim (4) and the rest of the reciprocate claims from other related legal disputes. The parties agreed to withdraw all of the claims against each other, with the Company paying additional EUR 600,000 to Middlemarch as cash compensation for the warrants.

The settlement agreement was signed on 13 September 2023 and all of the mutual claims have been duly settled across the jurisdictions.

Other significant component of other expenses in 2023 was the provision in Poland of EUR 1,302,766 (PLN 5,664,425) for the UOKIK refinancing case. Refer to Note 33.

### 14. Finance income/(costs)

| | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| Interest income | **398,939** | 233,829 |
| Net exchange profit | **1,766,730** | 1,132,251 |
| **Finance income** | **2,165,669** | 1,366,080 |
| | | |
| Interest expense on lease liabilities (Note 26) | **(46,443)** | (52,631) |
| Sundry finance expenses | **(216,955)** | (186,679) |
| **Finance costs** | **(263,398)** | (239,310) |
| **Net finance income** | **1,902,271** | 1,126,770 |

Net exchange profits include a loss amounting to €826,256 (2022: gain amounting to €256,977) which derives from the foreign exchange movement on forward contracts.

### 15. Tax

| | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| Corporation tax - current year | **6,685,317** | 2,002,362 |
| Corporation tax - prior years | **84,517** | 664,341 |
| Deferred tax - (credit)/charge (Note 27) | **(2,968,557)** | 657,266 |
| **Charge for the year** | **3,801,277** | 3,323,969 |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates. Group companies operate in different jurisdictions with different corporation tax rates. The corporation tax rate of the parent is 12,5%.

**Tax rates per country of operations**

| | 2023 | 2022 |
|---|---|---|
| Poland | 19% | 19% |
| Georgia | 15% | 15% |
| Latvia | 20% | 20% |
| Denmark | 22% | 22% |
| Czech Republic | 19% | 19% |
| Spain | 25% | 25% |
| Mexico | 30% | 30% |
| Cyprus | 12,5% | 12,5% |
| UK | 19% | 19% |
| Malta | 35% | 35% |

**Tax reconciliation**

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Accounting profit/(loss) before tax | 11,695,269 | 11,620,328 |
| Accounting result taxed with CIT nominal rates | 4,351,851 | 3,631,473 |
| Tax adjustments due to non-tax deductible expenses, deferred tax impairment, consolidation adjustments or other adjustments | -550,574 | -307,504 |
| | 3,801,277 | 3,323,969 |
| Effective tax rate | 33% | 29% |

**16. Property, plant and equipment**

| | Computers and technical equipments | Motor vehicles | Furniture, fixtures and office equipment | Leasehold improveme nts | Total |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| **Cost** | | | | | |
| Balance at 1 January 2022 | 328,762 | 49,293 | 136,922 | 47,428 | 562,405 |
| Additions | 105,635 | - | 37,375 | - | 143,010 |
| Disposals | (27,959) | - | (1,207) | - | (29,166) |
| Other | 19,587 | 411 | 8,708 | 244 | 28,950 |
| **Balance at 31 December 2022/ 1 January 2023** | **426,025** | **49,704** | **181,798** | **47,672** | **705,199** |
| Additions | 95,405 | - | 4,842 | - | 100,247 |
| Disposals | (17,787) | - | - | - | (17,787) |
| Other | 28,915 | (338) | 10,910 | (43) | 39,444 |
| **Balance at 31 December 2023** | **532,558** | **49,366** | **197,550** | **47,629** | **827,103** |
| **Depreciation** | | | | | |
| Balance at 1 January 2022 | 272,545 | 49,293 | 70,522 | 8,727 | 401,087 |
| Charge for the year (Note 12) | 79,354 | - | 51,580 | 5,112 | 136,046 |
| On disposals | (27,959) | - | (1,207) | - | (29,166) |
| Other | 14,999 | 411 | 3,858 | 244 | 19,512 |
| **Balance at 31 December 2022/ 1 January 2023** | **338,939** | **49,704** | **124,753** | **14,083** | **527,479** |
| Charge for the year (Note 12) | 55,664 | - | 18,457 | 5,207 | 79,328 |
| On disposals | (7,611) | - | - | - | (7,611) |
| Other | 15,640 | (338) | 6,467 | (43) | 21,726 |
| **Balance at 31 December 2023** | **402,632** | **49,366** | **149,677** | **19,247** | **620,922** |
| **Net book amount** | | | | | |
| **Balance at 31 December 2023** | **129,926** | **-** | **47,873** | **28,382** | **206,181** |
| **Balance at 31 December 2022** | **87,086** | **-** | **57,045** | **33,589** | **177,720** |

### 17. Intangible assets

| | Goodwill € | Computer software € | Other intangible assets € | Advances for intangible assets € | Total € |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2022 | 3,646,526 | 11,329,333 | 45,856 | 1,642,561 | 16,664,276 |
| Additions | - | 1,208,421 | - | 1,859,533 | 3,067,954 |
| Disposals/Transfers | - | (1,235,775) | - | (1,208,421) | (2,444,196) |
| Other | - | 244 | 126 | - | 370 |
| **Balance at 31 December 2022/ 1 January 2023** | **3,646,526** | **11,302,223** | **45,982** | **2,293,673** | **17,288,404** |
| Additions | - | 3,024,636 | - | 2,266,718 | 5,291,354 |
| Disposals/Transfers | (495,770) | - | - | (3,008,824) | (3,504,594) |
| Other | (736,276) | 177 | 1,160 | - | (734,939) |
| **Balance at 31 December 2023** | **2,414,480** | **14,327,036** | **47,142** | **1,551,567** | **18,340,225** |
| **Amortisation** | | | | | |
| Balance at 1 January 2022 | 1,460,674 | 5,924,893 | 27,928 | - | 7,413,495 |
| Amortisation for the year (Note 12) | - | 2,333,009 | 4,455 | - | 2,337,464 |
| Disposal | - | (1,235,774) | - | - | (1,235,774) |
| Other | - | 244 | 180 | - | 424 |
| **Balance at 31 December 2022/ 1 January 2023** | **1,460,674** | **7,022,372** | **32,563** | **-** | **8,515,609** |
| Amortisation for the year (Note 12) | - | 1,986,183 | 4,148 | - | 1,990,331 |
| Disposal | (495,770) | - | - | - | (495,770) |
| Other | (736,276) | 176 | 1,031 | - | (735,069) |
| **Balance at 31 December 2023** | **228,628** | **9,008,731** | **37,742** | **-** | **9,275,101** |
| **Net book amount** | | | | | |
| **Balance at 31 December 2023** | **2,185,852** | **5,318,305** | **9,400** | **1,551,567** | **9,065,124** |
| **Balance at 31 December 2022** | **2,185,852** | **4,279,851** | **13,419** | **2,293,673** | **8,772,795** |

The main component of Licences and software position is the transactional system Platon used by all Group companies holding loan portfolios. Remaining amortization period of core Platon together with its deployed modules amounts to 40 months. Non deployed Platon modules constitute majority of advances for intangible assets.

An amount of €736,276 included in Goodwill adjustments relates to prior years derecognition of goodwill for component companies which were dissolved (impairment for this part of goodwill had been already recognised in prior years).

### 18. Investments in subsidiaries

| | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| Balance at 1 January | **47,500** | 47,785 |
| Disposals, write offs or decreases due to FX rates changes | **-** | (285) |
| **Balance at 31 December** | **47,500** | 47,500 |

The details of the subsidiaries are as follows:

| Name | Country of incorporation | Principal activities | 2023 Holding % | 2022 Holding % |
|---|---|---|---|---|
| Cream Finance IT Austria GmbH | Austria | Provision of services to group entities | 100 | 100 |
| Crediton LLC | Georgia | Dormant | 100 | 100 |

These investments were not included in the consolidated financial statements as at 31 December 2023 either because they were without operational activity or with immaterial potential impact on consolidated financial statements.

### 19. Loans receivable

| | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| Loans to unrelated parties | **3,003,538** | 2,965,000 |
| Loans to related parties (Note 32.6) | **3,144,064** | 3,150,718 |
| Provisions for doubtful loans (Note 32.6) | **(2,704,927)** | (2,704,927) |
| | **3,442,675** | 3,410,791 |
| Less current portion | **(6,352)** | - |
| Non-current portion | **3,436,323** | 3,410,791 |

Loans to unrelated parties comprise of:

- bonds issued by Multitude SE of nominal amounting to €2,000,000 with a discount of 3%, bearing an interest rate of EURIBOR3M + 7.5% and maturing in December 2025. The bonds are unsecured and have been purchased and pledged as a collateral for the bonds issued by the Company to Multitude Bank PLC, described in note 25. As at 31 December 2023, the balance was €1,966,350.

- bonds issued by Innovatio Risk Solutions Ltd of nominal amounting to €1,025,000, bearing an interest rate of 14%, the bonds are payable upon request of the bond holder and there is no intention to request the repayment in 2024. As at 31 December 2023, the balance was €1,037,188.

The loans are repayable as follows:

| | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| Within one year | **6,352** | - |
| Between one and five years | **3,436,323** | 3,410,791 |
| | **3,442,675** | 3,410,791 |

The exposure of the Group to credit risk in relation to loans receivable is reported in note 6 of the consolidated financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

### 20. Trade and other receivables

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Receivables-microloans | **95,319,520** | 60,767,700 |
| Less: ECL provision | **(29,605,325)** | (16,291,505) |
| Consumer loans portfolio - net | **65,714,195** | 44,476,195 |
| Receivables from related parties (Note 32.5) | **175** | 280,925 |
| Deposits and prepayments | **2,367,973** | 2,296,652 |
| Current CIT receivables | **30,683** | 231,146 |
| Outstanding employer contributions | **1,246** | 878 |
| Other current tax receivables | **98,235** | 157,219 |
| Other receivables | **5,300,035** | 4,578,849 |
| Less: Provision for impairment of other receivables | **(431,996)** | - |
| | **73,080,546** | 52,021,864 |

Other receivables includes an amount of €2,739,884 which relates to tax refundable from Maltese authorities.

Deposits and prepayments includes an amount of €2,205,782 which relates to prepayments made for CDS.

Provision for impairment of other receivables relates to Garnet case in Mexico, please refer to note 35.

Ageing of not due and past due (according to net amounts):

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Not due | **47,274,749** | 32,161,650 |
| Due up to 60 days | **9,607,495** | 6,874,109 |
| Due more than 60 days | **8,831,951** | 5,440,436 |
| | **65,714,195** | 44,476,195 |

The Group does not hold any collateral over the trading balances.

Movement in provision for impairment of receivables:

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Balance at 1 January | **16,291,505** | 22,426,845 |
| Impairment losses recognised in receivable charged to P&L | **36,143,026** | 21,454,870 |
| ECL losses decrease due to disposals | **(22,235,174)** | (19,904,182) |
| ECL losses decrease due to write offs | **(594,032)** | (7,686,028) |
| **Balance at 31 December** | **29,605,325** | 16,291,505 |

Expected credit losses decrease due to disposals and write offs are reflected separately than the ECL provision presented in profit and loss.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 6 of the consolidated financial statements.

**Expected credit losses reconciliation**

**2023**

| | 12 months expected credit loss | Lifetime expected credit loss - on not impaired | Lifetime expected credit loss - on impaired | Total |
|---|---|---|---|---|
| | € | € | € | € |
| **Balance at 31 December 2022** | **3,711,659** | **3,847,167** | **8,732,679** | **16,291,505** |
| Additions change PD only | (191,333) | (134,065) | - | **(325,398)** |
| Additions change LGD only | 2,075 | (30,432) | (489,425) | **(517,782)** |
| Additions change EAD only | 1,699,252 | 845,797 | 12,149,962 | **14,695,011** |
| Additions compounded change of parameters | (104,452) | (16,860) | (416,700) | **(538,012)** |
| **Balance at 31 December 2023** | **5,117,201** | **4,511,607** | **19,976,517** | **29,605,325** |

2022

| | 12 months expected credit loss | Lifetime expected credit loss - on not impaired | Lifetime expected credit loss - on impaired | Total |
|---|---|---|---|---|
| | € | € | € | € |
| **Balance at 31 December 2021** | **2,227,825** | **2,358,042** | **17,840,979** | **22,426,845** |
| Additions change PD only | 262,851 | 49,007 | - | **311,858** |
| Additions change LGD only | (32,033) | (11,548) | 258,904 | **215,323** |
| Additions change EAD only | 1,173,386 | 1,392,781 | (9,313,696) | **(6,747,529)** |
| Additions compounded change of parameters | 79,630 | 58,885 | (53,507) | **85,008** |
| **Balance at 31 December 2023** | **3,711,659** | **3,847,167** | **8,732,679** | **16,291,505** |

**21. Financial assets at fair value through profit or loss**

| **Financial assets** | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| Balance at 1 January | **43,566** | - |
| Exchange differences | **193,902** | 43,566 |
| **Balance at 31 December** | **237,468** | 43,566 |

| **Financial liabilities** | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| Balance at 1 January | **-** | 213,411 |
| Exchange differences | **-** | (213,411) |
| **Balance at 31 December** | **-** | - |

The balance relates to valuation of FX forwards contracts concluded with hedging purposes.

**22. Right-of-use-assets**

| | **2023** | 2022 |
|---|---|---|
| | € | € |
| Balance at 1 January | **412,436** | 224,816 |
| Additions | **28,655** | 301,675 |
| Other | **15,611** | 5,767 |
| Less amortisation (Note 12) | **(144,803)** | (119,820) |
| **Balance at 31 December** | **311,899** | 412,436 |

Right-of-use-assets relate to leases for office use.

### 23. Cash and cash equivalents

Cash balances are analysed as follows:

| | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| Cash in hand | **3,134** | 2,993 |
| Cash with brokers | **2,908,634** | 4,065,847 |
| Cash in transfer | **2,463,123** | 2,326,838 |
| Cash at bank | **14,089,887** | 6,844,934 |
| | **19,464,778** | 13,240,612 |

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the consolidated financial statements.

### 24. Share capital

| | **2023 Number of shares** | **2023 €** | 2022 Number of shares | 2022 € |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares of €1 each | **142,218** | **142,218** | 142,218 | 142,218 |
| **Issued and fully paid** | | | | |
| Balance at 1 January | **138,267** | **138,267** | 137,714 | 137,714 |
| Issue of shares | **745** | **745** | 553 | 553 |
| **Balance at 31 December** | **139,012** | **139,012** | 138,267 | 138,267 |

**Authorised capital**

As at 31 December 2023, there are 3,206 unissued shares (2022: 3,951 unissued shares) subject to the authorized capital which are not registered and will only be registered upon issuance.

**Issued capital**

On 03 July 2023, the Group issued additional 745 ordinary shares with a nominal value of €1.

### 25. Borrowings

| | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| **Current borrowings** | | |
| Loans from unrelated parties | **21,450,251** | 19,751,121 |
| Bonds issued to unrelated parties | **8,829,656** | 7,664,048 |
| Loans from relates parties (Note 32.8) | **14,006,856** | 8,893,242 |
| | **44,286,763** | 36,308,411 |
| **Non-current borrowings** | | |
| Loans from unrelated parties | **-** | 220,905 |
| Bonds issued to unrelated parties | **15,000,000** | 10,000,000 |
| | **15,000,000** | 10,220,905 |
| **Total** | **59,286,763** | 46,529,316 |

**25. Borrowings (continued)**

Maturity of non-current borrowings:

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Between one to two years | 15,000,000 | 10,220,905 |
| | 15,000,000 | 10,220,905 |

**Bonds - INVL Bridge Finance (previously Mundus)**

On 26 July 2021, SIA "Creamfinance Latvia" approved and issued 2,800 bonds with nominal value of €1.000,00 each and issue price in the amount of €892.86 per bond. Bonds issued carry 0% interest rate. The bonds matured on 26 July 2022.

On 26 August 2021, SIA "Creamfinance Latvia" approved and issued 2,775 bonds with nominal value of €1.000,00 each and issue price in the amount of €900.90 per bond. Bonds issued carry 0% interest rate. The bonds matured on 26 July 2022.

On 25 July 2022, SIA "Creamfinance Latvia" approved and issued 6,242 bonds with nominal price of €1,000.00 each and issue price in the amount of €892.86 per bond, for the purpose to redeem via exchange of bonds issued on 26 July 2021 and on 26 August 2021. Bonds issued carry 0% interest rate. The bonds matured on 25 July 2023.

On 13 June 2022, SIA "Creamfinance Latvia" approved and issued 1,680 bonds with nominal value of EUR 1,000.00 each and issue price in the amount of EUR 892.86 per bond. Bonds issued carry 0% interest rate. The bonds matured on 13 June 2023.

On 5 June 2023, SIA " Avafin Latvia" approved and issued 8,909 bonds with nominal value of EUR 1,000.00 each and issue price in the amount of EUR 877.19 per bond. Bonds issued carry 0% interest rate. The bonds will mature on 5 June 2024.

The bonds are secured as follows:

-A registered pledge established by Avafin Latvia, over a set of variable composition, comprising receivables due to Avafin Latvia under cash loans

-A guarantee granted by Avafin Holding Ltd to secure the fulfilment of all present and future obligations arising from the issued bonds

Additionally, in respect of these bonds described above, the Group is obliged to comply with the following covenant:

-LTV not more than agreed level

**INVL Bridge Finance (previously Mundus)**

| Covenant | Limit | Value for 2023 | Was the covenant met? |
|---|---|---|---|
| LTV | 75% | 67.38% | Yes |

| Covenant | Limit | Value for 2022 | Was the covenant met? |
|---|---|---|---|
| LTV | 70% | 68.82% | Yes |

**Bonds - Multitude**

On 13 June 2022, the Company approved and issued 100 series C bonds with nominal value of €100.000,00 each and issue price in the amount of €100.000,00 per bond. The bonds are issued under Polish law.

Bonds issued carry interest rate of Euribor 3M + 9.3% and will mature on 14 June 2026. The Bond holder is Multitude Bank PLC.

**25. Borrowings (continued)**

On 23 June 2023, the Company approved and issued 50 series D bonds with nominal value of €100.000,00 each and issue price in the amount of €100.000,00 per bond. The bonds are issued under Polish law.

Bonds issued carry interest rate of Euribor 3M + 9.3% and will mature on 14 June 2027. The Bond holder is Multitude Bank PLC.

The bonds are secured as follows:

- A guarantee granted by KIM and MDP jointly and severally to secure the fulfilment of obligations by the issuer, if the issuer fails to fulfil the obligations, established over receivables resulting from loan agreements concluded with natural persons, receivables resulting from bank accounts balance and over bonds of Multitude SE in nominal amount of €2m purchased by the Company, described in note 19.

Additionally, in respect of these bonds described above, the Group is obliged to comply with the following covenants:

-Advance rate (ratio of issued bonds nominal to pledged assets) not more than agreed level

-Net debt not more than agreed level

**Multitude**

| Covenant | Limit | Value for 2023 | Was the covenant met? |
|---|---|---|---|
| Advance rate | 90% | 67.24% | Yes |
| Net debt | 2.75 | 1.45 | Yes |

| Covenant | Limit | Value for 2022 | Was the covenant met? |
|---|---|---|---|
| Advance rate | 90% | 79.04% | Yes |
| Net debt | 2.75 | 1.60 | Yes |

**Loans**

The Group acquires part of the financing via loan marketplace platform. By means of the platform the Group assigns claims arising out of the loans originated by its subsidiaries to investors in exchange of the cash transfers with the buyback guarantee – if the loan is not repaid by the borrower, the Group is obliged to buy back the loan from investors together with accrued interest calculated at the agreed rate.

Transfers obtained by assignment of claims arising out of the loans are treated as loans received as credit risk stays with the Group. The financing obtained via loan marketplace platform amounts to €13.86m as at 31 December 2023. No covenants exist for the financing obtained by the loan marketplace platform.

Additionally the Group obtains the financing via crowdfunding platform. In this model of financing the platform operates as intermediary between the Group and investors. The financing obtained by this means amounts to €20.99m as at 31 December 2023. During the period of cooperation with the crowdfunding platform company, the Group was obliged to comply with the following facility limits:

The facility limits dependent on the consolidated total assets and total equity levels.

| Consolidated total assets | Consolidated total equity | Facility limit Dec-23 | Jun-24 |
|---|---|---|---|
| More than EUR 120m | More than EUR 31m | EUR 47m | EUR 47m |
| More than EUR 110m | More than EUR 28m | EUR 43m | EUR 43m |
| More than EUR 100m | More than EUR 25m | EUR 39m | EUR 39m |
| More than EUR 90m | More than EUR 20m | EUR 35m | EUR 35m |
| Less than EUR 80m | Less than EUR 18m | EUR 30m | EUR 30m |

No covenants, guarantees and securities exist for the loans received except the ones described above.

**26. Lease liabilities**

| | **2023** | 2022 |
|---|---|---|
| | **€** | € |
| Balance at 1 January | **457,795** | 296,487 |
| Additions | **28,655** | 301,673 |
| Repayments | **(180,459)** | (203,946) |
| Interest expense on lease liability (Note 14) | **46,443** | 52,631 |
| Other | **1,651** | 10,950 |
| **Balance at 31 December** | **354,085** | 457,795 |

| | **Total lease liability 2023** | **Interest expense on lease liability 2023** | **Lease liability 2023** | Total lease liability 2022 | Interest expense on lease liability 2022 | Lease liability 2022 |
|---|---|---|---|---|---|---|
| | **€** | **€** | **€** | € | € | € |
| Within one year | **161,880** | **30,895** | **130,985** | 166,140 | 44,910 | 121,230 |
| Between one and two years | **151,080** | **14,824** | **136,256** | 178,905 | 30,481 | 148,424 |
| Between two and five years | **92,974** | **6,130** | **86,844** | 207,983 | 19,842 | 188,141 |
| | **405,934** | **51,849** | **354,085** | 553,028 | 95,233 | 457,795 |

The total lease liability arose from Poland and Czech was €215,142 and €138,943 respectively as at 31 December 2023.

The termination date of the lease in Czech is on 15/04/2025.

In 2022 an agreement for lease of the new office in Poland has been signed. The termination date of the new lease is 10/02/2027.

The average monthly instalment for the remaining lease period amounts to €8,252 for Czech and €6,707 for Poland.

The incremental borrowing rates used are 12.52% for Czech and 11.84% for Poland.

**27. Deferred tax**

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 15). The applicable corporation tax rate in the case of tax losses depends on country in which the losses arise.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

**27. Deferred tax (continued)**

The movement on the deferred taxation account is as follows:

**Deferred tax liability**

| | **Temporary tax differences €** |
|---|---|
| Balance at 1 January 2022 | 380,520 |
| Charged/(credited) to: | |
| Statement of profit or loss and other comprehensive income (Note 15) | 98,983 |
| Exchange differences | (7,377) |
| **Balance at 31 December 2022/ 1 January 2023** | **472,126** |
| Charged/(credited) to: | |
| Statement of profit or loss and other comprehensive income (Note 15) | (480,393) |
| Exchange differences | 17,197 |
| **Balance at 31 December 2023** | **8,930** |

**Deferred tax assets**

| | **Temporary tax differences €** |
|---|---|
| Balance at 1 January 2022 | 4,515,156 |
| Charged/(credited) to: | |
| Statement of profit or loss and other comprehensive income (Note 15) | (558,283) |
| Exchange differences | 208,550 |
| **Balance at 31 December 2022/ 1 January 2023** | **4,165,423** |
| Charged/(credited) to: | |
| Statement of profit or loss and other comprehensive income (Note 15) | 2,488,164 |
| Exchange differences | 317,708 |
| **Balance at 31 December 2023** | **6,971,295** |

**28. Trade and other payables**

| | **2023 €** | 2022 € |
|---|---|---|
| Social insurance and other taxes | **187,672** | 200,097 |
| Overpayments from clients - to be returned | **2,915,977** | 2,206,455 |
| Net salaries-employees and casual workers | **59,042** | 60,618 |
| Accruals | **5,055,978** | 2,053,098 |
| Other creditors | **2,342,012** | 1,618,385 |
| Payables to related parties (Note 32.7) | **375,642** | 437,680 |
| | **10,936,323** | 6,576,333 |

Other creditors mainly relate to CDS payable for the amount of €615,128 (2022: €354,937).

Accruals mainly relate to accrued senior management bonuses of €1,541,890 and provisions made of €1,302,766 (PLN 5,664,425) for the UOKIK refinancing case. Refer to note 33.

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

### 29. Deferred income

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Deferred fees received in cash | 735,025 | 590,874 |
| | 735,025 | 590,874 |

### 30. Current tax liabilities

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Current tax liabilities | 9,503,103 | 4,875,066 |
| | 9,503,103 | 4,875,066 |

Current tax liabilities include corporation tax amounting to €7,653,402 (2022: €3,702,501), VAT payable amounting to €1,481,344 (2022: €812,385) and withholding taxes amounting to €368,357 (2022: €360,180).

Tax legislation is subject to varying interpretations. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the income tax authorities. As a result, significant additional taxes, penalties and interest may be assessed.

### 31. Operating Environment of the Group

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the Russia's aggression and invasion of Ukraine. As at the date of authorising these separate financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The Israel-Gaza conflict has escalated significantly after Hamas launched a major terrorist attack on 7 October 2023. Companies with material subsidiaries, operations, investments, contractual arrangements or joint ventures in the War area might be significantly exposed. Entities that do not have direct exposure to Israel and Gaza Strip are likely to be affected by the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war. This is a volatile period and situation, however, the Company is not directly exposed. Management will continue to monitor the situation closely and take appropriate actions when and if needed.

The impact on the Group largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The Company has no business exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries.

**31. Operating Environment of the Group (continued)**

Despite the lack of business exposure, the conflict is expected to negatively impact the tourism and services industries in Cyprus. Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates and supply chain disruptions may indirectly impact the operations of the Company. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the need for countermeasures in case the crisis becomes prolonged.

**32. Related party transactions**

For the purpose of these financial statements, parties are considered to be related if one party has the ability to control the other or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The ultimate beneficial owners of the Company are Capitec Bank Holding Ltd, Oleg Netepenko, Dmitry Korobov, Matiss Ansviesulis and Davis Barons holding 40.66%, 11.95%, 9.07%, 12.13% and 12.13%, respectively. After acquiring of controlling stake planned to be completed by end of May 2024, Capitec will increase its holding to 97.69% - please refer to note 35.

The following transactions were carried out with related parties:

**32.1 Interest income**

| Name | **2023** € | 2022 € |
|---|---|---|
| Cream Finance IT Austria GmbH | **6,494** | 20,534 |
| MDP2P Ltd | **11,944** | 12,000 |
| | **18,438** | 32,534 |

**32.2 Interest expense (Note 9)**

| Name | **2023** € | 2022 € |
|---|---|---|
| Fergus Business Inc | **-** | 4,927 |
| Vugar Mammadov | **16,500** | 17,610 |
| Andrey Gershfeld | **-** | 22,559 |
| Whirlon Investments Ltd | **16,753** | 18,632 |
| BMA Assets | **-** | 4,201 |
| Dmitry Korobov | **7,871** | 11,000 |
| Esketit | **1,477,598** | 659,139 |
| | **1,518,722** | 738,068 |

**32.3 Other operating income (Note 10)**

| Name | **2023** € | 2022 € |
|---|---|---|
| SIA Cream Finance | **-** | 400 |
| | **-** | 400 |

**32.4 Other operating expenses (Note 13)**

| Name | Nature of transactions | **2023** € | 2022 € |
|---|---|---|---|
| Andrey Gershfeld | Write off | **12,328** | - |
| | | **12,328** | - |

**32. Related party transactions (continued)**

**32.5 Receivables from related parties (Note 20)**

| Name | Nature of transactions | 2023 € | 2022 € |
|---|---|---|---|
| Ivars Stankevics | Settlements | **175** | 175 |
| Esketit | Settlements | - | 267,979 |
| Andrey Gershfeld | Settlements | - | 12,771 |
| | | **175** | 280,925 |

**32.6 Loans to related parties (Note 19)**

| Name | Interest rate | Maturity date | 2023 € | 2022 € |
|---|---|---|---|---|
| MDP2P Ltd | 4% | 06/08/2025 | **304,011** | 305,086 |
| SIA Cream Finance | 0% | 31/12/2024 | **2,027,696** | 2,027,696 |
| SIA Cream Finance | 0% | 31/12/2024 | **677,231** | 677,231 |
| Cream Finance IT Austria GmbH | 14% | 31/12/2024 | **135,126** | 140,705 |
| SIA Cream Finance - provision for bad debts | | | **(2,704,927)** | (2,704,927) |
| | | | **439,137** | 445,791 |

The loans to related parties which mature on 31/12/2024 are classified as non-current loans, due to the fact that every year they are extended for a further 12 months and there is an intention by the management to be kept for longer period.

**32.7 Payables to related parties (Note 28)**

| Name | Nature of transactions | 2023 € | 2022 € |
|---|---|---|---|
| Vugar Mammadov | Financing | **100** | 100 |
| Cream Finance IT Austria GmbH | Settlements related to services | **375,442** | 358,016 |
| SIA Maxcredit | Settlements | **100** | 100 |
| Esketit | Settlements | - | 79,464 |
| | | **375,642** | 437,680 |

**32.8 Loans from related parties (Note 25)**

| Name | Interest rate | Maturity date | 2023 € | 2022 € |
|---|---|---|---|---|
| MDI Finance | 11% | 04/03/2021 | - | (181) |
| Vugar Mammadov | 14% | 30/04/2023 | - | 151,402 |
| Whirlon Investments Limited | 11% | 30/04/2023 | - | 191,506 |
| Dmitry Korobov | 11% | 10/09/2023 | - | 106,389 |
| Esketit | 14% | 31/01/2024 | - | 8,444,126 |
| Vugar Mammadov | 14% | 01/04/2024 | **151,401** | - |
| Esketit | 14% | 30/09/2024 | **13,855,455** | - |
| | | | **14,006,856** | 8,893,242 |

**32. Related party transactions (continued)**

**32.9 Key personnel benefits**

| Name | **2023 €** | 2022 € |
|---|---|---|
| Director A | **218,263** | 177,564 |
| Director B | **92,707** | 85,262 |
| Director C | **48,988** | 45,809 |
| Director D | **81,383** | 73,968 |
| Director E | **90,125** | 77,757 |
| Director F | **69,700** | 54,052 |
| Director G | **128,484** | 104,778 |
| Director H | **162,447** | 145,670 |
| Director I | **222,391** | 169,385 |
| Director J | **476,256** | 255,920 |
| Director K | **135,937** | 65,115 |
| Director L | **293,667** | 165,228 |
| Director M | **340,980** | 242,400 |
| | **2,361,328** | 1,662,908 |

The total payable amount to directors as at the year end is €1,541,890 (2022: €875,671), presented mainly as accruals. This amount has been calculated on cost-to-business basis and includes deferred bonuses.

**33. Contingent liabilities**

Cyprus tax legislation is subject to varying interpretations. Management's interpretation of such legislation as applied to the transactions and activity of the company may be challenged by the income tax authorities and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open for review by the taxation authorities in respect of taxes for the six calendar years preceding the year of review. Under certain periods reviews may cover longer periods.

The Group had no contingent liabilities as at 31 December 2023.

**34. Commitments**

The Group had no capital or other commitments as at 31 December 2023.

**35. Events after the reporting period**

**UOKIK Refinancing case**

On 15 January 2024, the Company's Group entities CFPL, KIM, MDP and JJK received a UOKIK decision on refinancing, issued on 28 December 2023, UOKiK made a decision that the Company's Group entities CFPL, KIM, MDP and JJK had infringed the collective interests of consumers by the alternate granting of loans by KIM, MDP, JJK, with the intermediation of CFPL, within 120 days of the disbursement of the first loan and the charging of a commission thereon, constitutes a circumvention of Article 36c in conjunction with Article 36a of the Consumer Credit Act.

The companies ceased the activity of refinancing loans and collecting commissions on them when the new legislation prohibiting commissions on refinancing loans was introduced in 2020, hence well before the investigations were initiated in 2022.

While the companies acted in accordance with the literal wording of the law, UOKIK stated in its decision that the companies were circumventing the law.

In the decision UOKiK imposed fines totalling PLN 7,469,345.

**35. Events after the reporting period (continued)**

The basis for the fine has been the income for 2022, comprised on Revenue net from Sales, Dividends and Other, while based on a memorandum prepared by the external law firm the fine should be only based on Revenue net from Sales in accordance to the § 2 of the Regulation concerning the method for calculating turnovers of enterprises participating in a concentration promulgated by the Council of Ministers on 23 December 2014.

A full merits-based overturn of UOKIK's decision, i.e. the court considers the practice lawful, is possible, however seems less likely. On the other hand, the adjustment of the basis of the fine and hence a reduction of the fine, seems very likely.

The provision of fines made in accordance with IAS 37 and was based on the recalculation made on Revenue Net from Sales, amounting to a total of PLN 5,664,425 (€1,302,766).

**Garnet case**

The forward flow deal of the Company's Mexican subsidiary Available Finances, S.A. de C.V. ("AFMX") with Garnet Collect, S.A. de C.V. ("Garnet MX") has come to a situation where Garnet MX refuses to settle their outstanding total debt in the amount of MXN 5,008,500.00 (EUR 272,549.18), including accrued late fees in the amount of MXN 1,933,500.00 (EUR 105,215.90) and refuses our proposals for reasonable settlement. Additionally, as at 31.12.2023 an amount of MXN 13,051,249.63 (EUR 710,214.11) which relates to future installments are at risk. As per 31.12.2023, the respective receivable in our books amounts to MXN 16,126,250 (EUR 863,997). No late fees charge was recognised.

AFMX has a guarantee for this transaction with Garnet Management, S.L., the Spanish entity of Garnet and hence will enforce the claim in both Spain against Garnet Management, S.L. and in Mexico against Garnet Collect, S.A. de C.V.

Therefore, AFMX is confident to recover a significant amount of the debt owed.

The Company considers this an adjusting event in accordance with IAS 10. Therefore, with the current information available, an impairment of 50% amounting to EUR 431,996 (MXN 8,063,125), seems to represent the true and fair view on this transaction. The provision was reduced by 30% amounting to EUR 129,600 (MXN 2,418,938) to reflect the deferred tax asset resulting to EUR 302,399 (MXN 5,644,187).

**Acquiring of controlling stake by Capitec**

On 12 March 2024, Capitec Bank Ltd. announced that the Prudential Authority of the South African Reserve Bank has approved a transaction for Capitec to increase its shareholding in Avafin Holding Ltd. from 40.66% to 97.69%. Avafin management will continue to hold the residual interest in the business, in line with Capitec's philosophy of management ownership.

The transaction is subject to the approval of the Financial Surveillance Department of the South African Reserve Bank and the Polish competition authority.

The transaction is expected to be closed within the next two months.

There were no other material events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.

**Independent auditor's report on pages 4 to 6**