Kredyt Inkaso S.A. Capital Group

Annual consolidated financial statements for a period of 12 months ended **31.03.2023**

Warsaw, 17.07.2023

(figures in PLN 000s)

SELECTED FINANCIAL DATA OF THE CAPITAL GROUP

	31/03/2023	31/03/2022 restated	31/03/2023	31/03/2022 restated
		in PLN thousand		in EUR thousand
Selected financial indicators				
Net financial debt	288,676	281,354	61,742	60,474
Shareholders' equity	323,037	299,056	69,091	64,279
Net financial debt/equity ratio	0.89	0.94	0.89	0.94
PLN/EUR exchange rate as at the balance sheet date	4.6755	4.6525	4.6755	4.6525
Consolidated Statement of Financial Position				
Total assets	696,415	733,978	148,950	157,760
Total liabilities	373,378	434,922	79,858	93,481
Long-term liabilities	271,625	257,438	58,095	55,333
Short-term liabilities	101,753	177,484	21,763	38,148
Equity	323,037	299,056	69,091	64,279
Equity attributable to the shareholders of the parent company	322,431	298,352	68,962	64,127
	01/04/2022-31/03/2023	**01/04/2021-31/03/2022 restated**	**01/04/2022-31/03/2023**	**01/04/2021-31/03/2022 restated**
Consolidated statement of profit or loss				
Net revenues	218,742	198,117	46,525	43,104
Profit (loss) on operating activities	58,584	62,488	12,460	13,595
Profit (loss) before tax	25,807	39,602	5,489	8,616
Net profit (loss)	23,235	30,683	4,942	6,676
Net profit (loss) attributable to shareholders of the parent company	22,512	29,933	4,788	6,512
Earnings (loss) per share in PLN	1.75	2.32	0.37	0.50
Diluted earnings (loss) per share in PLN	1.75	2.32	0.37	0.50
Average PLN / EUR exchange rate in the period	4.7016	4.5963	4.7016	4.5963
Consolidated Statement of Cash Flows				
Net cash from operating activities	166,825	165,634	35,483	36,037
Net cash from investing activities	(129,786)	(28,231)	(27,605)	(6,142)
Net cash from financing activities	(91,065)	(112,664)	(19,369)	(24,512)
Net change in cash and cash equivalents	(54,026)	24,739	(11,491)	5,382
Average PLN / EUR exchange rate in the period	4.7016	4.5963	4.7016	4.5963

(figures in PLN 000s)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	01/04/2022-31/03/2023	01/04/2021-31/03/2022 restated
Net revenues			
Interest income on debt packages calculated using the effective interest rate method		121,224	120,178
Revaluation of packages	4.1	93,619	71,024
Other revenues/expenses	4.2	3,899	6,915
Total net revenues		**218,742**	**198,117**
Costs of salaries and employee benefits		(54,406)	(48,106)
Depreciation and amortization		(7,642)	(6,971)
External services		(44,274)	(40,200)
Other operating expenses		(53,836)	(40,352)
Total operating expenses	**5**	**(160,158)**	**(135,629)**
Profit (loss) on operating activities		**58,584**	**62,488**
Financial revenues, including	6	8,658	10,319
interest on instruments measured at amortized cost		2,169	541
Financial expenses, including:	6	(41,435)	(33,205)
interest on instruments measured at amortized cost		(36,253)	(24,419)
Profit (loss) before tax		**25,807**	**39,602**
Income tax	7	(2,572)	(8,919)
Net profit (loss)		**23,235**	**30,683**
Net profit attributable to:			
Parent’s shareholders		22,512	29,933
Non-controlling interest		723	750
Earnings (loss) per share in zloty and groszy			
ordinary	16.5	1.75	2.32
diluted	16.5	1.75	2.32

(figures in PLN 000s)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	01/04/2022-31/03/2023	01/04/2021-31/03/2022 restated
Net profit (loss)		**23,235**	**30,683**
Income (loss) from hedge accounting recognized in the period in other comprehensive income	24.4	4,668	3,199
Amounts related to hedge accounting carried over to profit or loss	24.4	(6,479)	8,154
Income tax	24.4	343	(2,157)
Exchange differences on translating foreign operations	16.6	2,963	(2,430)
Other comprehensive income		**1,495**	**6,766**
Total comprehensive income		**24,730**	**37,449**
Comprehensive income attributable to:			
shareholders of the parent company		24,007	36,699
non-controlling entities		723	750

(figures in PLN 000s)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Note	31/03/2023	31/03/2022 restated
Company's goodwill	8.1	7,022	7,773
Intangible assets	8.2	7,434	8,787
Property, plant and equipment	8.3	17,319	14,309
Investment property	9	11,449	13,029
Long-term receivables	12	464	656
Financial derivatives	24.4	-	2,902
Long-terms financial assets measured at amortized cost	10	-	1,600
Deferred tax assets	13	676	684
Fixed assets		**44,364**	**49,740**
Trade and other receivables	24.2	9,400	7,936
Current income tax receivables		185	1,260
Purchased receivables	11	593,908	575,287
Loans	12	-	29
Other short-term financial assets	10	1,118	587
Short-term prepayments	19	1,800	916
Cash and cash equivalents	15	45,640	98,223
Current assets		**652,051**	**684,238**
Total assets		**696,415**	**733,978**

(figures in PLN 000s)

Liabilities	Note	31/03/2023	31/03/2022 restated
Share capital	16.1	12,897	12,897
Supplementary capital		92,157	105,691
Revaluation reserve		-	1,468
Exchange rate differences from conversion	16.6	(2,137)	(5,100)
Retained profits, including	16.7	219,514	183,396
net profit attributable to shareholders of parent company		22,512	29,933
profits from previous years		197,002	153,463
Equity attributable to the shareholders of the parent company		**322,431**	**298,352**
Non-controlling interest	16.8	606	704
Total equity		**323,037**	**299,056**
Credits, loans, other debt instruments	17	258,439	242,710
Lease liabilities	18	11,472	6,136
Deferred income tax provision	13	1,714	8,098
Other liabilities		-	494
Long-term liabilities		**271,625**	**257,438**
Trade and other liabilities	21	19,699	29,632
Current income tax liabilities		1,047	1,024
Credits, loans, other debt instruments	17	61,333	128,252
Lease liabilities	18	3,072	2,479
Financial derivatives	24.4	-	3,659
Other short-term reserves	22	11,357	8,472
Short-term prepayments	20	5,245	3,966
Short-term liabilities		**101,753**	**177,484**
Total liabilities		**373,378**	**434,922**
Total liabilities		**696,415**	**733,978**

(figures in PLN 000s)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	01/04/2022-31/03/2023	01/04/2021-31/03/2022 restated
Profit (loss) before tax		**25,807**	**39,602**
Adjustments:			
Depreciation of property, plant and equipment	8.3	4,026	3,765
Amortization of intangible assets	8.2	3,616	3,206
Purchased receivables - difference between payments and interest income	11	196,279	158,812
Purchased receivables - revaluation	4.1	(93,619)	(71,024)
Profit (loss) on sale of non-financial fixed assets		-	(1,372)
Financial expenses		40,758	33,205
Financial revenues		(8,658)	(9,740)
Profit (loss) on FX differences	23	677	(579)
Other adjustments*		2,945	6,586
Total adjustments		**146,024**	**122,859**
Change in receivables		(196)	1,600
Change in liabilities		2,197	5,248
Change in the balance of provisions and prepayments and accruals		(779)	(217)
Cash from operating activities		**173,053**	**169,092**
Income tax paid		(6,228)	(3,458)
Net cash from operating activities		**166,825**	**165,634**
Purchased receivables - purchase of packages	12	(132,506)	(22,839)
Purchased receivables - sale of packages	12	-	-
Proceeds from sales of investment real property	9	3,280	5,020
Proceeds from other financial assets		800	844
Inflows from sales of tangible fixed assets		160	-
Expenditures on acquisition of intangible values	8.2	(2,390)	(4,724)
Expenditures on acquisition of tangible fixed assets	8.3	(1,133)	(1,621)
Expenditures on acquisition of investment real property	9	(176)	(2,882)
Acquisition of subsidiary , net of cash acquired		-	(2,078)
Interest received		2,179	49
Net cash from investing activities		**(129,786)**	**(28,231)**
Proceeds from credits and loans taken out		46,150	27,172
Proceeds from issue of debt securities		32,689	20,452
Redemption of debt securities		(93,109)	(92,337)
Payments from settlement of hedging transactions		676	(11,761)
Repayment of loans and borrowings		(34,617)	(28,182)
Repayment of lease liabilities		(4,968)	(2,553)
Interest paid		(37,046)	(24,406)
Dividends paid to owners		(840)	(862)
Other financial inflows/outflows		-	(187)
Net cash from financing activities		**(91,065)**	**(112,664)**
Net change in cash and cash equivalents (excluding FX differences)		**(54,026)**	**24,739**
Change in balance due to exchange rate differences		1,443	(557)
Net change in cash and cash equivalents (including FX differences)		**(52,583)**	**24,182**
Cash and cash equivalents at the beginning of the period		**98,223**	**74,041**
Cash and cash equivalents at the end of the period		**45,640**	**98,223**

(*) the item Other adjustments in 2022/23 includes an impairment loss on KI Solver goodwill (PLN 751 thousand), and in 2021/22 an impairment loss on KI RUS goodwill (PLN 4,899 thousand)

Annual consolidated financial statements for the 12-month period ended 31 March 2023 (data in PLN thousand)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Supplementary capital	Revaluation reserve	Exchange rate differences from conversion	Retained earnings	Equity attributable to the shareholders of the parent company	Non-controlling interest	Total equity
As at 1 April 2022 (not restated data)		**12,897**	**105,691**	**1,468**	**(5,100)**	**184,927**	**299,883**	**704**	**300,587**
Adjustment of opening balance	2.8					(1,531)	(1,531)		(1,531)
As at 1 April 2022 (restated data)		**12,897**	**105,691**	**1,468**	**(5,100)**	**183,396**	**298,352**	**704**	**299,056**
Dividends		**-**	**-**	**-**	**-**	**-**	**-**	**(840)**	**(840)**
Net profit		-	-	-	-	22,512	22,512	723	23,235
Other comprehensive income		-	-	(1,468)	2,963	-	1,495	-	1,495
Total comprehensive income		**-**	**-**	**(1,468)**	**2,963**	**22,512**	**24,007**	**723**	**24,730**
Profit distribution		-	(13,534)	-	-	13,534	-	-	-
Other changes		-	-	-	-	72	72	19	91
Total changes in equity		**-**	**(13,534)**	**(1,468)**	**2,963**	**36,118**	**24,079**	**(98)**	**23,981**
As at 31 March 2023		**12,897**	**92,157**	**-**	**(2,137)**	**219,514**	**322,431**	**606**	**323,037**

Annual consolidated financial statements for the 12-month period ended 31 March 2023 (data in PLN thousand)

	Note	Share capital	Supplementary capital	Revaluation reserve	Exchange rate differences from conversion	Retained earnings	Equity attributable to the shareholders of the parent company	Non-controlling interest	Total equity
As at 1 April 2021 (not restated data)		**12,897**	**114,363**	**(7,728)**	**(2,670)**	**145,517**	**262,379**	**1,003**	**263,382**
Adjustment of opening balance	2.8					(726)	(726)		(726)
As at 1 April 2021 (restated data)		**12,897**	**114,363**	**(7,728)**	**(2,670)**	**144,791**	**261,653**	**1,003**	**262,656**
Change in capital group's structure (transactions with non-controlling entities)		**-**	**-**	**-**	**-**	**-**	**-**	**(187)**	**(187)**
Dividends		**-**	**-**	**-**	**-**	**-**	**-**	**(862)**	**(862)**
Net profit		-	-	-	-	29,933	29,933	750	30,683
Other comprehensive income		-	-	9,196	(2,430)	-	6,766	-	6,766
Total comprehensive income		-	-	**9,196**	**(2,430)**	**29,933**	**36,699**	**750**	**37,449**
Profit distribution		-	(8,672)	-	-	8,672	-	-	-
Total changes in equity		**-**	**(8,672)**	**9,196**	**(2,430)**	**38,605**	**36,699**	**(299)**	**36,400**
As at 31 March 2022		**12,897**	**105,691**	**1,468**	**(5,100)**	**183,396**	**298,352**	**704**	**299,056**

(figures in PLN 000s)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1. Information on the parent company

The Kredyt Inkaso S.A. Capital Group (“Capital Group”, “Group”) is controlled by the parent company Kredyt Inkaso Spółka Akcyjna (“Parent Company”, “Issuer”, “Company”).

Name of reporting entity:	Kredyt Inkaso S.A.
Registered office of the Company:	02-676 Warszawa, ul. Postępu 21B, Poland
Place of business:	02-676 Warszawa, ul. Postępu 21B, Poland
Name:	Kredyt Inkaso Spółka Akcyjna
Legal Form:	Joint Stock Company
Address:	02-676 Warszawa, ul. Postępu 21B, Poland,
Country:	Poland
Registry Court:	District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, Poland
Date of Registration:	28 December 2006 in its current legal form (joint stock company)
	19 April 2001 in its previous legal form (limited partnership)
KRS (National Court Register) Number:	0000270672
National Business Registry Number (REGON):	951078572
NIP (Tax Identification Number):	922-254-40-99
PKD (Polish Classification of Business Activity):	64.99.Z - other financial service activities not classified elsewhere, except insurance and pension funds

The Parent Company’s core activity is the management of securitized debt portfolios acquired by the Group’s subsidiaries and by external investment funds whose debt portfolios have been entrusted for management. Group entities acquire debt portfolios both in Poland and abroad. The Group pursues receivables due mainly from individuals through amicable or legal means.

The ultimate parent company for the Company is Waterland Private Equity Investments B.V.

As of 28 July 2022, the Company’s registered office has changed, and is now located at ul. Postępu 21B in Warsaw.

1.2. Composition of management and supervisory bodies of the Parent Company as of the balance sheet date and as of the statements approval date

1.2.1. Management Board

Barbara Rudziks	President of the Management Board
Maciej Szymański	Vice-President of the Management Board
Iwona Słomska	Vice-President of the Management Board
Mateusz Boguta	Member of the Management Board

(figures in PLN 000s)

Changes in the composition of the Management Board:

- on 11 May 2022, Mr. Tomasz Kuciel resigned from his position as Member of the Management Board, effective 11 July 2022,
- on 25 October 2022, Mr. Mateusz Boguta was appointed as a Member of the Management Board,
- on 24 November 2022, the Supervisory Board made changes to the functions held by Members of the Company's Management Board: Ms. Barbara Rudziks, previously acting as Vice-President of the Company's Management Board, was entrusted with the function of President of the Company's Management Board, while Mr. Maciej Szymański, previously acting as President of the Company's Management Board, was entrusted with the function of Vice-President of the Company's Management Board.

1.2.2. Supervisory Board

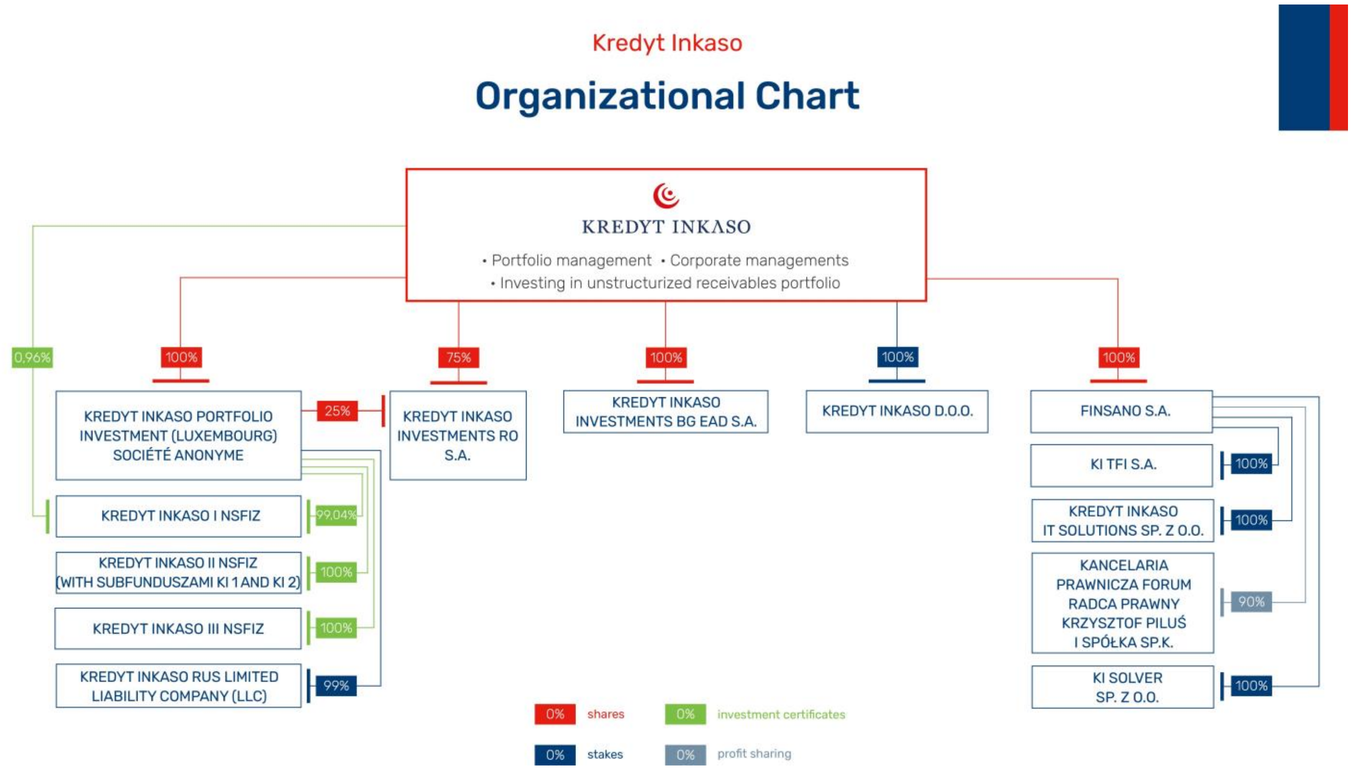
Bogdan Dzudzewicz	Chairman of the Supervisory Board
Marcin Okoński	Deputy Chairman of the Supervisory Board
Daniel Dąbrowski	Member of the Supervisory Board
Raimondo Eggink	Member of the Supervisory Board
Karol Sowa	Secretary of the Supervisory Board

On 30 September 2022, the Company's Ordinary General Meeting was held, which approved the above composition of the Supervisory Board.

Pursuant to the resolutions of the Ordinary General Meeting of Kredyt Inkaso S.A.:

- Mr. Raimondo Eggink assumed the position of Member of the Supervisory Board,
- Mr. Karol Szymański was not appointed for another term.

1.3. Information about the Capital Group



(figures in PLN 000s)

The above diagram shows the organizational structure of the Group as of the balance sheet date.

On 27 January 2023, the liquidation of Kredyt Inkaso Recovery EOOD, based in Bulgaria was completed. In connection with the fact that Kredyt Inkaso Recovery EOOD did not conduct operations, its liquidation did not have a material impact on these consolidated financial statements.

On 10 February 2023, the name of the Agio Wierzytelności NSFIZ fund was changed to Kredyt Inkaso III NSFIZ.

Kredyt Inkaso S.A. is the parent company of the Capital Group. The Capital Group includes: Kredyt Inkaso S.A. as the parent company and subsidiaries located in Poland, Luxembourg, Romania, Bulgaria, Croatia and Russia.

Name of entity	**Registered office**	**Share in share capital**	**Number of votes**	**Core activity**
Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp.k.	Warsaw, Poland	84%	90%	Legal activities
Finsano S.A.	Warsaw, Poland	100%	100%	Holding activities and the acquisition in the course of foreclosures or collection activities of real estate, trading in these properties, their development and commercialization
Kredyt Inkaso IT Solutions Sp. z o.o.	Warsaw, Poland	100%	100%	IT service activities
Kredyt Inkaso Investments RO S.A.	Bucharest, Romania	100%	100%	Investing in debt portfolios, servicing debt assets
Kredyt Inkaso Investments BG EAD S.A.	Sofia, Bulgaria	100%	100%	Investing in debt portfolios, servicing debt assets
Kredyt Inkaso RUS Limited Liability Company (LLC)	Moscow, Russia	99%	99%	Investing in debt portfolios, servicing debt assets
Kredyt Inkaso d.o.o.	Zagreb, Croatia	100%	100%	Investing in debt portfolios, servicing debt assets
Kredyt Inkaso Portfolio Investments (Luxembourg) Société Anonyme	Luxembourg	100%	100%	Investing in debt portfolios, investing in securities carrying risk based on debt claims
Kredyt Inkaso I NSFIZ	Warsaw, Poland	100%	100%	Investing in debt portfolios
Kredyt Inkaso II NSFIZ	Warsaw, Poland	100%	100%	Investing in debt portfolios
Kredyt Inkaso III NSFIZ (formerly AGIO Wierzytelności NSFIZ)*	Warsaw, Poland	100%	100%	Investing in debt portfolios
KI Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna	Warsaw, Poland	100%	100%	Creating and managing investment funds
KI Solver Sp. z o.o. (formerly Advisers Sp. z o.o.)	Warsaw, Poland	100%	100%	Servicing assets in the form of debt claims

(*) on 10 February 2023, the name was changed to Kredyt Inkaso III NSFIZ.

The Group controls the investment funds on the basis of shares entitling it to pass all resolutions at the Investors' Meeting.

2. Basis of preparation of consolidated financial statements and accounting principles

2.1. Basis of preparation of consolidated financial statements

The financial year is the year beginning on 1 April and ending on 31 March of the following year. The Capital Group's annual consolidated financial statements cover the 12-month period ended on 31 March 2023 and include:

- comparative figures for the 12-month period ended on 31 March 2022 for the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows;
- comparative figures as at 31 March 2022 for the statement of financial position.

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards and their interpretations ("IFRS"), which have been incorporated into European Union law in the form of European Commission ("EU") regulations. However, to the extent not regulated by the above standards and interpretations, they comply with the requirements of the Accounting Act of 29 September 1994 (consolidated text Journal of Laws of 2023, item 120, as amended) ("Accounting Act") and the implementing regulations issued thereunder.

The reporting currency of these annual consolidated financial statements is the Polish zloty, and all amounts are expressed in thousands of Polish zloty, unless otherwise indicated.

The consolidated financial statements for the reporting period ending 31 March 2023 include the financial statements of the Parent Company and the financial statements of its subsidiaries.

The annual consolidated financial statements have been prepared on the going concern assumption, i.e. that the Group's companies will continue in business in the foreseeable future. As of the date of approval of these annual consolidated financial statements for publication, there are no circumstances indicating a threat to going concern of the Group's companies.

There is no limit to the duration of the operations of the individual Group entities. The financial statements of all subsidiaries for consolidation purposes were prepared for the same reporting period as the Parent Company's financial statements, using consistent accounting policies.

2.2. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and related interpretations promulgated as regulations of the European Commission, as well as requirements relating to issuers of securities admitted or sought to be admitted to trading on an official stock exchange listing market.

2.3. Significant values based on professional judgment and estimates

In preparing the annual consolidated financial statements, the Parent Company's Management Board makes estimates, judgments and assumptions regarding the amounts of valuation of individual assets and liabilities. Estimates and related assumptions are based on historical experience and other factors considered reasonable. Although estimates are based on the best knowledge of current circumstances, actual results may deviate from these estimates.

2.3.1. Valuation of debt portfolios

Purchased debt packages are valued at amortized cost using the effective interest rate method adjusted for credit risk (so-called POCI assets).

The valuation of each debt portfolio is determined by the Group using the estimation method, as the present value of the expected cash inflows generated by the debt portfolio, discounted at an effective interest rate adjusted for credit risk (internal rate of return - IRR). In calculating the effective interest rate adjusted for credit risk, the Group estimates the expected cash flows from the debt package, taking into account expected credit losses. Estimation of projected cash flows is made based on historical cash flows generated by similar debt packages. For retail banking and telecom packages, estimates include payments received from debtors to the Group's bank accounts and in the case of secured cases, proceeds from the liquidation of assets on which the Group is secured by mortgage or proceeds from signed settlements are taken into account. Based on historical data, separate repayment curves are built for each type of debt.

The debt package is divided into groups, which include homogeneous claims in terms of possible actions and business assumptions. Then, using the model, the repayment rate for the entire package is calculated. The curve of planned collection costs is linked to the actions that have been taken in the past for the corresponding groups of cases.

2.3.2. Economic useful lives of fixed assets

The Parent Company's Management Board reviews annually the economic useful lives of fixed assets subject to depreciation and their possible impairment at the end of each annual reporting period. The Management Board has determined that the useful lives of the assets adopted by the Group for depreciation and amortization purposes reflect the expected period of future economic benefit of the assets and that the assets are not permanently impaired. However, the actual benefit periods of these assets in the future may differ from those assumed, including due to technical aging of assets.

2.3.3. Investment property

The Group measures investment properties at fair value. The valuation as of the balance sheet date of investment properties reflects their market value and is based on appraisal reports prepared by independent appraisers. The valuation is carried out at least once a year. Change in valuation of real property is recognized in correspondence with the income statement.

2.3.4. Impairment relating to goodwill

At least once a year, at the end of the reporting period, the impairment of the goodwill asset is examined.

Any impairment relating to goodwill is recognized in the income statement and is not subject to reversal in subsequent reporting periods.

2.3.5. Deferred income tax assets and reserves

Deferred income tax assets are determined in the amount anticipated to be deducted from income tax in the future, due to negative temporary differences that will result in a future reduction of the income tax calculation basis, while at the same time respecting the precautionary principle. The provision for deferred income tax is recognized in the amount that will increase the liability to pay income tax in the future, due to the existence of positive temporary differences between the balance sheet value of assets and liabilities and their tax value. The valuation of deferred income taxes takes into account the income tax rate that, to the best of our knowledge, will apply in the year in which the items are realized. Deferred tax assets related to unused tax losses or unused tax credits are recognized up to the amount to which it is probable that taxable income will be realized.

The Group has control over the realization of temporary differences on investments in subsidiaries, so when assessing the need to establish a deferred tax provision in this regard, it takes into account the likelihood of realization of these temporary differences in the foreseeable future (based on financial plans prepared for a period of 3 years). The value of any deferred tax provision is affected by the level of assumed future cash flows from investment companies to the Company in the foreseeable future. The level of these flows depends on, among other things:

- liquidity needs of the Company and other Group companies, and on acquired and projected available new debt financing for the Company and other Group companies,
- planned expenditures on debt packages at individual Group companies,
- planned payments from purchased debt packages in Group companies.

Accordingly, deferred tax provisions on taxable temporary differences related to investments in subsidiaries may be subject to significant changes from one reporting period to the next.

2.4. Accounting policies applied

2.4.1. Consolidation principles

The consolidated financial statements include the financial statements of the Parent Company and entities controlled by the Parent Company, including investment funds.

The Group verifies its control over other entities if a situation has arisen that indicates a change in one or more of the following conditions for exercising control.

Consolidation of a subsidiary begins when the Group obtains control over it and ends when it loses that control. Revenues and expenses of a subsidiary acquired or disposed of during the year are recognized in the consolidated statements of profit or loss and other comprehensive income for the period from the date the company acquired control to the date it lost control of that subsidiary.

The financial result and all components of other comprehensive income are attributed to the Group's owners and non-controlling interests. Comprehensive income of subsidiaries is attributed to the Group's owners and non-controlling interests, even if this results in a deficit on the non-controlling interest side.

If necessary, the financial statements of subsidiaries are adjusted to match their accounting policies with those of the Group.

Companies whose financial statements are immaterial to the Group's consolidated financial statements may be excluded from consolidation. Investments in subsidiaries classified as held for sale are recognized in accordance with IFRS 5.

During consolidation, all intra-group assets, liabilities, equity, revenues, expenses and cash flows relating to transactions between members of the Group are eliminated.

2.4.1.1. Control and significant impact

The Group has control if:

- it has power over a given entity,
- it is exposed or holds rights to variable returns on its involvement in a given entity,
- it has the option to exercise power in order to determine the level of generated returns.

Significant impact of the investor on an entity usually takes one or more of the following forms:

- serving on the management board or equivalent governing body of the entity in which the investor made the investment;
- participation in the formation of the entity's policies, including participation in decisions on dividends or other methods of profit distribution;
- significant transactions between the investor and the investee;
- mutual exchange of management personnel; or
- sharing critical technical information.

2.4.1.2. Consolidation procedures

In preparing the consolidated financial statements, the financial statements of the Parent Company and subsidiaries are combined by summing similar items of assets, liabilities, equity, revenues and expenses. In order to ensure that financial information about the Group is presented in the consolidated financial statements as if it were a single economic entity, the following steps should be taken:

(1) exclude the carrying amount of the Parent Company's investment in each subsidiary and that portion of each subsidiary's equity that corresponds to the Parent Company's interest (goodwill or profit is recognized in accordance with IFRS 3),
(2) identify non-controlling interests in the profits and losses of consolidated subsidiaries for the reporting period, and
(3) identify the non-controlling interest in the net assets of consolidated subsidiaries separately from the Parent Company's ownership interest in those net assets. Non-controlling interest in net assets includes:
    (a) the value of non-controlling interests as of the date of the original merger, calculated in accordance with IFRS 3, and
    (b) changes in equity attributable to non-controlling interest from the date of the merger, taking into account the specific provisions of the articles of association regarding the method of profit distribution.

Where potential voting rights exist, the proportions of profit and loss distribution and changes in equity between the Parent Company and the non-controlling interest are determined on the basis of existing ownership interests, without taking into account the possibility of exercising or converting potential voting rights.

Non-controlling interests are reported in a separate equity item and represent that portion of the comprehensive income and net assets of subsidiaries that is attributable to entities other than Group companies. The Group allocates the total income of subsidiaries among the shareholders of the Parent Company and non-controlling parties based on their ownership interest, unless the special provisions of the articles of association provide otherwise.

Transactions with non-controlling parties that do not result in a loss of control of the parent company are treated by the Group as equity transactions:

- partial sale of shares to non-controlling shareholders - the difference between the sale price and the carrying amount of the subsidiary's net assets attributable to the shares sold to non-controlling shareholders is recognized directly in the capital under retained earnings.
- acquisition of shares from non-controlling parties - the difference between the purchase price and the carrying amount of net assets acquired from non-controlling parties is recognized directly in the capital under retained earnings.

2.4.1.3. Changes in the Group's share in the capital of subsidiaries

If the Group loses control of a subsidiary, a gain or loss is recognized in the income statement, calculated as the difference between (i) the aggregate amount of consideration received and the fair value of the retained interest, and (ii) as of the date control is lost, the carrying amount of the assets (including goodwill) and liabilities of that subsidiary and the non-controlling interest. All amounts related to this subsidiary, originally recognized in other comprehensive income, are accounted for as if the Group had directly disposed of the corresponding assets or liabilities of the subsidiary (i.e., transferred to profit or loss or to another category of equity in accordance with the provisions of the relevant IFRS). The fair value of the investment held in the former subsidiary at the date of loss of control is treated as the fair value at initial recognition to allow for possible settlement of the cost incurred at initial recognition of the investment in the associated entity or financial asset in accordance with IFRS 9.

(figures in PLN 000s)

2.4.1.4. Business combination

Business combination transactions falling within the scope of IFRS 3 are accounted for using the acquisition method.

As of the date of obtaining control, the assets and liabilities of the acquired entity are measured at fair value and the assets and liabilities of the acquired entity are identified in accordance with IFRS 3, regardless of whether they were disclosed in the financial statements of the acquired entity prior to the acquisition.

The consideration transferred in exchange for control includes assets issued, liabilities incurred and equity instruments issued, measured at fair value as of the acquisition date. Contingent consideration, measured at fair value at the date of acquisition, is also an element of consideration. Acquisition-related costs (consulting, appraisals, etc.) do not constitute consideration for the acquisition, but are recognized as an expense on the date incurred.

Goodwill is calculated as the difference of two values:

- the sum of the consideration transferred for control, non-controlling interests (measured as a proportion of net assets acquired) and the fair value of the shares held in the acquiree prior to the acquisition date; and
- the fair value of the identifiable net assets of the entity acquired.

The excess of the sum calculated as indicated above over the fair value of the identifiable net assets of the entity acquired is recognized as goodwill in the assets of the consolidated statement of financial position. Goodwill corresponds to the payment made by the acquirer in anticipation of future economic benefits from assets that cannot be individually identified or separately recognized. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

If the aforementioned sum is less than the fair value of the identifiable net assets of the entity acquired, the difference is recognized immediately in the result. The Group recognizes the gain from the acquisition under other operating income.

2.4.2. Transactions in foreign currencies

Transactions denominated in currencies other than PLN are converted into PLN at the exchange rate of the bank whose services the Group uses, in effect on the date of the transaction.

Monetary items denominated in foreign currency are valued at the closing rate (immediate realization, execution rate), i.e., at the leading bank's exchange rate from the first quotation on the balance sheet date.

Non-monetary balance sheet items recorded at historical cost expressed in foreign currency are valued at the average exchange rate of the National Bank of Poland announced on the day preceding the date of the transaction.

Non-monetary balance sheet items recorded at fair value expressed in foreign currency are valued at the average exchange rate of the National Bank of Poland in effect on the date the fair value is determined.

The following exchange rates for major foreign currencies were used in preparing the financial statements:

Reporting period ending 31 March 2023	Average rate	Rate at the end of the reporting period
RON 1	0.9536	0.9445
BGN 1	2.4039	2.3905
RUB 1	0.0710	0.0561
HRK 1	0.6240	-
EUR 1	4.7016	4.6755

Reporting period ending 31 March 2022	Average rate	Rate at the end of the reporting period
RON 1	0.9305	0.9404
BGN 1	2.3500	2.3788
RUB 1	0.0518	0.0493
HRK 1	0.6110	0.6142
EUR 1	4.5963	4.6525

2.4.3. Operating segments

The operating segment is part of the entity:

- which engages in business activities in connection with which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the entity's chief operating decision maker and used in making decisions about resources allocated to the segment and in evaluating the segment's performance; and
- for which separate financial information is available.

The Group's operations are divided into operating segments based on the criterion of the market for the purchase of debt portfolios, i.e. the geographical location of the debtor:

- Poland,
- Romania,
- Russia,
- Bulgaria,
- Other locations and areas that are a reconciliation item not assigned to separate segments.

Segment revenues are revenues generated from debt collection activities that are reported in the consolidated statement of comprehensive income and are directly attributable to the segment.

Segment costs are the costs of debt collection activities that are directly attributable to a particular segment and, in the case of Poland, are the costs of central administrative services provided to both the Poland segment and the other segments (e.g., personnel, accounting, financial controlling, IT services). The segment result is determined at the level of operating result.

Segment assets are operating assets used by the segment in its operations that are directly attributable to the segment - in practice, these are purchased debt claims assigned to specific geographic locations based on the criterion of the market for the purchase of the debt portfolio. All other assets of the Group other than those listed above are presented under "Other".

The Group has an asymmetric allocation in terms of depreciation expense, i.e., depreciation expense is allocated to the operating expenses of each segment, while the fixed assets and intangible assets to which this depreciation relates are not allocated to the assets of these segments. Central expenses are entirely allocated to Poland due to the exercise of these central functions by organizational units in Poland. As these units simultaneously perform local and central functions, it is impossible to precisely separate the functions pertaining to the remaining locations and allocate them to the other segments.

Revenue, result and assets of segments are determined after the exclusion of inter-segment transactions.

2.4.4. Company's goodwill

Goodwill is valued at the end of the reporting period at acquisition cost less accumulated impairment losses to date and decreases due to disposal of part of the shares to which it was previously allocated. Impairment losses on goodwill are not reversible.

Goodwill is tested for impairment at the end of each reporting period.

2.4.5. Intangible assets

Intangible assets were considered to be assets that arise from contractual or other legal titles, regardless of whether they are transferable.

The initial valuation of intangible assets was carried out at the purchase price resulting from a separate transaction or at the cost of the entity's own manufacture. After initial recognition, intangible assets were valued at cost, less accumulated depreciation; furthermore, the total amount of impairment losses is a factor that reduces the valuation as a matter of principle. This factor did not occur during the reporting period.

The amortization period and amortization method for intangible assets with a designated useful life were revised at the end of the reporting period. The revised useful life of intangible assets did not differ from previous estimates. Intangible assets are depreciated using the straight-line method over their expected useful lives, which for computer software is 30%, 33% or 50%, and for development costs is 20%-100%.

The depreciation rates applied to intangible assets in previous periods do not differ from those reviewed and applied in the reporting period. There were no indications of impairment of other intangible assets in the reporting periods presented. An intangible asset is removed from the balance sheet records when it is disposed of or when no further benefits are expected from its use or disposal.

2.4.6. Property, plant and equipment

Property, plant and equipment are considered to be fixed assets and the right to use them:

- which are maintained by the Group for use in its operations,
- which are to be used for more than one year,
- for which there is a likelihood that they will bring economic benefits in the future,
- whose value can be reliably assessed.

Property, plant and equipment include:

- the right to use property, plant and equipment (buildings and structures),
- improvements to third-party fixed assets (buildings),
- machinery, equipment,
- other fixed assets,
- fixed assets under construction.

As of the date of initial recognition, fixed assets were valued at cost of purchase or manufacture. The initial value of fixed assets includes their purchase price plus all costs directly related to the purchase and adaptation of the asset to a usable condition.

The Group classifies long-term rental agreements as leases by disclosing right-of-use assets (in the statement of financial position line item “Property, plant and equipment”) and lease liabilities (in the statement of financial position line item “Lease liabilities”) measured at the present value of the outstanding lease payments.

The lease term is determined taking into account the options of its extension and shortening provided for in the executed agreements, where it is likely that such option would be exercised.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term, while lease liabilities are measured using the amortized cost method (interest expense on the lease liability is recognized).

According to the regulations, the lessee recognizes an asset representing the right to use a specific asset and a lease liability corresponding to its obligation to pay lease payments. The lessee separately recognizes interest expense on the lease liability and depreciation of the right-of-use asset.

After initial recognition, property, plant and equipment was valued at cost less accumulated depreciation; furthermore, the total amount of impairment losses is a factor that reduces the valuation as a matter of principle.

In the fixed assets used by the Group, no significant components of fixed assets (components) were distinguished, the useful life of which would differ from that of the entire fixed asset.

In the periods presented, the straight-line method of depreciation of fixed assets was applied, resulting from the expected wear and tear of the asset.

The basis for calculating depreciation of fixed assets is the initial value less the residual value. The depreciation rates applied to intangible assets in previous periods do not differ from those reviewed and applied in the reporting period. Depreciation was carried out using rates based on expected useful lives, which for already owned assets are:

- Investments in third-party fixed assets (buildings) - 10%
- Computers (workstations), laptops, servers, specialized computer equipment - 17%, 30%, 35%
- High-volume copiers and printers - 28%
- Telecommunications systems, furniture, means of transport - 20%, 30%
- Specialized office equipment (e.g., envelope stuffers, high-volume shredders) - 14%

Depreciation begins when the fixed asset is available for use, and ends when the carrying amount equals the residual value.

Fixed assets with a value not exceeding PLN 1,000 are not considered fixed assets and are written off in the month they are put into use.

2.4.7. Investment property

Investment properties are initially valued at cost of purchase, including transaction costs. After initial recognition, investment properties are carried at fair value. In determining the fair value of an investment property, the Group uses the services of a qualified independent appraiser with experience in valuing properties of a similar nature and similar location. Valuations are updated at least once a year. Gains or losses resulting from changes in the fair value of investment property are recognized in the income statement.

2.4.8. Deferred tax assets

Deferred income tax assets were determined in the amount anticipated to be deducted from income tax in the future, due to negative temporary differences that will result in a future reduction of the income tax calculation basis, while at the same time respecting the precautionary principle.

The valuation of deferred tax assets took into account the income tax rate which, to the best of our knowledge, will apply in the year in which the asset item is realized. Deferred tax assets are created on tax losses, up to the amount to which it is probable that the company will generate taxable income to realize them.

2.4.9. Financial assets

A financial asset is recognized in the statement of financial position when the Group becomes a party to the agreement for that instrument. Standardized purchases and sales of financial assets and liabilities are recognized on the date of the transaction.

The classification of financial assets depends on the business model adopted by the Group for the management of the portfolio of financial assets to which the financial asset belongs and the result of the test of the characteristics of contractual cash flows carried out for the financial asset (from the test *solely payments of principal and interest*, i.e. whether the contractual flows are solely repayments of the outstanding *principal* amount and payments of interest on that amount).

The Group identifies the following business models for managing a portfolio of financial assets:

(1) a business model that involves holding financial assets to collect contractual cash flows;
(2) a business model that aims to generate both contractual cash flows from financial assets held and from the sale of financial assets;
(3) a model other than the models described in items (1) and (2) above.

Evaluation of the business model takes place at the initial recognition of the financial asset. The business model criterion refers to how the Group manages its financial assets to generate cash flow.

At the date of acquisition, the Group measures financial assets at fair value. The Group includes transaction costs in the initial valuation of all financial assets, except for the category of assets measured at fair value through profit or loss.

As at the balance sheet date, the Group classifies financial assets for measurement purposes after initial recognition, other than hedging derivatives, into the following categories:

(1) financial assets at amortized cost,
(2) financial assets measured at fair value through other comprehensive income,
(3) financial assets measured at fair value through profit or loss.

These categories determine the valuation rules as at the balance sheet date and the recognition of valuation gains or losses in profit or loss or other comprehensive income. Profits or losses recognized in the financial result are presented in the line of net *interest income and other financial revenues or other financial expenses.*

A financial asset is derecognized from the statement of financial position when the contractual rights to economic benefits and risks arising from the agreement have been realized, have expired or have been relinquished by the Group.

2.4.9.1. Financial assets at amortized cost

A financial asset is classified as a financial asset measured at amortized cost if both of the following conditions are met:

a) the financial asset is held in accordance with the business model whose purpose is to hold financial assets for the purpose of obtaining cash flows resulting from the contract,

b) the contractual terms relating to the financial asset result in the generation of cash flows which represent solely payments of the principal and interest on the principal outstanding on certain dates.

Financial assets measured at amortized cost are classified as current assets, provided their maturity does not exceed 12 months from the end of the reporting period. Financial assets at amortized cost with a maturity exceeding 12 months from the end of the reporting period are classified as fixed assets. Financial assets measured at amortized cost are included in the statement of financial position under the headings receivables and loans, purchased receivables, trade receivables and debt securities presented within other financial assets. The category of financial assets measured at amortized cost includes cash and cash equivalents. Cash and cash equivalents are a separate item in the statement of financial position.

After initial recognition, the Group measures financial assets at amortized cost using the effective interest rate, which is the internal rate of return of the financial asset.

For financial assets classified at amortized cost that are purchased as *credit-impaired* due to credit risk *(purchased or originated credit-impaired, POCI*), the *credit-adjusted effective interest rate* is used for valuation.

When calculating the effective interest rate adjusted for credit risk, the entity estimates the expected cash flows, taking into account all the contractual terms of the financial asset and expected credit losses.

Impairment losses on debt financial instruments measured at amortized cost, are recognized in profit or loss in the line *Financial expenses*.

An allowance for expected impairment is made at the time of initial recognition of the asset. The amount of the write-down is updated at each closing date of the reporting period.

The category of financial assets measured at amortized cost includes:

- Purchased receivables
- Loans
- Other financial assets
- Trade receivables, loans and other receivables.

Trade receivables, loans and other receivables are primarily receivables resulting from the Group's business of trading and managing securitized receivables.

Purchased receivables are bulk bundles of overdue liabilities (e.g., consumer loans, telecommunications fees, etc.) acquired by the Group under debt assignment agreements at a price significantly lower than the nominal value of these liabilities (purchased or created financial assets impaired due to credit risk, i.e. POCI - Purchased or originated credit impaired assets).

The Group's business model for the acquired debt portfolios is to maintain and operate the portfolios on a long-term basis in order to meet the planned flows generated by the managed portfolios. The Group classifies all purchased debt packages as instruments measured at amortized cost. This classification reflects the management strategy of acquired holdings, which focuses on holding the asset to maximize the value of contractual payments.

Receivables packages are valued at amortized cost using the effective interest rate. Initial recognition is made on the date of purchase at the purchase price, i.e. the fair value of the consideration paid plus significant transaction costs.

Based on the initial forecast of expected cash inflows, taking into account the initial value (purchase price plus transaction costs), an effective interest rate equal to the internal rate of return including a credit risk component is determined and used to discount the estimated cash inflows, which remains constant over the life of the portfolio.

Interest income is accrued on the value of the portfolio determined on the basis of the amortized cost model in accordance with the guidelines of IFRS 9 for purchased financial assets impaired due to credit risk using an effective interest rate that includes the credit risk component mentioned above, and is recognized in the current period in profit or loss. Interest income is recognized in full as an increase in the value of the portfolio. Actual payments received during the period as a result of collections are recognized in full as a reduction in the value of the portfolio.

Estimated cash flows are determined primarily based on:

- the assumed effectiveness of the collection tools used,
- past repayment history,
- macroeconomic conditions.

The value of an asset at a given balance sheet date is equal to its initial value (purchase price plus transaction costs) plus interest income and minus actual receipts and further modified by an update (change) in estimates of future cash flows. As a result, the value of the asset at the balance sheet date is equal to the discounted value of the expected cash inflows.

Estimated flows from debt packages include the principal portion of the portfolios and interest determined at a discount rate. The capital portion received is recognized as a reduction in the book value of the packages, while the interest portion is recognized as current period's income.

In addition, changes in the value of the portfolio resulting from changes in estimates of the timing and amounts of expected future cash inflows for the portfolio are recognized in current period's income.

The activities of acquiring debt packages involve credit risk.

The Group recognizes an asset in the form of loans or other financial assets in the statement of financial position if and only if it becomes a party to the agreement for that instrument. The Group classifies its financial assets on initial recognition.

With respect to loans and other financial assets, the financial asset at initial recognition is measured at fair value, plus or minus transaction costs directly attributable to the acquisition or issuance of the financial asset. In subsequent periods, such other financial assets are measured at amortized cost using the effective interest rate method. Profits or losses recognized in profit or loss are presented as financial revenues or expenses except for impairment losses. Due to the insignificant effects of discounting, receivables are valued at the amount due.

2.4.9.2. Financial assets measured at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are not measured at amortized cost or at fair value through other comprehensive income, or (for financial assets that are debt instruments only) if the entity has elected at initial recognition to be measured at fair value through profit or loss. Profits and losses from the valuation of financial assets are determined by the change in fair value determined on the basis of prices current at the balance sheet date from an active market or on the basis of valuation techniques if an active market does not exist. Profits and losses from a change in valuation on a financial asset classified as valued at fair value through profit or loss are recognized in profit or loss in the period in which they arose in the line *other financial revenues or other financial expenses*.

2.4.9.3. Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held in a business model that aims to generate both contractual cash flows from the financial assets held and from the sale of the financial assets, and
- contractual terms give the right to receive cash flows representing only principal and interest on principal on specified dates.

With respect to equity instruments, an entity may, at the date of initial recognition, make an irreversible election to classify the instrument as a financial instrument at fair value through other comprehensive income (the fair value through other comprehensive income option). This choice is made for a single financial asset. The option to select fair value through other comprehensive income is not available for equity instruments held for trading. Profits and losses, both from valuation and realization, arising on a financial asset that is an equity instrument for which the fair value through other comprehensive income option has been applied are recognized in other comprehensive income, except for income from dividends received, which is recognized in the line *other financial revenues or other financial expenses*.

Profits and losses on a financial asset that is a debt instrument measured at fair value through other comprehensive income are recognized in other comprehensive income except:

- foreign exchange gains and losses that arise for monetary assets,
- interest income calculated using the effective interest rate, and
- allowance for expected credit losses, with the allowance for expected credit losses for such instruments recognized in other comprehensive income in correspondence with profit or loss, such that from the total change in fair value recognized in the statement of financial position, the change resulting from expected credit losses is transferred to profit or loss. The remainder of the change in fair value is recognized in other comprehensive income.

For debt financial instruments measured at fair value through other comprehensive income, impairment losses or gains (reversals of losses) are recognized in profit or loss in correspondence with other comprehensive income, thus the impairment loss does not reduce the carrying amount of the financial asset in the statement of financial position.

2.4.9.4. Equity instruments valued at fair value through other comprehensive income

Investments in equity financial instruments, which the entity irrevocably decided at initial recognition that subsequent changes in fair value would be presented in comprehensive income, are classified in this category. Such an instrument cannot be held for trading or be contingent payment recognized by the acquirer as part of a merger.

2.4.9.5. Impairment of financial instruments

In the case of financial assets measured using the risk-adjusted effective interest rate method (acquired debt portfolios), the impairment loss on financial assets (so-called credit loss) is the difference between the future originally planned flows (including credit risk) from the financial asset and the currently expected cash flows from the asset (including credit risk), discounted using the original credit risk-adjusted effective interest rate over the entire expected life horizon of the exposure.

The change in value of financial assets measured using the risk-adjusted effective interest rate method is presented in the line *Revaluation of packages*.

For other instruments, the impairment loss on financial assets (so-called credit loss) is the difference between all contractual payments on a financial asset and the expected cash flows from that asset, discounted using the original effective interest rate over the expected life horizon of the exposure.

The Company recognizes an allowance for expected credit losses on financial assets measured at amortized cost. Expected credit losses are credit losses weighted by the probability of default, for which the following *approaches* are used to determine impairment losses:

- general (basic) approach,
- simplified approach.

The general model monitors changes in the level of credit risk associated with a financial asset and classifies financial assets into one of three stages for determining impairment losses based on observation of the change in the level of credit risk relative to the initial recognition of the instrument. Depending on the classification into stages, the impairment loss is estimated over a 12-month horizon (stage 1) or over the life of the instrument (stage 2 and stage 3).

In the simplified model, the Group does not monitor changes in the level of credit risk over the life of the instrument and estimates the expected credit loss over the horizon to maturity of the instrument.

For the purpose of estimating expected credit loss, the Group uses:

- in the general model - levels of probability of default, implied from market credit quotes of analogous debt instruments, or other analyses on the basis of available data, taking into account the specifics and capital ties between the creditor and debtor,
- in the simplified model - historical levels of repayment of receivables from counterparties.

Specifically, the Group considers the failure of a counterparty to meet an obligation after 90 days from the due date of the receivable to be an event of *default*.

The Group uses a simplified model for calculating impairment losses for trade receivables (regardless of maturity). The expected credit loss is calculated at the time the receivables are recognized in the statement of financial position and is updated at each subsequent end of the reporting period, depending on the number of days the receivable is past due.

The general model is used for other types of financial assets (other than trade receivables), i.e. for receivables and loans and other financial assets. At each closing date of the reporting period, the Group analyzes the occurrence of prerequisites resulting in the classification of financial assets into the various stages of impairment loss determination, such as, among others, changes in the debtor's rating, serious financial problems of the debtor, the occurrence of a significant adverse change in its economic, legal or market environment.

2.4.10. Hedge accounting

The Group enters into derivative transactions to hedge interest rate risk. The Group designates derivatives entered into as hedging instruments in conjunction with cash flow hedges, provided the following criteria are met:

- A hedging relationship consists of permitted financial instruments and permitted hedged items;
- Formal documentation was prepared before the application of hedge accounting;
- The security link meets all of the following collateral effectiveness requirements:
  - there is an economic relationship between the hedging instrument and the hedged item;
  - The effect of credit risk is not dominant in the change in values that result from the economic relationship;
  - the hedge ratio illustrates the actual size of the hedging instrument and the hedged item that the entity is hedging (as long as the determination of the hedge ratio is not a conscious attempt to generate an accounting effect inconsistent with the purpose of hedge accounting).

Derivatives that meet the definition of a hedging instrument are hedges of the risk of changes in cash flows for assets or liabilities that generate such risk.

A cash flow hedging derivative is one that:

- serves to reduce the volatility of cash flows and is attributable to a specific risk associated with an asset or liability recognized in the statement of financial position or a highly probable forecasted future transaction; and
- will affect the reported net profit or loss.

Profits and losses resulting from changes in the fair value of the cash flow hedging instrument in the effective portion are recognized in other comprehensive income to the extent that the instrument is an effective hedge of the related hedged item.

The ineffective part is referred to the financial result, as financial revenues or financial expenses.

Profits and losses arising on a cash flow hedging instrument are recognized in profit or loss when the hedged item affects profit or loss.

The Group discontinues hedge accounting if the hedging instrument expires or is sold, its use comes to an end or is exercised, or if the hedge no longer meets the eligibility criteria allowing special hedge accounting rules to be applied to it. The method and frequency of assessing the effectiveness of hedging relationships is specified in the documentation of each hedging relationship.

Derivatives are concluded with major commercial banks in Poland, so the risk of the other party not completing the transaction is considered by the Group to be negligible.

The Group evaluates the effectiveness of the relationship (including, the existence of an economic relationship between the hedged item and the hedging instrument) on the basis of either a comparison of critical parameters or a sensitivity analysis of the change in fair value of the hedging instrument and the hedged item to a change in the hedged risk factor.

2.4.11. Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, as well as other cash, i.e. bank deposits with a maturity of three months or less. The funds were valued at nominal value, while bank deposits were valued at their maturity amount. The book value of these assets corresponds to their fair value.

2.4.12. Short-term prepayments

Short-term prepayments include, in particular, prepaid expenses, i.e. expenses incurred relating to future reporting periods falling to be settled within 12 months from the reporting date.

2.4.13. Share capital

The Company’s share capital is shown at par value, in accordance with the Company’s Articles of Association and entry in the National Court Register.

2.4.14. Capital from sales of shares above their nominal value

This capital is created from the excess of the issue value of issued shares over their nominal value less issuance costs.

External costs directly related to the issuance of shares reduce the value of the share premium. Other costs are charged to the income statement as incurred.

2.4.15. Supplementary capital created from profit

This capital is created from the excess of the issue value of issued shares over their nominal value less issuance costs, profit distributions or other legally permissible sources.

2.4.16. Non-controlling interest

The Group measures all non-controlling interests in proportion to its share of the acquiree’s identifiable net assets, unless the provisions of the articles of association provide otherwise.

2.4.17. Revaluation reserve, capital from revaluation of financial assets to fair value through other comprehensive income

The revaluation reserve is created in connection with the measurement at fair value of financial instruments measured at fair value through other comprehensive income; both revaluations increasing and decreasing fair value are recorded here. The effects of hedge accounting are also recorded in the revaluation reserve.

At the time of derecognition of the financial asset from the balance sheet, the accumulated net profits or losses recognized on the revaluation reserve is charged to the profit or loss for the period.

2.4.18. Deferred income tax provision

The provision for deferred tax was recognized in the amount that will increase the liability to pay income tax in the future, due to the existence of positive temporary differences between the balance sheet value of assets and liabilities and their tax value.

The valuation of the provision for deferred income tax took into account the income tax rate, which, to the best of the Group's knowledge, will apply in the year in which the provision will be dissolved.

2.4.19. Provisions for employee benefits

The liabilities and provisions for employee benefits reported in the statement of financial position include the following items:

- short-term employee benefits ensuing from salaries (including bonuses) and social security contributions,
- provisions for unused leaves and
- other long-term employee benefits, under which the Group includes retirement benefits.

The value of liabilities ensuing from short-term employee benefits is determined without discounting and is reported in the statement of financial position in the amount required to be paid.

The Group makes a provision for the cost of accumulated compensated absences that it will have to incur as a result of employees' unused entitlement, which has accrued as of the balance sheet date. The provision the provision for unused leave is a short-term provision and is not discounted.

In accordance with labor laws, Group employees are entitled to severance payments, which are paid once upon retirement. An estimate of the amount of the pension provision is made once a year by an external actuary.

2.4.20. Other provisions

Other provisions are recognized when the Group has an existing obligation resulting from past events and it is probable that an outflow of economic benefits will be required to meet the obligation and a reliable estimate of the obligation can be made. In particular, the Group creates a provision for customer overpayments, resulting from customer repayments on debt packages, in an amount corresponding to estimated refunds of overpayments. Established provisions are included in other operating expenses, financial expenses, respectively, depending on the circumstances to which the future liability is related.

2.4.21. Financial liabilities

A financial asset is recognized in the statement of financial position when the Group becomes a party to the agreement for that instrument. Standardized purchases and sales of financial assets and liabilities are recognized on the date of the transaction.

The Group excludes from the statement of financial position a financial liability when the obligation has expired, that is, when the obligation specified in the agreement has been fulfilled, cancelled or expired.

At the date of acquisition, the Group measures financial liabilities at fair value, that is, most often in the amount received in the case of a liability. The Group includes transaction costs in the initial valuation of all financial liabilities, except for the category of liabilities measured at fair value through profit or loss.

Financial liabilities other than hedging derivatives are reported under the following items in the statement of financial position:

- credits, loans, other debt instruments,
- lease liabilities,
- trade and other liabilities.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method, except for financial liabilities held for trading or designated as measured at fair value through profit or loss.

Bond issuance liabilities, loans and lease liabilities are measured at initial recognition at fair value less transaction costs, and then valued at amortized cost using the effective interest rate method (at adjusted cost) and divided according to the timing of the generated flow into short-term and long-term portions.

The Group includes derivatives other than hedging instruments in the category of financial liabilities at fair value through profit or loss.

Short-term trade liabilities are valued at the value of required payment due to insignificant discounting effects. Profits and losses from the valuation of financial liabilities are recognized in the financial result in the line *interest income* and in the line *financial revenues or financial expenses*.

2.4.22. Other prepayments and accruals

Accrued expenses are recognized at the reporting date, if necessary, in the amount of probable liabilities attributable to the current reporting period.

2.4.23. Revenues

Net revenues consist of:

- interest income on debt packages calculated using the effective interest rate method,
- revenues from revaluation of debt packages,
- revenues from debt management representing fees from investment portfolio management agreements recognized on an accrual basis,
- other revenues of a non-financial nature, including income from the provision of other services,
- subsidies,
- result on disposal of property, plant and equipment (net presentation).

Other net revenues also consist of closely related expenses and is presented in the line *Other revenues/expenses*.

2.4.24. Operating expenses

Costs of operations are recorded by nature. The operating expenses include:

- depreciation,
- consumption of materials and energy,
- external services,
- court and enforcement fees,
- taxes and fees,
- wages and salaries,
- social security and other benefits,
- other costs by type.

2.4.25. Financial revenues

Financial revenues consist of:

- interest income calculated using the effective interest rate on loans and receivables, debt financial instruments,
- dividends,
- net foreign exchange gains,
- positive change in the valuation of debt financial assets measured at fair value through profit or loss,
- positive result from the sale of stocks, shares, bonds and other securities (bills of exchange and foreign cheques),
- revenues related to collateral accounting, guarantees, sureties, securities and other agreements of a similar nature granted or accepted.

2.4.26. Financial expenses

The financial expenses consist of:

- interest expenses calculated using the effective interest rate on loans, financial lease liabilities, debt securities,
- net foreign exchange losses,
- negative change in the valuation of debt financial assets measured at fair value through profit or loss,
- negative result from the sale of stocks, shares, bonds and other securities (bills of exchange and foreign cheques),
- costs of drafting the prospectus for the bond program,

- costs related to the receipt of a line of credit, an overdraft facility and other financial instruments with an undetermined repayment schedule that have not been accounted for using the effective interest rate,
- costs related to collateral accounting, guarantees, sureties, securities and other agreements of a similar nature granted or accepted.

2.4.27. Income tax

The tax expense on the financial result includes current and deferred income taxes that have not been recognized in other comprehensive income or directly in the capital.

The current tax burden is calculated on the basis of the tax result (tax base) for the financial year. Tax profit (loss) differs from accounting profit (loss) before tax due to the temporary shift of taxable income and deductible expenses to other periods and the exclusion of expense and income items that will never be taxable. Tax payable is calculated on the basis of tax rates applicable in a given year.

Deferred tax was calculated on the basis of the balance sheet method, as tax to be refunded or paid in the future based on the existing differences between the balance sheet and tax values of assets and liabilities.

2.4.28. Statement of cash flows

The Group prepares its statement of cash flows using the indirect method. Operating activities disclosed cash flows related to the Group's acquired debt portfolios.

2.5. Standards applied for the first time in the statement

The financial statements incorporate the requirements of all EU-approved standards and related interpretations except for the standards and interpretations listed below, which are either pending EU approval or have been approved by the EU but have entered or will enter into force after the balance sheet date. The Group did not take advantage during the period under review of the early application of standards and interpretations that have been approved by the EU but did not or will not become effective until after the balance sheet date.

The following amendments to existing standards, interpretations published by the International Accounting Standards Board (IASB) and approved for use in the EU enter into force for the first time in the financial statements of the Group in the year 2022/23.

- Amendments to IAS 16 "Property, plant and equipment" - no possibility of deducting from the cost of property, plant and equipment the amounts received from the sale of components produced in preparation of the asset for its intended use (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - annual amendments (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - method of determining whether an agreement is an onerous contract (effective for annual periods beginning on or after 1 January 2022),
- Annual amendment program 2018-2020 - Clarification and refinement of recognition and valuation guidelines: IFRS 1 "First-time Adoption of IFRS", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and illustrative examples to IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2022).

The aforementioned new or amended standards and interpretations that are applied for the first time do not have a material impact on the Group's financial statements.

2.6. New standards and amendments to existing standards that have already been adopted by the IASB and approved by the EU, but have not yet come into force

As of the date of these financial statements, the following new standards, amendments to existing standards or interpretations have been issued by the IASB but are not yet effective:

- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - definition of estimates (effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 12 “Income Taxes” - deferred taxes on assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 “Insurance contracts” - consistent recognition of all insurance contracts (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 “Insurance contracts” - first-time adoption of IFRS 17 and IFRS 9 - comparative information (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 “Presentation of Financial Statements” and the IFRS Board’s Guidance on Disclosures about Accounting Policies in Practice - the issue of materiality of policy disclosures (effective for annual periods beginning on or after 1 January 2023).

The Group decided not to take advantage of the possibility of early application of the above new standards and amendments to existing standards. According to the Group’s estimates, the above-mentioned new standards, amendments to existing standards and interpretations would not have a material impact on the financial statements if applied by the Group as of the balance sheet date.

2.7. New standards and amendments to existing standards that have already been adopted by the IASB but not yet approved for use by the EU

- Amendments to IAS 1 “Presentation of financial statements” - Classification of liabilities as current and non-current and Non-current liabilities with covenants (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IFRS 16 “Leases” - Lease liability in sale-leaseback transactions, issued 22 September 2022 (effective for annual periods beginning on or after 1 January 2024).

2.8. Changes in significant elements of accounting policy

The same accounting principles were applied in the preparation of these consolidated financial statements, as in the most recent annual consolidated financial statements prepared as of and for the financial year ending 31 March 2022.

In preparing these consolidated financial statements, the prior period errors described in item 2.8.1 below and the presentation changes described in item 2.8.2 have been corrected.

2.8.1. Error adjustments

a) No recognition of the deferred tax impact of the elimination at the consolidated level of the impairment loss on investments in subsidiaries

Between 2016 and 2021, Group companies recognized impairment losses on investments in subsidiaries in their standalone balance sheets. These write-downs were then eliminated at the consolidated level as intragroup transactions. At the same time, deferred tax assets on impairment losses created at the individual levels were not eliminated at the consolidated level.

As of 31 March 2023, the Group corrected this error, resulting in the recognition of PLN 726 thousand of expense in retained earnings and an increase in the provision for deferred income tax accordingly.

b) Withholding tax on dividends at incorrect amount

In March 2022, KI RUS shareholders decided to pay dividends to the company’s owners. In the current financial year, the Group obtained information that an incorrect withholding tax rate was applied to the payment of the above dividend, as a result, it was necessary to adjust the dividend received and pay tax.

As of 31 March 2023, the Group recognized in retained earnings an expense of PLN 805 thousand related to the adjustment of dividend withholding tax and a liability for payment of this tax, respectively.

c) Recognition of long-term liability as short-term

In the financial year ended 31 March 2023, the Group transferred the amount of PLN 494 thousand reported as of 31 March 2022 under trade and other liabilities to other long-term liabilities, due to the long-term nature of this liability.

d) Presentation of per balance of assets and provision for deferred income tax

To date, the Group has presented assets and provisions for deferred income tax on a net basis, although it has not always held the title to offset these assets and provisions. The Group adjusted the presentation of assets and provision for deferred income tax as at 31 March 2022, limiting itself to a per-balance presentation only in those cases in which it had offsetting rights. As a result of the adjustment, both the assets and the provisions for deferred income tax increased by PLN 684 thousand.

(figures in PLN 000s)

The effect of restatement of comparative figures on consolidated statement of profit and loss for the year ended 31 March 2022 and on the consolidated statement of financial position as at 31 March 2022 is presented below.

	01/04/2021-31/03/2022 not restated data	adjustments	01/04/2021-31/03/2022 restated data
Net revenues			
Interest income on debt packages calculated using the effective interest rate method	120,178		120,178
Revaluation of packages	71,024		71,024
Other revenues/expenses	6,915		6,915
Total net revenues	**198,117**		**198,117**
Costs of salaries and employee benefits	(48,106)		(48,106)
Depreciation and amortization	(6,971)		(6,971)
External services	(40,200)		(40,200)
Other operating expenses	(40,352)		(40,352)
Total operating expenses	**(135,629)**		**(135,629)**
Profit (loss) on operating activities	**62,488**		**62,488**
Financial revenues, including	10,518	(199)	10,319
interest on instruments measured at amortized cost	541		541
Financial expenses, including:	(33,205)		(33,205)
interest on instruments measured at amortized cost	(24,419)		(24,419)
Profit (loss) before tax	**39,801**	**(199)**	**39,602**
Income tax	(8,313)	(606)	(8,919)
Net profit (loss) on continued operations	**31,488**	**(805)**	**30,683**
Net profit (loss) from discontinued operations	**-**		**-**
Net profit (loss)	**31,488**	**(805)**	**30,683**
Net profit attributable to:			**-**
Parent's shareholders	30,738	(805)	29,933
Non-controlling interest	750		750

Assets	31/03/2022 not restated	adjustments	31/03/2022 restated
Company's goodwill	7,773	-	7,773
Intangible assets	8,787	-	8,787
Property, plant and equipment	14,309	-	14,309
Investment property	13,029	-	13,029
Long-term receivables	656	-	656
Financial derivatives	2,902	-	2,902
Long-terms financial assets measured at amortized cost	1,600	-	1,600
Deferred tax assets	0	684	684
Fixed assets	**49,056**	**684**	**49,740**
Trade and other receivables	7,936	-	7,936
Current income tax receivables	1,260	-	1,260
Purchased receivables	575,287	-	575,287
Loans	29	-	29
Other short-term financial assets	587	-	587
Short-term prepayments	916	-	916
Cash and cash equivalents	98,223	-	98,223
Current assets	**684,238**	**-**	**684,238**

(figures in PLN 000s)

Assets	31/03/2022 not restated	adjustments	31/03/2022 restated
Total assets	**733,294**	**684**	**733,978**

Liabilities	31/03/2022 not restated	adjustments	31/03/2022 restated
Share capital	12,897	-	12,897
Supplementary capital	105,691	-	105,691
Revaluation reserve	1,468	-	1,468
Exchange rate differences from conversion	(5,100)	-	(5,100)
Retained profits, including	184,927	(1,531)	183,396
net profit attributable to shareholders of parent company	30,738	(805)	29,933
profits from previous years	154,189	(726)	153,463
Equity attributable to the shareholders of the parent company	**299,883**	**(1,531)**	**298,352**
Non-controlling interest	704	-	704
Total equity	**300,587**	**(1,531)**	**299,056**
Credits, loans, other debt instruments	242,710	-	242,710
Lease liabilities	6,136	-	6,136
Deferred income tax provision	6,688	1,410	8,098
Other liabilities	-	494	494
Long-term liabilities	**255,534**	**1,904**	**257,438**
Trade and other liabilities	30,126	(494)	29,632
Current income tax liabilities	219	805	1,024
Credits, loans, other debt instruments	128,252	-	128,252
Lease liabilities	2,479	-	2,479
Financial derivatives	3,659	-	3,659
Other short-term reserves	8,472	-	8,472
Short-term prepayments	3,966	-	3,966
Short-term liabilities	**177,173**	**311**	**177,484**
Total liabilities	**432,707**	**2,215**	**434,922**
Total liabilities	**733,294**	**684**	**733,978**

2.8.2. Presentation changes

In these consolidated financial statements, the presentation of foreign exchange differences has been changed in the statement of cash flows to separate foreign exchange differences from the conversion of cash in foreign operations and to standardize the presentation of foreign exchange income/expenses.

The total impact on the consolidated statement of cash flows for the year ended 31 March 2022 of the restatement of comparative figures due to the error correction described in item 2.8.1 and the change in presentation is presented below:

	01/04/2021-31/03/2022 not restated	OB adjustment	presentation change	01/04/2021-31/03/2022 restated
Profit (loss) before tax	**39,801**	**(199)**	**-**	**39,602**
Financial revenues	(10,518)	-	778	(9,740)
Exchange rate differences	(677)	199	(101)	(579)
Other adjustments	6,706	-	(120)	6,586

(figures in PLN 000s)

	01/04/2021-31/03/2022 not restated	OB adjustment	presentation change	01/04/2021-31/03/2022 restated
Total adjustments	**122,103**	**199**	**557**	**122,859**
Cash from operating activities	**168,535**	**-**	**557**	**169,092**
Net cash from operating activities	**165,077**	**-**	**557**	**165,634**
Cash and cash equivalents at the beginning of the period	**74,041**	**-**	**-**	**74,041**
Change in balance due to exchange rate differences	-	-	(557)	(557)
Cash and cash equivalents at the end of the period	**98,223**	**-**	**-**	**98,223**

3. Operating segments

In these consolidated financial statements, the classification of operating segments has been changed from the comparative period. The Management Board believes that the presentation of operating segments based on geographic location is a better reflection of how the Management Board currently analyzes the performance of these segments and makes decisions regarding the resources allocated to them. The change in segment classification is related to the modification of the internal reporting system implemented in the Group in the fourth quarter of 2022.

The comparative figures for the previous reporting period presented in these financial statements have been restated accordingly to reflect the current structure of the operating segments.

Segment performance in the current reporting period is shown in the table below.

01/04/2022-31/03/2023	Poland	Romania	Russia	Bulgaria	Other	Total
Net revenues	149,002	34,419	23,128	15,112	(2,919)	218,742
Total operating expenses, including:	(110,097)	(21,290)	(15,362)	(9,311)	(4,098)	(160,158)
- Amortization/Depreciation	(6,323)	(165)	(5)	(509)	(640)	(7,642)
Segment operating result	**38,905**	**13,129**	**7,766**	**5,801**	**(7,017)**	**58,584**
Financial revenues						8,658
Financial expenses						(41,435)
Profit before tax						**25,807**
Income tax						(2,572)
Net profit						**23,235**

Segment performance in the comparative reporting period is shown in the table below.

01/04/2021-31/03/2022 restated	Poland	Romania	Russia	Bulgaria	Other	Total
Net revenues	**132,849**	**43,762**	**11,144**	**10,210**	**152**	**198,117**
Total operating expenses, including:	(93,409)	(14,977)	(8,897)	(7,633)	(10,714)	(135,629)
- Amortization/Depreciation	(5,590)	(59)	(14)	(564)	(745)	(6,971)
Segment operating result	**39,440**	**28,785**	**2,247**	**2,577**	**(10,561)**	**62,488**
Financial revenues						10,319
Financial expenses						(33,205)
Profit before tax						**39,602**
Income tax						(8,919)
Net profit						**30,683**

(figures in PLN 000s)

	Poland	Romania	Russia	Bulgaria	Other	Total
As at 31.03.2023						
Segment assets*	464,518	96,916	421	31,798	102,762	696,415
As at 31.03.2022						
Segment assets*	442,218	92,737	3,641	35,494	159,888	733,978

(*) Segment assets in segments other than the "Other" segment represent only debt portfolios

The Group's revenue from payments from external customers by geographic area is shown below.

Payments from debtors by geographical area	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Poland	219,014	184,334
Romania	48,299	49,311
Russia	27,916	26,105
Bulgaria	21,970	18,854
Croatia	304	386
Total	**317,503**	**278,990**

The Group has not identified leading customers with whom it realizes individual sales revenues exceeding the level of 10% of total sales revenues.

4. Net revenues

4.1. Revaluation of debt packages

Revaluation of packages	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Verification of the forecast	(3,998)	11,249
Deviations of actual payments from projected payments	95,822	59,424
Extension of projected recoveries	1,188	1,298
Change in exchange rate	607	(947)
Total	**93,619**	**71,024**

Revaluation of packages includes the following components:

(1) Verification of the forecast of future payments:
   (a) updating recovery curves in future periods, taking into account historical realization of recoveries and recovery plans derived from statistical models;
   (b) for hedged packages - the postponement and/or change in the value of projected receipts for hedged cases;

(2) Deviation of actual payments from projected payments - the difference for the reporting period between the actual payments of debtors and the projected payments in the recovery curves, which were the basis for the valuation of debt packages using the method of discounted cash flows from debt portfolios;

(3) Extension of forecasted recoveries - extension of the forecast of recoveries from debt packages for a further period in order to maintain the standard 15-year horizon for estimating recoveries;

(4) Change in exchange rate - the impact of changes in exchange rates on debt packages denominated in foreign currencies.

(figures in PLN 000s)

4.2. Other revenues/expenses

Other revenues/expenses	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Income from debt management	2,827	3,717
Net income from real estate sales and acquisitions	(1,575)	2,657
Other revenues	2,624	710
Costs of (creation) / reversal of provision for overpayments	23	(169)
Total	**3,899**	**6,915**

5. Operating expenses

Expenses by type	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Remunerations, social insurance contributions and other benefits	54,406	48,106
External services	44,274	40,200
Court and enforcement fees	39,879	30,614
Depreciation and amortization	7,642	6,971
Taxes and charges	1,875	1,503
Consumption of materials and energy	2,245	1,482
Other costs by type*	9,837	6,753
Total	**160,158**	**135,629**

(*) The item of other costs by type in the year ended 31 March 2023 includes, in particular, the cost of establishing a provision in connection with the tax audit conducted at KI RUS in the amount of PLN 5.7 million, and in the year ended 31 March 2022 - a write-down of goodwill allocated to KI RUS in the amount of PLN 4.9 million

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6. Financial revenues and expenses

Financial revenues	01/04/2022-31/03/2023	01/04/2021-31/03/2022 restated
Interest income on financial assets measured at amortized cost	2,169	541
Interest income on derivative financial instruments	6,479	-
Ineffective part of financial risk hedging	-	9,105
Positive f/x differences	-	579
Other financial revenues	10	94
Total	**8,658**	**10,319**

(figures in PLN 000s)

Financial expenses	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Interest expenses concerning financial liabilities	36,253	24,419
Other interest, including	1,176	632
due to lease liabilities	965	544
Interest expenses on derivative hedging instruments	-	8,154
Ineffective part of financial risk hedging	3,234	-
Other financial expenses	95	-
Negative f/x differences	677	-
Total	**41,435**	**33,205**

7. Income tax

	01/04/2022-31/03/2023	01/04/2021-31/03/2022 restated
Concerning the current year	(7,859)	(5,864)
Concerning previous years	(746)	-
Current income tax	**(8,605)**	**(5,864)**
Concerning the current year	6,033	(3,055)
Deferred tax transferred from capital to result	-	-
Deferred income tax	**6,033**	**(3,055)**
Total tax expense recognized in the current year	**(2,572)**	**(8,919)**

Tax rates applied by Group companies	01/04/2022-31/12/2023	01/04/2021-31/03/2022
Poland	19%*	19%
Romania	16%	16%
Bulgaria	10%	10%
Luxembourg	29%	29%
Russia	20%	20%
Croatia	12%	12%

(*) Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp.k. and Finsano S.A. settle tax at a rate of 9%.

The Group's profits are generated in particular through closed-end investment funds, whose income is exempt from corporate income tax.

(figures in PLN 000s)

	01/04/2022-31/03/2023	01/04/2021-31/03/2022 restated
Profit before tax	**25,807**	**39,602**
Cost of income tax at the rate of 19%	(4,903)	(7,524)
The difference between the applicable tax rates and the 19% rate	1,548	1,900
Non-taxable income	26,103	71,506
Tax revenue that is not accounting revenue	(2,824)	(30)
Non-tax-deductible expenses	(27,165)	(72,990)
Tax loss to be settled	-	(46)
Activation/ (Write-off) of asset on losses/tax credits	4,027	(1,833)
Tax effect of changing the tax rate	(147)	107
Adjustments of past periods deferred tax	1,093	(114)
Adjustments of past periods current tax	(746)	-
Tax expenses that are not accounting expenses	400	106
Cost of future periods	-	-
Other items affecting the tax burden	42	(1)
Income tax expense recognized in current period result	**(2,572)**	**(8,919)**

8. Intangible assets property, plant and equipment

8.1. Company's goodwill

	31/03/2023	31/03/2022
Finsano S.A.	5,662	5,662
KI Solver sp. z o.o.	1,298	2,049
Kredyt Inkaso Portfolio Investments (Luxembourg) S.A.	62	62
Total	**7,022**	**7,773**

As of the balance sheet date, the Group performed impairment tests on goodwill and recognized no indication of impairment except for the goodwill allocated to KI Solver sp. z o.o. The tests cover the carrying value of the cash-generating unit and in case of impairment, impairment losses are recognized first against goodwill and are not reversed. It has been assumed that the cash-generating unit for the above investments is the enterprise operating as a whole, since it is not possible to separate smaller integral parts that could function independently to generate cash inflows.

8.1.1. Finsano S.A.

The goodwill was created through the 2010 acquisition by the subsidiary Kancelaria Forum S.A. of shares in Kancelaria Prawnicza Forum radca prawny Krzysztof Piluś i spółka Sp. k., based in Warsaw, followed by the 2020 merger of Kancelaria Forum S.A. with Finsano S.A., KI Nieruchomości Sp. z o.o. and Finsano Consumer Finance S. A., where Finsano S.A. was the acquiring company. The cash flow-generating unit in the impairment test is Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka sp. k., and the goodwill assigned to Finsano S.A. amounts to PLN 5,662 thousand.

As of the balance sheet date, the goodwill asset was tested for impairment with the following assumptions:

- the business model will not change
- detailed cash flow projections cover the next 5 years
- revenues and costs increase proportionally 5% per year over the detailed forecast period
- 0% growth rate to extrapolate cash flow projections beyond the next 5 years
- capital expenditures and depreciation will balance out
- 19% tax rate

(figures in PLN 000s)

- 12.89% discount rate.

The recoverable value was set at PLN 12,639 thousand. Accordingly, there was no indication of impairment recognition.

The table below presents a sensitivity analysis of the recoverable amount to a change in the test parameters:

Impact on recoverable value	Change	31/03/2023
change in the discount rate	+1 p.p.	-393
change in the discount rate	-1 p.p.	460
change in the long-term rate of growth (over 5 years)	+1 p.p.	519
change in the long-term rate of growth (over 5 years)	-1 p.p.	-444

8.1.2. KI Solver sp. z o.o.

On 31 May 2021, Finsano S.A. acquired 100% of the shares in Advisers Sp. z o.o. (now KI Solver Sp. z o.o.) and thus gained control of net assets with a fair value of PLN 981 thousand, equal to the book value as of the acquisition date. The fair value of the consideration transferred amounted to PLN 3,030 thousand, generating goodwill attributable to the company in the amount of PLN 2,049 thousand.
Under IFRS regulations, the main factor building goodwill attributable to KI Solver sp. z o.o. is an asset that cannot be individually identified or separately recognized. In the case of KI Solver sp. z o.o., the attributed goodwill is the authorization to manage securitized receivables of the securitization fund, which does not meet the conditions for recognition as a balance sheet asset. As of 31 March 2023, the Group commissioned an independent appraiser to evaluate KI Solver to assess whether the goodwill assigned to the company was impaired. The valuation prepared using the adjusted net assets method showed the value of the company’s adjusted net assets in the amount of PLN 2,148 thousand, which, compared to the value of the company’s net assets and the goodwill assigned to them in the total amount of PLN 2,899 thousand, resulted in the need to recognize an impairment loss on goodwill in the amount of PLN 751 thousand as of the balance sheet date.

(figures in PLN 000s)

8.2. Intangible assets

	Patents and licenses	Computer software	Costs of development works	Other intangible assets	Intangible assets under development	Total
As at 31.03.2023						
Gross carrying amount	16,128	3,307	5,269	322	373	25,399
Accumulated depreciation and impairment losses	(12,036)	(3,221)	(2,386)	(322)	-	(17,965)
Net carrying amount	**4,092**	**86**	**2,883**	**-**	**373**	**7,434**
As at 31.03.2022						
Gross carrying amount	15,002	3,307	3,960	322	500	23,091
Accumulated depreciation and impairment losses	(9,322)	(3,107)	(1,553)	(322)	-	(14,304)
Net carrying amount	**5,680**	**200**	**2,407**	**-**	**500**	**8,787**

Changes in intangible assets by type group

	Patents and licenses	Computer software	Costs of development works	Other intangible assets	Intangible assets under development	Total
As at 01.04.2022	**5,680**	**200**	**2,407**	**-**	**500**	**8,787**
Increases: (acquisition, manufacturing, leasing)	1,081	-	1,309	-	-	2,390
Decreases (disposal, liquidation) (-)	-	-	-	-	(127)	(127)
Acceptance of intangible assets	-	-	-	-	-	-
Depreciation (-)	(2,669)	(114)	(833)	-	-	(3,616)
Transfer between groups	-	-	-	-	-	-
As at 31.03.2023	**4,092**	**86**	**2,883**	**-**	**373**	**7,434**

(figures in PLN 000s)

	Patents and licenses	Computer software	Costs of development works	Other intangible assets	Intangible assets under development	Total
As at 01.04.2021	**4,143**	**290**	**2,754**	**-**	**141**	**7,328**
Increases: (acquisition, manufacturing, leasing)	4,006	26	333	-	359	4,724
Decreases (disposal, liquidation) (-)	(59)	-	-	-	-	(59)
Acceptance of intangible assets	-	-	-	-	-	-
Depreciation (-)	(2,410)	(116)	(680)	-	-	(3,206)
Transfer between groups	-	-	-	-	-	-
As at 31.03.2022	**5,680**	**200**	**2,407**	**-**	**500**	**8,787**

8.3. Property, plant and equipment

	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Property, plant and equipment under construction	Total
As at 31.03.2023						
Gross carrying amount	17,579	10,185	1,964	1,903	186	31,817
Accumulated depreciation and impairment losses	(4,749)	(7,611)	(488)	(1,650)	-	(14,498)
Net carrying amount	**12,830**	**2,574**	**1,476**	**253**	**186**	**17,319**
As at 31.03.2022						
Gross carrying amount	19,657	9,385	1,813	1,816	183	32,854
Accumulated depreciation and impairment losses	(9,053)	(6,820)	(1,002)	(1,670)	-	(18,545)
Net carrying amount	**10,604**	**2,565**	**811**	**146**	**183**	**14,309**

(figures in PLN 000s)

Including the right to use.

	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Property, plant and equipment under construction	Total
As at 31.03.2023						
Gross carrying amount	14,941	-	1,776	-	-	16,717
Accumulated depreciation and impairment losses	(2,211)	-	(366)	-	-	(2,577)
Net carrying amount	**12,730**	**-**	**1,410**	**-**	**-**	**14,140**
As at 31.03.2022						
Gross carrying amount	15,245	-	1,171	-	-	16,416
Accumulated depreciation and impairment losses	(7,654)	-	(551)	-	-	(8,205)
Net carrying amount	**7,591**	**-**	**620**	**-**	**-**	**8,211**

Changes in property, plant and equipment by type group

	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Property, plant and equipment under construction	Total
As at 01.04.2022	**10,604**	**2,565**	**811**	**146**	**183**	**14,309**
Increases: (acquisition, manufacturing, leasing)	8,485	920	1,331	210	3	10,949
Decreases (disposal, liquidation) (-)	(3,709)	(4)	(196)	(4)	-	(3,913)
Acceptance of a fixed asset	-	-	-	-	-	-
Depreciation (-)	(2,550)	(907)	(470)	(99)	-	(4,026)
As at 31.03.2023	**12,830**	**2,574**	**1,476**	**253**	**186**	**17,319**

(figures in PLN 000s)

Including the right to use.

	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Property, plant and equipment under construction	Total
As at 01.04.2022	**7,591**	**-**	**620**	**-**	**-**	**8,211**
Increases	8,485	-	1,331	-	-	9,816
Decreases (-)	(792)	-	(71)	-	-	(863)
Depreciation (-)	(2,554)	-	(470)	-	-	(3,024)
As at 31.03.2023	**12,730**	**-**	**1,410**	**-**	**-**	**14,140**

Changes in property, plant and equipment by type group

	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Property, plant and equipment under construction	Total
As at 01.04.2021	**11,582**	**922**	**1,068**	**244**	**2,453**	**16,269**
Increases: (acquisition, manufacturing, leasing)	4,389	16	747	67	707	5,926
Decreases (disposal, liquidation) (-)	(2,476)	(18)	(800)	-	(827)	(4,121)
Acceptance of a fixed asset	(153)	2,254	131	(82)	(2,150)	-
Depreciation (-)	(2,738)	(609)	(335)	(83)	-	(3,765)
As at 31.03.2022	**10,604**	**2,565**	**811**	**146**	**183**	**14,309**

Including the right to use.

	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Property, plant and equipment under construction	Total
As at 01.04.2021	**6,226**	**-**	**129**	**-**	**-**	**6,355**
Increases	4,211	-	600	-	-	4,811
Decreases (-)	(62)	-	-	-	-	(62)
Depreciation (-)	(2,784)	-	(109)	-	-	(2,893)
As at 31.03.2022	**7,591**	**-**	**620**	**-**	**-**	**8,211**

(figures in PLN 000s)

9. Investment property

	31/03/2023	31/03/2022
As at 01.04.2022	**13,029**	**11,987**
Increases due to acquisition of real property	176	2,882
Decreases due to disposal of real property	(3,280)	(5,020)
Revaluation	(1,392)	3,180
Other changes*	2,916	-
As at 31.03.2023	**11,449**	**13,029**

(*) the item Other changes includes an increase in investment properties resulting from recognition as investment property of properties previously used by the Group as fixed assets

All of the Group's investment properties are owned by the Company.

During the period covered by the financial statements, the Group did not transfer the value of investment properties between valuation levels.

	Level 3	Fair value
Investment properties as at 31.03.2023	11,449	11,449
Investment properties as at 31.03.2022	13,029	13,029

10. Other financial assets

Under other financial assets, the Group presents the following investments:

	31/03/2023		31/03/2022	
	Short-term assets	Long-term assets	Short-term assets	Long-term assets
Debt instruments	801	-	268	1,600
Financial assets measured at fair value through profit or loss	317	-	319	-
Total	**1,118**	**-**	**587**	**1,600**

11. Purchased receivables

Types of debt packages	31/03/2023	31/03/2022
Banking retail	282,024	328,040
Telecommunication	193,842	127,411
Consumer loans	78,610	75,822
Mortgage	24,110	26,766
Corporate	14,987	16,658
Insurance	318	570
Others	17	20
Total	**593,908**	**575,287**

(figures in PLN 000s)

Change in debt packages	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Opening balance	**575,287**	**628,615**
Purchases of debt packages	119,906	35,439
Sale of debt packages	-	-
Revaluation	93,619	71,024
Impact of exchange rate differences recognized in other comprehensive income	1,375	(979)
Payments from persons in debt	(317,503)	(278,990)
Interest revenues on receivable packages	121,224	120,178
Closing balance	**593,908**	**575,287**

The nominal value of estimated future recoveries (ERC) for discount rate ranges:	31/03/2023	31/03/2022
less than 25%	590,597	705,562
25% - 50%	503,455	244,025
more than 50%	135,778	130,836

12. Receivables and loans

	31/03/2023	31/03/2022
Fixed assets		
Receivables	464	656
Current assets		
Trade and other receivables	9,400	7,936
Loans	-	29

As of the balance sheet date, allowances include other receivables and consist of the following:

- PLN 1,341 thousand allowance for reimbursement of court costs related to judicial collection of receivables, PLN 2,834 thousand at the end of the comparative period,
- PLN 596 thousand allowance for receivables related to litigation delineated by the Group, PLN 593 thousand at the end of the comparative period,
- PLN 288 thousand allowance for other receivables, PLN 437 thousand at the end of the comparative period.

13. Deferred income tax assets and reserves

Deferred tax assets and liabilities are presented on a per balance basis.

(figures in PLN 000s)

Deferred income tax	31/03/2023	31/03/2022 restated
Balance at beginning of year before offsetting:		
Deferred tax assets	3,131	8,102
Deferred income tax provision	(10,545)	(10,305)
Change in status during the period affecting:		
Income statement (+/-)	6,033	(3,055)
Other comprehensive income (+/-)	343	(2,157)
Deferred tax at the end of the period before offsetting:		
Deferred tax assets	10,295	3,131
Deferred income tax provision	(11,333)	(10,545)

	31/03/2022 restated	Change in income statement	Change in other comprehensive income	31/03/2023
Deferred tax assets				
Property, plant and equipment - right to use	67	11	-	78
Investment property	-	28	-	28
Provisions for employee benefits	1,004	(266)	-	738
Other provisions	307	121	-	428
Credits, loans, other debt instruments	286	(513)	343	116
Other liabilities	744	761	-	1,505
Unsettled tax losses	626	6,769	-	7,395
Other assets	96	(89)	-	7
Total	**3,131**	**6,821**	**343**	**10,295**
Offset	**(2,447)**			**(9,619)**
Total deferred income tax assets reported in the statement of financial position	**684**			**676**
Deferred income tax provisions				
Property, plant and equipment and intangible assets	673	(85)	-	588
Investment property	274	(274)	-	-
Purchased receivables	7,713	(822)		6,891
Credits, loans and other debt instruments	-	34		34
Receivables and loans, valuation of financial assets	1,771	2,042	-	3,813
Other assets	114	(107)	-	7
Total	**10,545**	**788**	**-**	**11,333**
Offset	**(2,447)**			**(9,619)**
Total provision for deferred income tax reported in the statement of financial position	**8,098**			**1,714**

The Group has control over the realization of temporary differences on investments in subsidiaries, so when assessing the need to establish a deferred tax provision in this regard, it takes into account the likelihood of realization of these temporary differences in the foreseeable future (based on financial plans prepared for a period of 3 years). The value of any provision for deferred tax is affected by the level of assumed future cash flows from subsidiary companies to the Company in the foreseeable future. The level of these flows depends on, among other things:

- liquidity needs of the Company and other Group companies, and on acquired and projected available new debt financing for the Company and other Group companies,

(figures in PLN 000s)

- planned expenditures on debt packages at individual Group companies,
- planned payments from purchased debt packages in Group companies.

Accordingly, deferred tax provisions on taxable temporary differences related to investments in subsidiaries may be subject to significant changes from one reporting period to the next.

The Group takes advantage of the exemption in IAS 12 and does not recognize a provision for deferred tax on investments in subsidiaries in which it has control over the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future. The total value of temporary differences underlying unrecognized provisions for projected realization of investments in subsidiaries within 3 years from the balance sheet date as of 31 March 2023 amounted to PLN 158,599 thousand.

According to Polish tax regulations in force since 1 January 2019, a tax loss for a financial year can be settled as part of a given source of income:

- in consecutive five tax years, but not more than 50% of the loss in any one tax year, or
- once in one of the five consecutive tax years up to the amount of PLN 5,000,000, and the outstanding amount in the remaining years of the five-year period, but not more than 50% of the loss in any of those years.

The rule applies to losses incurred by the Polish companies after 31 March 2019.

According to Polish tax regulations in force until 1 January 2019, a tax loss for a financial year can be settled as part of a given source of income in five consecutive tax years, but no more than 50% of the loss in a single tax year. This rule applies to the tax loss arising in Polish companies until 31 March 2019. For the Group's foreign companies, the rules for accounting for tax losses are in accordance with the local tax law in each of these countries.

The Group also incurred costs of debt financing and intangible services in previous years, which were excluded from deductible expenses under Articles 15c and 15e of the Corporate Income Tax Law. Costs of debt financing and costs of intangible services excluded from deductible expenses in a given tax year may be included in tax expenses in one of the following five tax years up to the limits set by tax regulations.

As a result of a reassessment of the realizability of tax losses and credits from previous years, the Group recognized a deferred tax asset in the current financial year. The Group's write-off of assets for tax losses in previous periods was related to the Group's inability to provide accurate forecasts of positive taxable income making it probable that the capitalized losses could be settled. The change in assumptions was made possible by the preparation of additional analyses to precisely determine the timing of the reversal of temporary differences, which will be able to be offset by corresponding temporary differences from capitalized losses and tax credits.

The Group's tax losses and costs of debt financing and intangible services on which no tax loss assets have been established and the periods in which they may be settled are presented in the tables below.

Date of occurrence of tax loss	Statute of limitations date	31/03/2023	31/03/2022
31.03.2018	31.03.2023	n/a	1,862
31.03.2019	31.03.2024	96	7,336
31.03.2020	31.03.2025	2,462	3,459
31.03.2021	31.03.2026	11,046	18,738
31.03.2022	31.03.2027	3,175	14,827
31.03.2023	31.03.2028	91	n/a
Unactivated tax losses		**16,870**	**46,221**
Potential tax benefit		**3,205**	**8,768**

Date of occurrence of tax credit	Statute of limitations date	31/03/2023	31/03/2022
31.03.2021	31.03.2026	364	364
31.03.2022	31.03.2027	18,527	19,302
Unactivated tax credits		**18,891**	**19,666**
Potential tax benefit		**3,589**	**3,736**

14. Financial instruments

The following table classifies financial instruments and compares the carrying value of financial instruments with their fair value.

The table below also shows financial assets and liabilities measured by the Group at fair value, categorized in a specific level in the fair value hierarchy:

- level 1 - quoted prices (without adjustments) from active markets for identical assets and liabilities,
- level 2 - input data for the valuation of assets and liabilities, other than quoted prices included in Level 1, observable on the basis of variables from active markets,
- level 3 - input data for the valuation of assets and liabilities, undetermined based on variables from active markets.

(figures in PLN 000s)

	Carrying amount 31/03/2023				Fair value 31/03/2023			
	FVTPL	FVOCI	Amort. cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Fixed assets								
Receivables and loans	-	-	464	**464**	-	-	464	**464**
Other long-term financial assets - financial debt securities	-	-	-	**-**	-	-	-	**-**
Financial derivatives	-	-	-	**-**	-	-	-	**-**
Current assets								
Trade and other receivables	-	-	9,400	**9,400**	-	-	9,400	**9,400**
Purchased receivables	-	-	593,908	**593,908**	-	-	505,146	**505,146**
Loans	-	-	-	**-**	-	-	-	**-**
Other short-term financial assets - financial debt securities	-	-	801	**801**	-	-	801	**801**
Other short-term financial assets - shares or stocks	317	-	-	**317**	-	-	317	**317**
Cash and cash equivalents	-	-	45,640	**45,640**	-	-	45,640	**45,640**
Financial liabilities								
Long-term liabilities								
Credits, loans, other debt instruments	-	-	258,439	**258,439**	117,449	-	141,417	**258,866**
Lease liabilities	-	-	11,472	**11,472**	-	-	11,472	**11,472**
Short-term liabilities								
Credits, loans, other debt instruments	-	-	61,333	**61,333**	16,754	-	42,709	**59,463**
Lease liabilities	-	-	3,072	**3,072**	-	-	3,072	**3,072**
Financial derivatives	-	-	-	**-**	-	-	-	**-**

	Carrying amount 31/03/2022				Fair value 31/03/2022			
	FVTPL	FVOCI	Amort. cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Fixed assets								
Receivables and loans	-	-	656	**656**	-	-	656	**656**
Other long-term financial assets - financial debt securities	-	-	1,600	**1,600**	-	-	1,600	**1,600**
Financial derivatives	-	2,902	-	**2,902**	-	2,902	-	**2,902**
Current assets								
Trade and other receivables	-	-	7,936	**7,936**	-	-	7,936	**7,936**
Purchased receivables	-	-	575,287	**575,287**	-	-	488,022	**488,022**
Loans	-	-	29	**29**	-	-	29	**29**
Other short-term financial assets - financial debt securities	-	-	268	**268**	-	-	268	**268**
Other short-term financial assets - shares or stocks	319	-	-	**319**	-	-	319	**319**
Cash and cash equivalents	-	-	98,223	**98,223**	-	-	98,223	**98,223**
Financial liabilities								
Long-term liabilities								
Credits, loans, other debt instruments	-	-	242,710	**242,710**	-	-	242,710	**242,710**
Lease liabilities	-	-	6,136	**6,136**	-	-	6,136	**6,136**
Short-term liabilities								
Credits, loans, other debt instruments	-	-	128,252	**128,252**	-	-	128,252	**128,252**
Lease liabilities	-	-	2,479	**2,479**	-	-	2,479	**2,479**
Financial derivatives	-	3,659	-	**3,659**	-	3,659	-	**3,659**

FVTPL - Financial instruments measured at fair value through profit or loss
FVOCI - Financial instruments measured at fair value through other comprehensive income
Amort. cost - Financial instruments measured at amortized cost

(figures in PLN 000s)

The Group measures bond liabilities at amortized cost. The fair value of these bonds, which are listed on an active market, was estimated based on the closing price of Catalyst listings as of the balance sheet date, plus accrued interest.

The Capital Group has not reclassified financial assets that would result in a change in the valuation principles for these assets between fair value or the amortized cost method.

The Capital Group also did not reclassify financial assets between levels in the fair value hierarchy.

15. Cash and cash equivalents

	31/03/2023	31/03/2022
Cash at bank	45,638	98,218
Cash in hand	2	5
Total	**45,640**	**98,223**

16. Equity

16.1. Share capital

	31/03/2023	31/03/2022
Number of shares	12,897,364	12,897,364
Nominal value of shares (in PLN)	1.00	1.00
Share capital (in PLN)	**12,897,364**	**12,897,364**

All shares are ordinary shares, without preference and without restriction of rights to shares.

16.2. Shareholding structure of Kredyt Inkaso S.A.

As at the date of approval of these annual consolidated financial statements, the Parent Company's shareholder structure is as follows:

	Number of shares	% of capital held	Number of votes	% of voting rights held
WPEF VI Holding 5 B.V. (*)	7,929,983	61.49%	7,929,983	61.49%
BEST S.A.	4,267,228	33.09%	4,267,228	33.09%
BEST Capital FIZAN	7,000	0.05%	7,000	0.05%
Other shareholders	693,153	5.37%	693,153	5.37%
Total	**12,897,364**	**100.00%**	**12,897,364**	**100.00%**

(*) Waterland Private Equity Investments B.V. is the ultimate controlling entity and indirectly owns 61.49% of the Company's capital, representing the same share of total voting rights.

16.3. Summary of shareholdings or entitlements to shares by management and supervisory personnel

As at the balance sheet date of 31 March 2023, and as at the Approval Date, no member of the Management Board or Supervisory Board held shares in the Company or other rights to such shares.

16.4. Coverage of the Parent Company's loss for 2021/2022

On 30 September 2022, an Ordinary General Meeting of Shareholders was held, at which a resolution was adopted to cover the loss for the 2021/2022 in the amount of PLN 14,221 thousand entirely from the Company's supplementary capital.

16.5. Number of shares and earnings per share (EPS)

No new series of shares were issued during the period covered by these statements.

Net profit (loss) per common share is calculated in the same way for each share. Shares do not differ in their right to share in net profit.

The basic earnings per share are calculated using the formula net profit attributable to shareholders of the parent company divided by the number of common shares existing during the period. The calculation of the earnings per share is presented below:

	01/04/2022-31/03/2023	01/04/2021-31/03/2022 restated
Weighted average number of ordinary shares (in thousands)	12,897	12,897
Impact of own shares	-	-
Weighted average number of ordinary shares (in thousands)	12,897	12,897
Net profit (loss) attributable to shareholders of the parent company	22,512	29,933
Basic earnings (loss) per share (PLN)	1.75	2.32
Diluted profit (loss) per share (PLN)	1.75	2.32

There were no discontinued operations in the current and comparative reporting periods.

In the current and comparative reporting period, the Capital Group had no instruments diluting the earnings per share.

16.6. Exchange rate differences from conversion

The foreign currency conversion differences item consists of exchange rate differences related to the conversion of the financial statements of foreign entities into Polish zlotys.

	31/03/2023	31/03/2022
Opening balance	**(5,100)**	**(2,670)**
Exchange rate differences from conversion	2,963	(2,430)
Closing balance	**(2,137)**	**(5,100)**

(figures in PLN 000s)

16.7. Retained earnings

	31/03/2023	31/03/2022 restated
Net profit of the current period attributable to the shareholders of the parent company	22,512	29,933
Profits from previous years	197,002	153,463
Total	**219,514**	**183,396**

16.8. Equity allocated to non-controlling interests

	31/03/2023	31/03/2022
Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp.k.	691	691
Kredyt Inkaso RUS Limited Liability Company (LLC)	(85)	13
Total capital attributable to non-controlling interests	**606**	**704**

	Net profit (loss)	Non-controlling interest as of 31/03/2023	Share of profit/(loss)
Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp.k.	2,170	n/a*	700
Kredyt Inkaso RUS Limited Liability Company (LLC)	2,375	1.0%	23
Total share of profit/(loss)			**723**

(*) Minority partners (limited partners) in Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka sp. k. have 10% of the voting rights, and the articles of association define in detail the exercise of voting rights and the distribution of profits among the partners.

	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Balance at the beginning of the year	**704**	**1,003**
Profit sharing during the year	723	750
Change in capital group's structure (transactions with non-controlling entities)	-	(187)
Dividends paid	(840)	(862)
Other changes	19	-
Balance at the end of the year	**606**	**704**

(figures in PLN 000s)

16.8.1. Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka sp. k.

	31/03/2023	31/03/2022
Fixed assets	51	66
Current assets	4,131	4,084
Total assets	**4,182**	**4,150**
Equity	3,977	3,880
Long-term liabilities	29	6
Short-term liabilities	176	264
Total liabilities	**205**	**270**
Total liabilities	**4,182**	**4,150**
Non-controlling interest in equity	**691**	**691**

	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Net revenues	2,629	2,653
Operating costs	(538)	(493)
Other net operating income and expenses	(101)	38
Profit on operating activity	**1,990**	**2,198**
Financial revenues and expenses	404	101
Profit before tax	**2,394**	**2,299**
Income tax	(223)	(344)
Net profit	**2,171**	**1,955**
Components of other comprehensive income	-	-
Net comprehensive income	**2,171**	**1,955**
Non-controlling interest in net profit	**700**	**700**

(figures in PLN 000s)

16.8.2. Kredyt Inkaso RUS Limited Liability Company (LLC)

	31/03/2023	31/03/2022
Fixed assets	4,270	3,772
Current assets	12,097	14,073
Total assets	**16,367**	**17,845**
Equity	(845)	8,010
Long-term liabilities	34	30
Short-term liabilities	17,178	9,805
Total liabilities	**17,212**	**9,835**
Total liabilities	**16,367**	**17,845**
Non-controlling interest in equity	**(85)**	**13**

	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Net revenues	22,024	10,853
Operating costs	(11,213)	(9,103)
Other net operating income and expenses	(5,663)	-
Profit on operating activity	**5,148**	**1,750**
Financial revenues and expenses	320	377
Profit before tax	**5,468**	**2,127**
Income tax	(3,093)	(3,077)
Net profit	**2,375**	**(950)**
Components of other comprehensive income	-	-
Net comprehensive income	**2,375**	**(950)**
Non-controlling interest in net profit	**23**	**(10)**

(figures in PLN 000s)

16.9. Dividends paid and dividend policy

The Parent company has not paid dividends in the past five years. In accordance with the provisions of the Articles of Association and the Commercial Companies Code, the decision regarding the payment of dividends rests with the General Meeting.

17. Credits, loans, other debt instruments

	31/03/2023		31/03/2022	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Loans and borrowings, including:	34,303	105,180	32,649	95,264
- credit card liabilities	14	-	10	-
Debt securities	27,016	153,259	95,603	147,446
Total	**61,333**	**258,439**	**128,252**	**242,710**

17.1. Loans and advances

Balance of credits and loans as at the balance sheet date.

Instrument	Currency	Interest rate	Date the liability occurred	Maturity date	Short-term liabilities	Long-term liabilities	Total
Kredyt ING Bank Śląski S.A.	PLN	WIBOR 3M + margin	2017-11-23	2032-12-31	12,033	28,235	**40,268**
Kredyt ING Bank Śląski S.A.	PLN	WIBOR 3M + margin	2018-05-21	2032-12-31	22,270	76,945	**99,215**
Total					**34,303**	**105,180**	**139,483**

Balance of credits and loans as at the comparative balance sheet date.

Instrument	Currency	Interest rate	Date the liability occurred	Maturity date	Short-term liabilities	Long-term liabilities	Total
Kredyt ING Bank Śląski S.A.	PLN	WIBOR 3M + margin	2017-11-23	2031-08-31	12,167	36,790	**48,957**
Kredyt ING Bank Śląski S.A.	PLN	WIBOR 3M + margin	2018-05-21	2031-08-31	20,472	58,474	**78,946**
Total					**32,639**	**95,264**	**127,903**

The maturity date for loans granted by ING Bank Śląski S.A. means the expiration date of the loan agreement, which is 31 December 2032. The maturity date for each individual tranche of drawing financing under the available credit line is 60 months.

Kredyt Inkaso I NSFIZ and Kredyt Inkaso II NSFIZ, in accordance with the supplementary agreements, may use the funds raised from a loan to finance the purchase of debt portfolios.

According to the agreement, the bank will make funds available to Kredyt Inkaso I NSFIZ and Kredyt Inkaso II NSFIZ up to PLN 200,000 thousand, (on 3 August 2022, the existing limit of funds made available was raised from PLN 140,000 thousand to PLN 200,000 thousand).

The availability of funds for use under the above credit limit is provided for annual periods ending 31 December, which are automatically extended for subsequent annual periods if neither the bank nor the funds makes a statement at least 35 days before the deadline that they do not wish to continue the availability of the credit line. The maximum date to which the end date of the availability of funds for use under the credit limit may be extended is the expiration date of the credit agreement, set at 31 December 2032.

(figures in PLN 000s)

The credits are not promised and the bank has no obligations under the credit agreements, and the use of the granted credit limits requires the bank's prior approval. Liabilities from loans are secured - see Note 29.2 for details.

17.2. Bonds issued

Balance at the end of the current reporting period.

Bond series	Interest rate	Date the liability occurred	Maturity date	Nominal value	Short-term	Long-term	Carrying amount
H1	fixed 6%	2021-10-22	2025-10-19	3,667	122	3,428	3,550
J1	WIBOR 3M+4.9%	2022-03-28	2029-03-28	44,599	8,547	35,320	43,867
K1	WIBOR 6M+4.9%*	2022-03-28	2029-03-28	103,000	17,560	83,745	101,305
I1	WIBOR 3M+4.9%	2022-04-19	2025-10-23	17,010	260	16,035	16,295
L1	WIBOR 3M+4.7%	2022-08-05	2026-07-27	15,679	527	14,731	15,258
Total				**183,955**	**27,016**	**153,259**	**180,275**

(*) first interest period WIBOR 6M+5.3%

Calendar of events related to bonds issued - including events after the balance sheet date.

Date	
19 April 2022	Series I1 bearer bonds with a total nominal value of PLN 17,010 thousand were issued
26 April 2022	The Group made a complete early redemption of series F1 bonds with a nominal value of PLN 75,769 thousand.
28 June 2022	The Group made a timely partial repayment of the face value of series J1 bonds in the amount of PLN 2,787 thousand in accordance with the schedule recorded in the WEO
5 August 2022	Series L1 bearer bonds with a total nominal value of PLN 15,679 thousand were issued
16 August 2022	The Group made full repayment of series E1 bonds in the amount of PLN 6,190 thousand
28 September 2022	The Group made a timely partial repayment of the face value of series J1 bonds in the amount of PLN 2,787 thousand in accordance with the schedule recorded in the WEO
28 December 2022	The Group made a timely partial repayment of the face value of series J1 bonds in the amount of PLN 2,787 thousand in accordance with the schedule recorded in the WEO
28 March 2023	The Company made a timely partial repayment of the face value of series J1 bonds in the amount of PLN 2,787 thousand in accordance with the schedule recorded in the WEO
14 April 2023	Series M1 bearer bonds with a total nominal value of PLN 15,000 thousand were issued
28 June 2023	The Company made a timely partial repayment of the face value of series J1 bonds in the amount of PLN 2,787 thousand in accordance with the schedule recorded in the WEO
12 July 2023	Series N1 bearer bonds with a total nominal value of PLN 18,000 thousand were issued

On 16 February 2023, the Polish Financial Supervision Authority approved the base prospectus for the bond program for the Company's issuance of bonds up to a total of PLN 100 million.

In April 2023, the Group's parent company issued series M1 bonds with a nominal face value of PLN 15 million. Series M1 bonds were admitted to trading on the regulated market operated by the Warsaw Stock Exchange on 14 April 2023, and the first day of listing on the regulated market was set for 18 April 2023.

In July 2023, the Group's parent company issued series N1 bonds with a nominal face value of PLN 18 million. Series N1 bonds were admitted to trading on the regulated market operated by the Warsaw Stock Exchange on 12 July 2023.

During the reporting period, there were no violations of covenants of issued bonds. As of the Approval Date, there have been no defaults in the repayment of principal or payment of interest on the bonds or violations of other terms and conditions of the issue.

Status at the end of the previous reporting period.

(figures in PLN 000s)

Bond series	Interest rate	Date the liability occurred	Maturity date	Nominal value	Short-term	Long-term	Carrying amount
E1	WIBOR 6M+4.9%	2018-08-16	2022-08-16	6,190	6,196	-	**6,196**
F1	WIBOR 6M+4.9%	2019-04-26	2022-04-26	75,769	77,608	-	**77,608**
H1	fixed 6%	2021-10-22	2025-10-19	3,667	75	3,420	**3,495**
J1	WIBOR 3M+4.9%	2022-03-28	2029-03-28	55,749	11,336	43,452	**54,788**
K1	WIBOR 6M+4.9%*	2022-03-28	2029-03-28	103,000	388	100,574	**100,962**
Total				**244,375**	**95,603**	**147,446**	**243,049**

(*) first interest period WIBOR 6M+5.3%

17.3. Cashpool

On 23 April 2019, an agreement for the provision of liquidity management services in the form of daily limits was concluded between ING Bank and Group entities (“cashpool”). The interest rate on cashpool transactions is variable and is WIBOR 6M +4.9%.

On 7 September 2022, annex No. 4 to the agreement for the provision of liquidity management services in the form of daily limits was introduced, introducing KI Solver Sp. z o.o. into the structure.

Cashpool balances are shown in the table below:

	31/03/2023	31/03/2022
Kredyt Inkaso S.A.	(36,610)	(29,913)
Finsano S.A.	36,343	25,372
Kancelaria Prawnicza Forum Radca Prawny Krzysztof Piluś i Spółka sp.k.	3,201	2,918
Kredyt Inkaso IT Solutions Sp. z o.o.	(3,806)	1,623
KI Solver Sp. z o.o.	872	-
Total	**-**	**-**

18. Lease liabilities

	31/03/2023		31/03/2022	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Lease liabilities	3,072	11,472	2,479	6,136
Total	**3,072**	**11,472**	**2,479**	**6,136**

	Discounted present value of minimum lease payments		Undiscounted value of minimum lease payments	
	31/03/2023	31/03/2022	31/03/2023	31/03/2022
No longer than 1 year	2,710	2,479	4,002	2,993
from 1 year to 5 years	10,535	5,884	12,567	6,231
over 5 years	1,299	252	1,405	271
Total	**14,544**	**8,615**	**17,974**	**9,495**

(figures in PLN 000s)

19. Short-term prepayments

	31/03/2023	31/03/2022
Licensing and maintenance of IT systems	475	431
Insurance policies	354	282
Others	971	203
Total	**1,800**	**916**

20. Short-term accrued expenses and deferred income

	31/03/2023	31/03/2022
Rent holidays	-	12
Operating costs	4,990	3,105
Costs of issuing bonds	-	849
Others	255	-
Total	**5,245**	**3,966**

21. Trade and other liabilities

	31/03/2023	31/03/2022 restated
Trade payables	15,626	23,450
Total trade liabilities	**15,626**	**23,450**
Liabilities due to taxes and other benefits	1,814	2,864
Other non-financial liabilities	2,259	3,318
Total non-financial liabilities	**4,073**	**6,182**
Total short-term liabilities	**19,699**	**29,632**

Trade and other liabilities are liabilities that the Group will realize or settle within a period of up to 12 months.

(figures in PLN 000s)

22. Other short-term reserves

	31/03/2023	31/03/2022
Provision for employee benefits	5,462	7,289
Customer overpayments	646	669
Other provisions	5,249	514
Total	**11,357**	**8,472**

(*) As at 31 March 2023, the item Other provisions includes, in particular, a provision created in connection with a tax audit at KI RUS in the amount of PLN 4.5 million.

	Provision for employee benefits	Customer overpayments	Other provisions	Total
As at 01.04.2022	**7,289**	**669**	**514**	**8,472**
Increase in provisions recognized as expense in the period	2,804	-	4,736	7,540
Utilization of provisions (-)	(3,589)	(23)	-	(3,612)
Reversal of provisions (-)	(1,043)	-	-	(1,043)
As at 31.03.2023	**5,461**	**646**	**5,250**	**11,357**

	Provision for employee benefits	Customer overpayments	Other provisions	Total
As at 01.04.2021	**3,584**	**520**	**680**	**4,784**
Increase in provisions recognized as expense in the period	5,144	149	-	5,293
Utilization of provisions (-)	(1,153)	-	-	(1,153)
Reversal of provisions (-)	(286)	-	(166)	(452)
As at 31.03.2022	**7,289**	**669**	**514**	**8,472**

23. Explanatory note to the statement of cash flows

	Change in liabilities reported in the statement of financial position	Value of packages purchased in the period 01/04/2022-31/03/2023	Payment for packages purchased in the period 01/04/2021-31/03/2022	Value of packages purchased in the period 01/04/2022-31/03/2023 paid after the balance sheet date	Presentation in the statement of cash flows
Purchased receivables - purchases and package outlays		(119,906)	(12,600)	-	**(132,506)**
Change in liabilities	(10,403)	-	12,600	-	**2,197**

24. Financial risk management

The main objective of the Group's risk management is to ensure that all risks associated with its operations are adequately managed. The Group manages risk through risk identification, measurement, assessment, control, forecasting and monitoring, reporting and countermeasures. The Kredyt Inkaso S.A. Capital Group constantly monitors and manages financial risks to minimize the risk of events that could have a negative impact on the organization's operations. The Group manages the following risks:

- Credit risk,
- Liquidity risk,
- Market risk: interest rate risk,
- Market risk: foreign exchange risk.

24.1. Credit risk

The Capital Group's activities are related to the assumption of credit risk from debt sellers (original creditors). These receivables are entirely subject to credit risk, so proper management of this type of risk is a key element in running the business.

The Group manages credit risk primarily at the stage of purchasing debt packages through appropriate valuation and selection of portfolio components and characteristics. The reported value of the debt portfolio on the balance sheet takes into account its credit risk. Systematically, on the last day of each reporting period, the Group revises the valuation of acquired receivables on the basis of revenue projections based on historical data (present value of future cash flows). For receivables from bankrupt, liquidated or other entities from which the Group does not expect to receive positive cash flows, the value of the receivables is assumed to be zero.

The value of receivables is widely dispersed among debtors, however, there are individual cases in the Group's portfolio with a significantly different denomination than typical. By diversifying the value of receivables into a large number of separate items, it can be expected that actual revenues will not deviate significantly from forecasts.

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations.

The credit risk for purchased receivables is relatively high, with the Group having experience and developed analytical methods to estimate such risk. At the date of acquisition of a debt portfolio, the Group assesses the credit risk associated with the portfolio. The risk is reflected in the offered purchase price of the portfolio.

Since acquired debt portfolios are valued at amortized cost, the credit risk associated with acquired debt portfolios is reflected in their valuation at the end of each reporting period.

At each valuation date, the Group assesses credit risk based on historical data on the proceeds of a given portfolio, as well as portfolios with similar characteristics. The following parameters are also taken into account when assessing credit risk:

- characteristics pertaining to the debt: debt balance, principal amount, share of principal in the debt, amount of credit received or total amount of invoices, type of product, past due (DPD), duration of the contract, time since the contract was concluded, collateral (existence, type, amount),
- characteristics of the indebted person: age of the indebted person, status of the indebted person (individual, sole proprietor or legal entity), amount of income earned, place of residence, solvency, previous level of loan repayment/level of invoice repayment, time since the indebted person's last payment, region, death or bankruptcy of the indebted person, employment of the indebted person,
- historical payment behavior of the indebted person, in particular: the amounts and frequency of payments made, and the type and intensity of activities carried out against the indebted person by the debt seller before the acquisition of the debt portfolio.

Changes in credit risk assessments affect expectations of future cash flows, which form the basis for valuing acquired debt portfolios. The Group forecasts future cash flows from its debt portfolios over a period of up to 180 months.

The Group minimizes the risk by valuing debt portfolios very meticulously before acquisition, taking into account the possibility of recovering the invested capital from the amounts claimed and the estimated costs necessary to be incurred during the debt collection process. Determination of the market value of the debt portfolio and the maximum selling price is based on a complex statistical and economic analysis. In order to minimize the risks associated with the acquired debt portfolios, among other things, comparative analyses are made of the quality of the debt portfolio with other portfolios with similar characteristics of debtors representing the same industry, and the valuation is based on an analysis of the effectiveness of debt collection activities in relation to debts of a similar nature. The method of estimating proceeds is based on a statistical model built on the basis of held and selected reference data corresponding to the valued data. The maximum price is set based on expected measures of investment performance (mainly: internal rate of return, payback period, nominal return).

(figures in PLN 000s)

	31/03/2023	31/03/2022
Fixed assets		
Receivables and loans	464	656
Other long-term financial assets	-	1,600
Current assets		
Trade and other receivables	9,400	7,936
Loans	-	29
Other short-term financial assets	1,118	587
Purchased receivables	593,908	575,287
Cash and cash equivalents	45,640	98,223
Total credit risk exposure	**650,530**	**684,318**

Age structure of loan, trade and other receivables as at the balance sheet date.

	Total	Current	from 1 to 30 days	from 31 to 60 days	from 61 to 90 days	from 91 to 180 days	from 181 to 365 days	above 365 days
Fixed assets								
Receivables and loans	**464**	464	-	-	-	-	-	-
Current assets								
Loans	**-**	-	-	-	-	-	-	-
Trade and other receivables	**9,400**	8,811	312	3	-	-	59	215
Total	**9,864**	**9,275**	**312**	**3**	**-**	**-**	**59**	**215**

24.2. Liquidity risk

The Group's investment needs, including expenditures for the purchase of debt portfolios are financed from both equity and debt financing, the sources of which include bond issues and bank loans. In the event of a deterioration in the Group's liquidity, it is possible that the Group will be temporarily or permanently unable to repay previously incurred debt, or will be in breach of its obligations under financing agreements.

As part of its liquidity risk management measures, the Group conducts:

- planning and ongoing monitoring of financial flows,
- managing cash flows between Group entities,
- recovering receivables on a continuous basis, in accordance with the adopted strategy,
- analysis of the possibility of using external sources of financing.

To increase the efficiency of using equity, the Group also uses external financing - mainly bond issues. In future periods, it is still planned to use third-party capital to further develop the business and invest in debt portfolios.

Below are the values of undiscounted flows of the Group's financial liabilities and assets as at 31 March 2023, broken down by maturity.

(figures in PLN 000s)

	Total	up to 1 month	from 2 to 3 months	from 4 to 12 months	from 1 to 2 years	more than 2 years
Financial assets						
Fixed assets						
Other long-term financial assets	-	-	-	-	-	-
Long-term receivables	464	-	-	-	-	464
Current assets						
Trade and other receivables	9,400	9,400	-	-	-	-
Purchased receivables*	1,229,829	18,498	38,711	174,432	192,644	805,544
Other short-term financial assets	1,118	-	-	801	-	317
Cash and cash equivalents	45,640	45,640	-	-	-	-
Total financial assets	**1,286,451**	**73,538**	**38,711**	**175,233**	**192,644**	**806,325**
Financial liabilities						
Debt securities - principal	183,955	-	2,787	22,741	22,741	135,686
Credits and loans - principal	139,554	-	10,523	31,568	42,090	55,373
Debt securities - interest	70,814	504	1,826	18,280	17,752	32,452
Credits and loans - interest	28,151	-	3,723	9,541	8,738	6,149
Trade payables	19,699	19,699	-	-	-	-
Leasing	17,974	339	678	2,984	3,852	10,121
Total financial liabilities	**460,147**	**20,542**	**19,537**	**85,114**	**95,173**	**239,781**
Liquidity gap	**826,304**	**52,996**	**19,174**	**90,119**	**97,471**	**566,544**
Cumulative liquidity gap		**52,996**	**72,170**	**162,289**	**259,760**	**826,304**

(*) Projected payments (ERC - Estimated Remaining Collections)

During the reporting period, as in previous periods, all of the Group's liabilities were serviced on time. Proceeds from receivables translate into a stable and systematic inflow of cash.

24.3. Market risk: interest rate risk

Interest rate risk applies to the following financial instruments of the Group:

- cash funds,
- bonds issued and loans received,
- lease liabilities.

With regard to cash and lease liabilities, the impact of changes in interest rates on the Group's financial result or equity level is insignificant. Significant interest rate risk for the Group is related to bonds issued and loans received. Below we present an interest rate sensitivity analysis for this group of financial instruments.

The Group issues bonds based primarily on variable interest rates (based on WIBOR 6M and WIBOR 3M). Any change in the interest rate may affect the value of interest paid.

In pursuit of its strategy to hedge the variable interest rate risk, the Group entered into interest rate swap (IRS) derivative transactions with a nominal value of PLN 600 million in previous periods. The purpose of the hedging transaction was to obtain a fixed-rate financing profile during the hedging period. As at the balance sheet date, the Group has no active hedging instruments.

(figures in PLN 000s)

	31/03/2023	31/03/2022
Loans and advances	139,483	127,913
Debt securities*	176,725	239,554
Total	**316,208**	**367,467**
Hedging effect	-	(600,000)
Exposure to variable interest rate risk	**316,208**	**(232,533)**

(*) does not take into account the bond series based on a fixed interest rate

A change of 300 basis points in the interest rate would increase (decrease) equity and profit before taxes of the current period by the amounts shown below. The following analysis is based on the assumption that other variables, particularly exchange rates, will remain constant. The effect of such changes on the financial result of the reporting period and the level of equity was presented, assuming a simultaneous and equal increase (decrease) of all market interest rates, taking place at the beginning of the annual reporting period.

	Profit or loss of the current period	
	increase by 300 bp.	decrease by 300 bp.
31/03/2023		
Financial assets with variable interest rates	-	-
Financial liabilities with variable interest rates	(9,705)	9,705

24.4. Hedging derivatives

As at the balance sheet date, the Group has no open hedging relationships. In the current financial year, interest rate swap (IRS) derivative transactions were closed, as part of which the Group paid a fixed rate and received a variable rate.

The float-to-fixed IRS transaction, in a currency consistent with the hedged item, was intended to hedge cash flows. As part of the transaction, the Group:

- paid interest on the nominal amount of the transaction based on a fixed rate,
- received interest on the nominal amount of the transaction based on the floating reference rate.

The Group evaluated the economic relationship between the hedging instrument and the hedged item based on matching critical parameters, in particular:

- compatibility of the nominal values of the hedging instrument and the designated hedged item,
- compatibility of interest periods/interest payment dates,
- compatibility of the reference rate of the hedging instrument and the benchmark rate for the hedged item.

The Group designated as a hedged item the liabilities under the bonds issued and the loan with ING Bank Śląski S.A. The Group evaluated the economic linkage prospectively, with the frequency indicated in the linkage establishment document.

Instrument	Nominal value	Conclusion rate (fixed rate)	Assets	Liabilities	Item in the statement of financial position	Changes in the fair value
IRS	200,000	2.41%	-	-	Financial derivatives	1,959
IRS	200,000	2.28%	-	-	Financial derivatives	1,701
IRS	200,000	1.96%	-	-	Financial derivatives	(2,902)
		Total	**-**	**-**		**758**

Impact of hedging instruments on the Group's statement of financial position during the reporting period

The amount of interest transferred from other comprehensive income goes to Financial revenues - interest income from hedging instruments or to the item Financial expenses - interest expense on hedging instruments.

(figures in PLN 000s)

	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Payments from settlement of hedging transactions included in the statement of cash flows	(676)	11,761
Hedging gains or losses for the reporting period recognized in other comprehensive income	4,668	3,199
Ineffective portion of the hedge recognized in the income statement	(3,234)	9,105
Total	**758**	**24,065**

	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Revaluation reserve at the beginning of the period	**1,468**	**(7,728)**
Impact of valuation of hedging transactions (effective portion)	4,668	3,199
Amount of interest transferred during the period from other comprehensive income to the income statement	(6,479)	8,154
Income tax	343	(2,157)
Revaluation reserve at the end of the period	**-**	**1,468**

24.5. Market risk: foreign exchange risk

The Group is exposed to foreign exchange risk arising from short-term receivables and liabilities, cash and cash equivalents and investment expenditures. The following table shows the Group's exposure to foreign currency risk to individual currencies expressed in Polish zlotys as at the balance sheet date.

	RON in PLN	RUB in PLN	EUR in PLN	Other currencies	Total in PLN
Short-term receivables	38,969	8,856	2,736	2,310	**52,871**
Cash	6	-	369	53	**428**
Purchased receivables	43,157	45	-	-	**43,202**
Short-term liabilities	(4,014)	(26)	(51)	(6)	**(4,097)**
Total	**78,118**	**8,875**	**3,054**	**2,357**	**92,404**

Exposure of net assets in foreign companies to currency risk against individual currencies expressed in Polish zloty as of the balance sheet date.

	RON in PLN	BGN in PLN	RUB in PLN	EUR in PLN	Total in PLN
Net assets in foreign companies	2,084	33,956	(845)	(2,938)	32,257

Analysis of the impact of a potential change in the book value of assets on pre-tax profit and on equity (conversion differences) due to a hypothetical change in the exchange rates of significant foreign currencies in relation to the presentation currency (PLN) as at the balance sheet date.

(amounts in absolute terms)	rate change	gross financial result	equity - exchange rate differences from conversion
RON/PLN	+/-1%	781	21

(figures in PLN 000s)

(amounts in absolute terms)	rate change	gross financial result	equity - exchange rate differences from conversion
BGN/PLN	+/-1%	-	340
RUB/PLN	+/-1%	89	8
EUR/PLN	+/-1%	31	29

25. Capital management

The Group manages its capital to maintain its ability to continue its operations, taking into account the implementation of planned investments so that it can generate returns for shareholders and benefit other stakeholders.

The most important ratio that the Group uses to monitor equity and debt levels is the ratio of consolidated net financial debt/consolidated equity.

Net financial debt is calculated as financial debt less cash. Financial debt is defined as liabilities from credits, loans and other financing sources, as well as guarantees and lease obligations. For the purpose of calculating covenants on certain series of bonds issued by the Company, the negative valuation of derivatives is also included in the value of financial debt.

The calculation of net financial debt and consolidated net financial debt/consolidated equity ratio is presented below.

	31/03/2023	31/03/2022
Credits, loans, other debt instruments	319,772	370,962
Leasing	14,544	8,615
less cash and cash equivalents	(45,640)	(98,223)
Net financial debt	**288,676**	**281,354**
Equity	**323,037**	**299,056**
Net financial debt/equity ratio	**0.89**	**0.94**

26. Information on significant transactions with affiliated entities

26.1. Transactions with affiliated entities

26.1.1. Commercial transactions

The Group has entered into the following business transactions with related parties:

	01/04/2022-31/03/2023		01/04/2021-31/03/2022	
	Revenues	Costs	Revenues	Costs
Costs of consulting services				
WPEF VI HOLDING V B.V.	-	282	-	276
Total (net amounts)	**-**	**282**	**-**	**276**

Consulting services are provided under an agreement concluded by the Company with WPEF VI HOLDING V B.V. on 31 March 2017, which merged with WPEF VI HOLDING 5 B.V. on 14 December 2021, and include advice for the parent company and all subsidiaries in the Kredyt Inkaso Capital Group on financial analyses and projections, reporting processes, capital management, risk management, corporate finance, business strategy and potential acquisitions (M&A), and investor relations. The agreement was concluded for the period until 31 December 2017, and is automatically renewed for subsequent calendar annual periods, and either party may terminate it within 90 days before the start of the next calendar year. The cost of consulting services under the agreement is EUR 60,000 per year. Under the agreement, the list of persons delegated to perform advisory activities and receive confidential information includes Mr. Daniel Dąbrowski, member of the Supervisory Board.

(figures in PLN 000s)

26.2. Loans to key personnel and related persons

None.

26.3. Transactions with key personnel

26.3.1. Remuneration of the Management Board

Remuneration of the Company's managerial staff, at the parent company and subsidiaries in the Group.

	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Base salary/management contract (gross)	4,544	3,692
Other - medical and other benefits	328	116
Total	**4,872**	**3,808**

26.3.2. Remuneration of the Supervisory Board

	01/04/2022-31/03/2023	01/04/2021-31/03/2022
Remuneration of the Supervisory Board	470	389
Total	**470**	**389**

Remuneration rules for the Supervisory Board:

- A member of the Supervisory Board is entitled to monthly remuneration in the amount of 1/3 of the average monthly salary in the enterprise sector without payments of rewards from profit (according to the Central Statistical Office).
- The Chairman of the Supervisory Board is entitled to a function allowance in the amount of the average monthly salary in the enterprise sector without payments of rewards from profit.
- Other members of the Supervisory Board are entitled to allowances:
  - for membership in the audit committee in the amount of 1/3 of the average monthly salary in the sector of enterprises without payments of rewards from profit
  - for serving as secretary of the Supervisory Board in the amount of 1/3 of the average monthly salary in the enterprise sector without payments of rewards from profit
  - for serving as Vice-Chairperson of the Supervisory Board in the amount of 1/3 of the average monthly salary in the enterprise sector without payments of rewards from profit in the period when the Chairperson of the Supervisory Board does not serve in that capacity
- A member of the Supervisory Board is not entitled to remuneration if he/she submits a statement of resignation.
- A member of the Supervisory Board is entitled to remuneration and a due service allowance in a given month in an amount appropriate to the ratio of the number of meetings attended to the total number of meetings of the Supervisory Board in a given month.
- A member of the Audit Committee is entitled to an allowance for membership in an audit committee in a given month in an amount appropriate to the ratio of the number of meetings attended to the total number of Audit Committee meetings
  in a given month.
- Salaries and allowances are also due if no meetings were held in a given month.

(figures in PLN 000s)

Pursuant to Resolution No. 27/2022 of the Extraordinary General Meeting of 30 September 2022 determining the amount of remuneration of a member of the Company's Supervisory Board elected by separate group voting and delegation to permanent individual performance of supervisory activities, the gross monthly remuneration of the aforementioned member of the Supervisory Board was set at an amount equal to half the remuneration of the Chairperson of the Supervisory Board. The fixed amount of remuneration does not exclude the right of a member of the Supervisory Board to reimbursement of expenses incurred in connection with the performance of this function.

27. Employment in the Group

	31/03/2023		31/03/2022	
	in posts	**in persons**	**in posts**	**in persons**
Average employment in the financial year	538	542	531	537
Employment as at the balance sheet date	542	547	534	537

28. Remuneration of auditors

Remuneration due for the financial year ending on:	**31/03/2023**	**31/03/2022**
Review of semi-annual consolidated financial statements	54	93
Audit of annual consolidated financial statements	148	201
Consolidated statements	**202**	**294**
Review of semi-annual standalone financial statements	69	34
Audit of annual standalone financial statements	101	71
Standalone statements	**170**	**105**
Additional services	**14**	**52**
Total	**386**	**451**

29. Contingent liabilities, guarantees, warranties and securities on the Capital Group's assets

29.1. Costs of discontinued enforcements

A contingent liability is a possible obligation that arises from past events, the existence of which will be confirmed only upon the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized in the financial statements because it is not probable that it will be necessary to expend resources embodying economic benefits to satisfy the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The costs of discontinuing enforcements represent an obligation arising from past events (initiation of enforcement), but their occurrence or not depends on uncertain future events beyond the Group's control. For the purpose of estimating the contingent liability for the costs of discontinuing enforcements, the Group conducted an analysis of current and historical operating data, as a result of which it determined statistical curves depicting at what point in the life of each (group of) enforcement proceedings the discontinuation and related cash outflow is likely to occur. The resulting values were discounted as at the balance sheet date using a discount rate that reflects the current market assessment of the time value of money and the risk inherent in the liability.

(figures in PLN 000s)

Presented below is the value of the contingent liability related to the costs of discontinuing enforcements as at the balance sheet date:

	31/03/2023
Contingent liabilities - costs of discontinuing enforcements	39,496
Total	**39,496**

29.2. Collateral for the loan agreement with ING Bank Śląski S.A.

On the basis of:

(i) credit agreement of 23 November 2017, together with supplementary agreements No. 1 of 21 May 2018, No. 2 of 14 September 2018, and No. 3 of 27 November 2019, signed by subsidiary Kredyt Inkaso II NSFIZ with ING Bank Śląski S.A., and
(ii) credit agreement of 21 May 2018, together with supplementary agreements No. 1 of 15 September 2018 and No. 2 of 27 November 2019, signed by subsidiary Kredyt Inkaso I NSFIZ with ING Bank Śląski S.A.,

Kredyt Inkaso I NSFIZ and Kredyt Inkaso II NSFIZ have established a collateral in favor of the Bank by means of a conditional assignment of receivables constituting collateral under an agreement on the conditional assignment of receivables under certain commercial agreements, so that the total value of the collateral constitutes not less than 150% of the amount of the credit limit used by each of these subsidiaries.

The above credit agreements were collectively replaced by the contents of Supplementary Agreement No. 3 of 31 December 2020 and the subsequent Supplementary Agreements No. 4 of 22 March 2022, No. 5 of 15 April 2022 and No. 6 of 3 August 2022, which stipulate, among other things, that Kredyt Inkaso I NSFIZ and Kredyt Inkaso II NSFIZ have secured the loan granted to the Bank through a conditional assignment of receivables, based on and in accordance with the conditional agreements for the transfer of receivables under certain commercial agreements in such a way that the total value of the receivables constituting the collateral is no less than 150% of the amount of the used credit limit. As of the balance sheet date, the required level of collateral for Kredyt Inkaso I NS FIZ is: PLN 148,877 thousand, for Kredyt Inkaso II NS FIZ PLN 60,453 thousand.

29.3. Collateral for bond issues

The Company issued series K1 bonds with a total nominal value of PLN 103 million on 28 March 2022. According to the terms of the bond issue - the bonds were issued as unsecured. In turn, bondholders' claims under the bonds, in accordance with the terms and conditions of the issue, were secured after the date of issue through the establishment of collateral, including, among other things, registered pledges governed by Polish or foreign law on debt portfolios and investment certificates that are elements of the balance sheet of the Company or its subsidiaries and other assets of the Company. The total value of collateral after 26 April 2022 should not be less than 150% of the current nominal value of the bonds.

As at the balance sheet date, the minimum total collateral level was PLN 154.5 million.

29.4. Purchase of debt packages

On 20 December 2022, a Group fund entered into an agreement to purchase telecommunications receivables in the form of six tranches with the first tranche purchased on 20 December 2022. The agreement stipulates that the Group will unconditionally purchase the submitted receivables that meet the criteria set forth in the agreement. The maximum value of the acquired packages was set at more than PLN 77 million.

30. Court and enforcement, tax and other proceedings

30.1. Court and enforcement proceedings

The Group's business model involves purchasing packages of receivables resulting from the sale of universal services (usually from several thousand to even tens of thousands of receivables in a package) and pursuing their payment through the courts. The Group's activities include mass litigation and enforcement proceedings conducted by bailiffs. However, due to the relatively low debt balances, there is no risk of concentration (of one or more bad debts, i.e. with characteristics significantly worse than calculated).

As at the Approval Date, the following court proceedings to which the Group is a party are pending, arising from:

- lawsuit by Best S.A. for revocation of resolutions of the Ordinary General Meeting to which it submitted objections, i.e.: (i) Resolution No. 12/2016 on approval of the Management Board's report on the activities of Kredyt Inkaso S.A. and the standalone financial statements of Kredyt Inkaso S.A. for the financial year beginning 1 April 2015 and ending 31 March 2016, (ii) Resolution No. 13/2016 on approval of the Management Board's report on the Group's activities and the Group's consolidated financial statements for the financial year beginning 1 April 2015 and ending 31 March 2016,, (iii) Resolution No. 15/2016 on granting a discharge to a member of the Management Board for the financial year beginning 1 April 2015 and ending 31 March 2016, (iv) Resolution No. 16/2016 on granting a discharge to a member of the Management Board for the financial year beginning 1 April 2015 and ending 31 March 2016, (v) Resolution No. 17/2016 on granting a discharge to a member of the Supervisory Board for the financial year beginning 1 April 2015 and ending 31 March 2016, (vi) Resolution No. 18/2016 on granting a discharge to a member of the Supervisory Board for the financial year beginning 1 April 2015 and ending 31 March 2016, (vii) Resolution No. 19/2016 on granting a discharge to a member of the Supervisory Board for the financial year beginning 1 April 2015 and ending 31 March 2016, (viii) Resolution No. 20/2016 on granting a discharge to a member of the Supervisory Board for the financial year beginning 1 April 2015 and ending 31 March 2016, (ix) Resolution No. 21/2016 on granting a discharge to a member of the Supervisory Board for the financial year beginning 1 April 2015 and ending 31 March 2016, (x) Resolution No. 22/2016 on granting a discharge to a member of the Supervisory Board for the financial year beginning 1 April 2015 and ending 31 March 2016 (current report No. 93/2016), (xi) Resolution No. 7/2017 on granting a discharge to a member of the Management Board for the performance of his duties, (xii) Resolution No. 8/2017 on granting a discharge to a member of the Management Board for the performance of his duties, (xiii) Resolution No. 9/2017 on granting a discharge to a member of the Management Board for the performance of his duties, (xiv) Resolution No. 14/2017 on granting a discharge to a member of the Supervisory Board for the financial year beginning 1 April 2016 and ending 31 March 2017, (xv) Resolution No. 15/2017 on granting a discharge to a member of the Supervisory Board for the financial year beginning 1 April 2016 and ending 31 March 2017 (current report 65/2017), (xvi) Resolution No. 4/2018 on approval of the standalone financial statements of Kredyt Inkaso S.A. for the financial year beginning 1 April 2017 and ending 31 March 2018, (xvii) Resolution No. 5/2018 on approval of the consolidated financial statements of the Group for the financial year beginning 1 April 2017 and ending 31 March 2018, (xviii) Resolution No. 6/2018 on approval of the Management Board's report on the activities of the Company and the Group for the financial year beginning 1 April 2017 and ending 31 March 2018 (current report No. 56/2018). On 14 May 2021, the District Court in Warsaw, 20th Commercial Division issued a decision to discontinue the proceedings with respect to resolutions 15/2016 and 7/2017 due to the irrelevance of further proceedings with respect to these resolutions, in view of the fact that the Company's Ordinary General Meeting of Shareholders adopted Resolution No. 17/2020 dated 27 November 2020 on amending the resolutions on granting discharge to the former aforementioned Member of the Management Board, by virtue of which the discharges granted to him for the periods indicated above were revoked;
- lawsuit by Best S.A. of 9 January 2019 for payment jointly and severally by the Company, Paweł Szewczyk, Jan Paweł Lisicki and Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k. of the amount of PLN 51,847,764, but with respect to Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k. the plaintiff limits the demand to the amount of PLN 2,260,000 and the costs of court proceedings including the costs of legal representation according to the prescribed norms. This action arises from the alleged damage caused to BEST S.A. by the defendants, as a result of the purchase of the Company's shares at an inflated price, determined on the basis of the Company's financial statements for the 2014/2015 financial year, which were adjusted in subsequent financial years. Kredyt Inkaso S.A. considers BEST S.A.'s claim to be unfounded, as reported in Current Report No. 8/2019;
- lawsuit by Best S.A. of 28 June 2019, seeking a declaration of invalidity or, alternatively, revocation of Resolution No. 4/2019 of the Extraordinary General Meeting of Kredyt Inkaso S.A., adopted on 30 May 2019, on approval of transactions resulting in the encumbrance of the company's assets or those of other entities in the Company's capital group in connection with the Company's issuance of series F1 bonds. The Company considers the demand contained in the lawsuit to be unfounded and, together with its attorney, is actively opposing them in the court proceedings (Current Report No. 34/2019);

- Best S.A.'s request to appoint Rödl Kancelaria Prawna sp. k. and Roedl Audit sp. z o.o. jointly as special auditor. The Company, as well as its Supervisory Board, considers the aforementioned request to be unfounded and is actively participating in the legal proceedings (current report No. 40/2022, No. 66/2022, No. 3/2023 and No. 4/2023);
- John Harvey van Kannel's lawsuit against the Company to establish the existence of the resolution to dismiss Maciej Jerzy Szymański from the Company's Management Board, and (ii) to declare invalid the resolution No. 38/2020 of the Company's Ordinary General Meeting of 27 November 2020 on the appointment of Daniel Dąbrowski to the Company's Supervisory Board for a new term of office. The request to grant a collateral in this case was legally dismissed in its entirety, about which the Company informed in current report No. 11/2021 dated 29 April 2021. The Company considers the demands contained in the lawsuit to be completely unfounded and intends to oppose them by actively participating in the court proceedings (current report No. 26/2021). BEST Capital FIZAN is acting in this case as a side intervener on the plaintiff's side;
- The case arising from John Harvey van Kannel's second lawsuit against the Company to declare invalid the resolution No. 12/2021 of the Company's Extraordinary General Meeting of 24 May 2021 on the appointment of Daniel Dąbrowski as a member of the Company's Supervisory Board, about which the Company informed in current report No. 31/2021 dated 23 August 2021, has been concluded with a favorable judgment of the Court of Appeals issued on 4 April 2023, dismissing John Harvey van Kannel's appeal in its entirety (current report No. 8/2023);
- The lawsuit against the defendants jointly and severally: Best S.A. and Mr. Krzysztof Borusowski for an award of PLN 60,734,500 jointly and severally from the Defendants in favor of the Company, together with statutory interest for delay calculated from the date of filing the lawsuit until the date of payment, an award of the Defendants jointly and severally in favor of the Company for reimbursement of the costs of the lawsuit, according to the prescribed norms, unless a statement of costs is submitted at the last hearing. The amount demanded arises from the Company's claim against the Defendants for compensation for damage caused to the Company as a result of the dissemination by the Defendants of false and slanderous information: concerning the Company's Management Board, alleged irregularities in the Company, alleged falsification of financial statements and the lack of authority of the Company's Management Board to act on its behalf, which, according to the Company, was the direct cause of the termination by Lumen Profit 14 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("Lumen Profit 14 NS FIZ"), Lumen Profit 15 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("Lumen Profit 15 NS FIZ"), Lumen Profit 16 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("Lumen Profit 16 NS FIZ"), AGIO Wierzytelności Plus Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("AWP NS FIZ") and AGIO Wierzytelności Plus 2 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("AWP 2 NS FIZ") of agreements concluded with the Company for the management of debt portfolios and legal service agreements. The amount of the claim is the sum of the actual losses incurred by the Company and its estimated lost benefits in future years, about which the Company informed in current report No. 57/2016 dated 10 August 2016, and additionally estimated lost benefits, due to, among other things, the termination of management agreements by Lumen Profit 14 NS FIZ, Lumen Profit 15 NS FIZ, Lumen Profit 16 NS FIZ. The Company informed about the reasons and the impact of the termination of the aforementioned agreements on the Company's financial situation, including in particular the loss of further systematic income as well as the possibility of the Company going to court to pursue relevant compensation claims, in the Consolidated Quarterly Report for the first quarter of the 2016/2017 financial year released to the public on 12 August 2016;
- The Company's lawsuit against joint and several Defendants Paweł Szewczyk, Ion Melnic and KI Servcollect SRL for an order that the Defendants jointly and severally pay the Company the amount of PLN 21,320,000 as compensation for indirect damages that the Company suffered as a result of the Defendants' actions, with statutory interest for delay calculated from 26 May 2020 to the date of payment, PLN 30,000 as reimbursement of the costs incurred by the Company for the preparation of a private expert opinion on business valuation, with statutory interest for delay calculated from the date of delivery of the copy of the lawsuit to the last of the Defendants to the date of payment, and PLN 44,000 as reimbursement for the cost of providing certified translations of the lawsuit and some of the appendices to the lawsuit, with statutory interest for delay calculated from the date of delivery of the copy of the lawsuit to the last of the Defendants to the date of payment. Along with the lawsuit, the Company sought injunctive relief for the above claims (Current Report No. 13/2020). The Company's request for injunctive relief was dismissed by the Court and, as the complaint filed by the Company's attorney was rejected by the Court of Second Instance, this decision should be considered final;
- lawsuit by two members of the Supervisory Board to rescind the resolution of the group of shareholders entitled to elect members of the Supervisory Board by separate group voting No. 13/2021 of the Company's Extraordinary General Meeting of 24 May 2021 on the appointment of Mr. Karol Szymański to the Company's Supervisory Board for a new term of office and granting him the authority to permanently perform supervisory activities on an individual basis. The Company intends to actively participate in the legal proceedings (Current Report No. 53/2021);
- lawsuit by two members of the Supervisory Board to rescind the resolution of the group of shareholders entitled to elect members of the Supervisory Board by separate group voting No. 6/2022 of the Company's Extraordinary General Meeting of 25 April 2022 on the appointment of Mr. Karol Szymański to the Company's Supervisory Board for a new term of office and granting him the authority to permanently perform supervisory activities on an individual basis. In an order dated 6 July 2022, the Court granted security for the plaintiffs' claim for revocation of the aforementioned

resolution by suspending its effectiveness until the lawsuit is legally concluded. The Company intends to actively participate in the legal proceedings (Current Report No. 36/2022);

30.2. Tax proceedings

Kredyt Inkaso S.A. on 30 September 2013 concluded a Sub-Participation Agreement with Kredyt Inkaso Portfolio Investments (Luxembourg) S.A. (hereinafter, respectively: “Agreement” and “Sub-participant”). The tax consequences of entering into the Agreement covered the tax years from 1 April 2013 to 31 March 2014, 1 April 2014 to 31 March 2015 and 1 April 2015 to 31 March 2016. The subject matter of the Agreement was the acquisition by the Sub-Participant of the exclusive right to cash flows from receivables understood as proceeds from repayments on receivables and charges for costs and expenses. Under the Agreement, Kredyt Inkaso S.A. transferred to the Sub-Participant the exclusive right to cash flows from the receivables comprising the receivables portfolio listed in the appendix to the Agreement (hereinafter: “Debt Portfolio”). In exchange for the transfer of the right to cash flows from the receivables, the Sub-Participant agreed to pay Kredyt Inkaso S.A. a price. The price was settled by the Sub-Participant on 13 June 2014.

On 12 April 2016, Kredyt Inkaso S.A. applied for an individual interpretation in this regard. In the individual interpretation of the Director of the Tax Chamber in Warsaw, issued on 21 July 2016, ref. IPPB3/4510-418/16-3/JBB (hereinafter: “Interpretation”) it was indicated that: “Kredyt Inkaso S.A. should therefore recognize tax income from the price on a cash basis, i.e. on the date of receipt of payment - in the present case, on the date of payment of the Price by setting it off against Kredyt Inkaso S.A.’s liability for the subscription price of the bonds issued by the Sub-Participant. (...) In turn, by transferring to the Sub-Participant, in accordance with the terms of the sub-participation agreement, the amounts constituting benefits from the receivables, Kredyt Inkaso S.A. will be entitled to recognize the transferred amounts as deductible expenses and recognize them in the tax bill when incurred”, - “the stance of Kredyt Inkaso S.A. assuming that no income is recognized from repayments of receivables (previously acquired from the original creditor) (...) is incorrect. It is not possible to agree with Kredyt Inkaso S.A. that the exclusion of the receivables in question from the balance sheet may prejudge the tax qualification of a given gain”, - “The expenses in question, i.e. the purchase price and Direct Collection Expenses, which were incurred by the Company up to the conclusion of the sub-participation agreement, are directly related to the receivables (their acquisition and collection) that are the subject of the sub-participation agreement, and not to the event of transferring the rights to cash flows from the receivables to the sub-participant. (...) Thus, these expenses will be tax deductible expenses of a direct nature when the debtors make repayments of these receivables or sell the receivables”.

After delivery of the Interpretation, Kredyt Inkaso S.A. decided to comply with the Interpretation, which resulted in the need to file CIT-8 tax return adjustments for the tax years: from 1 April 2013 to 31 March 2014, 01 April 2014 to 31 March 2015 and 1 April 2015 to 31 March 2016, and to pay corporate income tax with interest. At the same time, in a letter dated 17 October 2016, the Company filed a complaint against the individual interpretation with the Provincial Administrative Court in Warsaw (hereinafter: “WSA”). In a judgment dated 22 November 2017, the WSA revoked the interpretation (ref. III SA/Wa 3503/16, hereinafter: “WSA Ruling”). The tax authority filed a timely cassation complaint and the case was referred to the Supreme Administrative Court (hereinafter: “NSA”). In a judgment dated 8 October 2020 (ref. II FSK 1615/18), NSA overturned the WSA Ruling and remanded the case to the WSA for reconsideration. In a judgment dated 27 April 2021, WSA revoked the interpretation (ref. III SA/Wa 597/21, hereinafter: “Second WSA Ruling”). On 22 June 2021, Kredyt Inkaso S.A. received a written justification of the Second WSA Ruling. Its substantive content confirms the correctness of the position presented by the Company in its request for an Interpretation. Notwithstanding the above, the Company maintains the allegations of violations of procedural regulations in the course of issuing the Interpretation described in detail in the complaint dated 17 October 2016. In connection with the above, on 22 July 2021, the Company filed a cassation complaint with NSA against the Second WSA Ruling. In addition, on 11 August 2021, the Company was served with a copy of the tax authority’s cassation complaint to NSA against the Second WSA Ruling. In a judgment dated 10 December 2021 (ref. II FSK 1143/21), NSA reversed the Second WSA Ruling on procedural grounds and remanded the case to WSA for reconsideration. In a judgment dated 27 April 2022, WSA dismissed the complaint of Kredyt Inkaso S.A. (ref. III SA/Wa 485/22, hereinafter: “Third WSA Ruling”). On 9 June 2022, Kredyt Inkaso S.A. received a written justification of the Third WSA Ruling. Its substantive content confirms that the Tax Authority, in issuing the Interpretation, violated the principle of issuing an individual interpretation only on the basis and within the limits of the request for its issuance. However, this violation, in the assessment of the WSA, did not affect the outcome of the case. On the other hand, referring to the basic issue in dispute in the case (i.e., the date of recognition of tax income on the price of the sub-participation agreement in question), WSA stressed that NSA, in overturning the Second WSA Ruling, in no way prejudged the above issue, leaving it to WSA’s judgment. Dismissing the complaint, WSA also indicated that it did not share the position of NSA in a similar case (ref. II FSK 3299/17) essentially confirming the position of Kredyt Inkaso S.A. Therefore, this judgment of NSA was not applicable to the present case in the opinion of WSA. Kredyt Inkaso S.A. filed a cassation complaint with NSA on 11 July 2022, after reviewing the Third WSA Ruling.

In the complaint, the Company raised allegations of violations of substantive law, based in particular on the substantive position of NSA in a similar case (ref. II FSK 3299/17), as well as allegations of violations of procedural rules, including the need to comply with the principle of issuing an individual interpretation only on the basis and within the limits of the request for its issuance. In addition, on 10 August 2022, the Company was served with the Tax Authority’s response to the cassation complaint filed, which requested that the Company’s cassation complaint be dismissed.

The Company's cassation complaint was dismissed by NSA in a ruling of 8 November 2022. This decision of NSA means termination of the dispute regarding the correctness of the position of the Director of the Tax Chamber in Warsaw contained in the Interpretation appealed by Kredyt Inkaso S.A. It should be pointed out that after delivery of the Interpretation, Kredyt Inkaso S.A. decided to comply with the Interpretation, which resulted in the need to file in 2016 CIT-8 tax return adjustments for the tax years: from 1 April 2013 to 31 March 2014, 1 April 2014 to 31 March 2015 and 1 April 2015 to 31 March 2016, and to pay corporate income tax with interest. Therefore, the NSA ruling in question did not result in the need for Kredyt Inkaso S.A. to adjust its corporate income tax settlements, and the Company's corporate income tax settlements are in line with the position of the Director of the Tax Chamber in Warsaw contained in the Interpretation.

On 29 December 2022, Kredyt Inkaso RUS Limited Liability Company (LLC) ("KI RUS") received a notice of inspection from the Interdistrict Inspectorate of the Federal Tax Service. The subject of the audit were all taxes and fees, as well as insurance premiums for the period from 1 January 2019 to 31 December 2021. On 22 June 2023, the protocol of the aforementioned tax audit was issued, in which the settlements between KI RUS and Kredyt Inkaso Portfolio Investments (Luxembourg) Societe Anonyme (hereinafter: "KI LUX") under receivables assignment agreements entered into between the companies on 16 May 2014 and 2 July 2014, and an agency agreement dated 5 May 2014 were questioned.

The following arrears amounts were indicated in the tax audit report:

- 19,443,349 rubles for underreporting corporate income tax for 2019-2021 plus a fine at a rate of 40%, the amount of which according to the company's calculations is 7,777,341 rubles,
- 28,650,930 rubles for the payer's failure to collect withholding tax on payments to KI LUX plus a fine at a rate of 20%, the amount of which according to the company's calculations is 5,730,186 rubles, and

value-added tax overpayment for 2019-2021 in the amount of RUB 2,330,579.

KI RUS is in the process of analyzing the content of the allegations raised in the audit report and is enlisting the help of local tax and legal advisors. To date, KI RUS has not decided on a process strategy in connection with the protocol received. Regardless of the legal steps taken, as of 31 March 2023, the Group has set up a provision to cover the charges raised in the amount of 79,800,499.28 rubles, which is equivalent to PLN 4,476,808.01 at the exchange rate as of 31 March 2023.

30.3. Inspection proceedings

There were no significant inspections or investigations during the reporting period.

31. Major events subsequent to the reporting date

- On 4 April 2023, the Management Board of the Parent Company signed an agreement with the transaction advisor, namely Ipopema Securities S.A., based in Warsaw, which, together with other advisors, will support the Management Board in conducting the strategic review. With the signing of the agreement, the Management Board decided to start the process of reviewing strategic options.
- In April 2023, the Group's parent company issued series M1 bonds with a nominal face value of PLN 15 million. Series M1 bonds were admitted to trading on the regulated market operated by the Warsaw Stock Exchange on 14 April 2023, and the first day of listing on the regulated market was set for 18 April 2023.
- On 13 June 2023, Kredyt Inkaso S.A. entered into a credit agreement with ING Bank Śląski S.A. for an overdraft in the amount of PLN 10,000 thousand and a guarantee credit in the amount of PLN 449,170.39. The availability of funds for use under the above credit limits is provided for annual periods ending 31 December, which are automatically extended for subsequent annual periods if neither the bank nor the borrower makes a statement at least 35 days before the deadline that they do not wish to continue the availability of the credit line. The maximum date to which the end date of the availability of funds for use under the credit limit may be extended is the expiration date of the credit agreement, set at 31 December 2033. The interest rate on the overdraft is variable, and its components are a margin of 1.5% plus the WIBOR 1M prime rate. The interest rate on the guarantee credit is 2.4% per annum and is calculated on the amounts ensuing from the currently issued guarantees. The credit is not promised and the bank has no obligations under the credit agreement, and the use of the granted credit limits requires the bank's prior approval. The credit obligations are secured by a corporate guarantee provided to the bank by a subsidiary of Kredyt Inkaso Investments BG EAD.

- On 29 June 2023, a unit of the Kredyt Inkaso Capital Group concluded an agreement with Credit Agricole Bank Polska S.A., based in Wrocław, for the transfer of receivables under a securitization transaction with a nominal value of approximately PLN 123 million. The package includes unsecured receivables from banking activities performed by the Bank with individuals or legal entities.
- In July 2023, the Group's parent company issued series N1 bonds with a nominal face value of PLN 18 million. Series N1 bonds were admitted to trading on the regulated market operated by the Warsaw Stock Exchange on 12 July 2023.

32. Factors and events, including those of an unusual nature, having a significant impact on the financial statements

32.1. Russia's invasion of Ukraine

On 24 February 2022, troops of the Russian Federation entered Ukrainian territory, starting hostilities in the region. During the reporting period, the war situation had no further significant negative effects beyond those included in the annual consolidated and standalone financial statements for the year ended 31 March 2022. The unprecedented nature of a war of this magnitude in the recent history of Poland's environment, as well as the special conditions associated with it regarding the volatility of the economic environment, result in a great deal of uncertainty in the forecasts being prepared. With regard to the subsidiary Kredyt Inkaso RUS Limited Liability Company (LLC), the Group maintains all the assumptions presented in the annual consolidated financial statements for the year ended 31 March 2022, published on 30 June 2022, particularly with regard to going concern and asset valuation, nevertheless, these assumptions, particularly with regard to the valuation of debt portfolios, may change in the future.

33. Other information relevant to the assessment of personnel, assets and financial situation

On 30 September 2022, the Ordinary General Meeting of Kredyt Inkaso S.A. voted on Resolution No. 20/2022 on requesting the Company's Management Board to initiate a review of strategic options for the Company's future, with the following wording:

The Ordinary General Meeting resolves as follows:

§1

The Ordinary General Meeting of Kredyt Inkaso S.A. decides to request and authorize the Management Board of Kredyt Inkaso S.A. to initiate the process of reviewing all strategic options for the future of the Company in order to resolve the existing situation in the Company's shareholding structure, including, in particular, allowing the shareholder(s) to possibly dispose of the Company's shares.

This authorization includes authorization for the Company's Management Board to take all formal and legal actions to prepare and carry out the strategic options review process within the time frame and on the terms and conditions determined by the Company's Management Board.

§2

The resolution enters into force as of the date of its adoption.

The above resolution was adopted unanimously.

As at the balance sheet date, the strategic options review process had not begun. As reported in Note 31 to these financial statements, the strategic options review process began in April 2023.

On 5 December 2022, a decision was issued by the court registrar at the District Court for the Capital City of Warsaw in Warsaw (13th Commercial Division of the National Court Register), at the request of the Company's shareholder Best S.A., based in

Gdynia, to designate the companies jointly: Rödl Kancelaria Prawna sp. k. with its registered office in Warsaw (National Court Register 267170) with regard to legal and tax issues, and Roedl Audit sp. z o.o. with its registered office in Warsaw (National Court Register: 50605) in the area of accounting and financial issues, as an auditor for special issues, to examine the issue described in § 2 of draft resolution No. 4/2022 of 25 April 2022 on the election of an auditor for special issues, included in the minutes of the Company's Extraordinary General Meeting of Shareholders of 25 April 2022, prepared by notary Sławomir Strojny. (Rep A No. 5729/2022) ("Ruling").

According to the Ruling:

- The Company's Management Board and Supervisory Board are required to present and make available to the special issues auditor the documents, explanations and information necessary for the audit, as indicated in § 3 of Draft Resolution No. 4/2022, within 14 days from the date the Ruling becomes final,
- the expert is obliged to begin the audit within 14 days from the date of the Ruling,
- the expert is required to submit a written report on the results of the audit to the Management Board and the Supervisory Board within the time frame specified in § 4 of Draft Resolution No. 4/2022.

As indicated in current report No. 40/2022, in the Company's opinion, the request for the appointment of a special auditor to the Company was unwarranted and constituted an abuse of rights by a minority shareholder. Thus, the ruling granting the shareholder's request is defective and incorrect.

According to the Company, the Ruling is not final and is not immediately enforceable, which means that the audit cannot begin until the Ruling becomes final, if any. On 27 December 2022, the Company's attorney ad litem filed a complaint against the Court Registrar's Ruling, which pointed out its defects and detailed the position in the case. On 15 February 2023, the District Court for the City of Warsaw in Warsaw (13th Commercial Division of the National Court Register) issued a decision to reject the Company's above-mentioned complaint (current report No. 3/2023). On 10 March 2023, the Company's attorney ad litem filed a complaint against the decision of the District Court for the Capital City of Warsaw dated 15 February 2023. The Court's decision is not final. Until the Court's decision becomes final (which will be at the earliest after the hearing of the complaint in question), the Ruling is not enforceable, and thus it will not be possible to begin the audit based on it.

On 8 February 2023, the Group learned of the opening of the liquidation of the Debito NSFIZ fund ("Debito", "Fund") as of 31 December 2022, and of the disposal on 23 December 2022 and 28 December 2022 of the debt portfolios held by the Fund, as a result of which the Fund ceased to be a beneficiary of payments and will not be able to transfer funds to the Group under the agreement concluded on 28 December 2020 (hereinafter "Agreement"), the parties to which are currently Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp.k. ("Kancelaria FORUM"), Kredyt Inkaso S.A., GetBack S.A. (now Capitea S.A.), Noble Funds TFI and the Fund.

On the basis of the Agreement, Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp.k. should receive receivables from the Fund from the receivables pool specified in the content of the Agreement - in the amount:

I. 50% of Debito's legal fees awarded in the court proceedings;

II. 50% of the legal costs awarded to Debito, or Debito's attorney, as applicable, for legal representation in enforcement proceedings; and

III. 50% of the legal fees awarded to Debito, or Debito's attorney, as applicable, related to the issuance of an enforcement clause on the enforcement title in favor of the Fund;

- until they are paid in full.

In connection with the Fund's liquidation proceedings, on 10 March 2023, Kancelaria FORUM sent a notification of claims under the Agreement addressed to the Fund's liquidator, i.e. White Berg TFI S.A., for a maximum amount of PLN 19,727,955.75. On 13 March 2023, Kancelaria FORUM supplemented the notification of 10 March 2023, modifying the amount of the maximum claim to PLN 19,751,739.35. The liquidator considered Kancelaria FORUM's filing of claims to be late, a position that Kancelaria FORUM disputes. On 30 March 2023, Kancelaria FORUM sent a demand for payment to Capitea S.A., as guarantor of payment to Kancelaria FORUM of the fee under the Agreement. On 3 April 2023, Kancelaria FORUM sent a creditor's letter to Debito indicating that the Fund acted in bad faith in selling a claim covered by the Agreement. Continuing legal action, on 13 June 2023, Kancelaria FORUM sent, among others, to Debito NSFIZ and White Berg TFI S.A., a final demand for payment of the aforementioned claims. Further steps are currently being taken to enforce the amount against the obligated parties.

In connection with the above case, the Group did not recognize any asset on the balance sheet or contingent asset as of 31 March 2023.

34. Approval for publication

The Parent Company's Management Board approved for publication these annual consolidated financial statements prepared for the period from 1 April 2022 to 31 March 2023, including comparative data, on 17 July 2023 ("Approval Date").

President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board
Barbara Rudziks	Maciej Szymański	Iwona Słomska	Mateusz Boguta

Director of Consolidation
and Statutory Reporting Division

Ewa Palczewska-Dunia