KREDYT INKASO

Kredyt Inkaso Capital Group

Annual Consolidated Financial Statements for 12 months ended **31 March 2024**

Warsaw, 11 July 2024

KEY FINANCIAL FIGURES OF THE GROUP

	31/03/2024	31/03/2023	31/03/2024	31/03/2023
	'000 PLN		'000 EUR	
Selected financial indicators				
Net financial debt	367,536	288,676	85,456	61,742
Equity	353,229	323,037	82,129	69,091
Net financial debt/equity ratio	1.04	0.89	1.04	0.89
PLN/EUR exchange rate at the balance sheet date	4.3009	4.6755	4.3009	4.6755
Consolidated Statement of Financial Position				
Total assets	868,852	696,415	202,016	148,950
Total liabilities	515,623	373,378	119,887	79,858
Long-term liabilities	381,149	271,625	88,621	58,095
Short-term liabilities	134,474	101,753	31,266	21,763
Equity	353,229	323,037	82,129	69,091
Equity attributable to shareholders of the parent company	352,545	322,431	81,970	68,962

	01/04/2023-31/03/2024	01/04/2022-31/03/2023 restated	01/04/2023-31/03/2024	01/04/2022-31/03/2023 restated
Consolidated Statement of Profit or Loss				
Net revenue	258,209	195,605	58,240	41,604
Income (loss) on operating activities	81,725	51,937	18,433	11,047
Earnings before tax	31,147	18,840	7,025	4,007
Net profit (loss)	34,109	23,235	7,693	4,942
Net profit (loss) attributable to shareholders of the parent company	33,340	22,512	7,520	4,788
Earnings per share in PLN	2.59	1.75	0.58	0.37
Diluted earnings per share in PLN	2.59	1.75	0.58	0.37
Average PLN/EUR exchange rate during the period	4.4335	4.7016	4.4335	4.7016

Consolidated Statement of Cash Flows	01/04/2023-31/03/2024	01/04/2022-31/03/2023	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Net cash from operating activities	176,329	166,825	39,772	35,483
Net cash from investment activities	(203 937)	(129,786)	(45,999)	(27,605)
Net cash from financing activities	87,944	(91,065)	19,836	(19,369)
Change due to exchange rate differences	(3,125)	1,443	(705)	307
Net change in cash and cash equivalents	60,336	(54 026)	13,609	(11 491)
Average PLN/EUR exchange rate during the period	4.4335	4.7016	4.4335	4.7016

(PLN '000)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	01/04/2023-31/03/2024	01/04/2022-31/03/2023 restated
Net income			
Interest income on debt portfolios calculated using the effective interest rate method		156,385	120,466
Debt portfolios revaluation	4.1	98,318	71,240
Other income/expenses	4.2	3,506	3,899
Total net income		**258,209**	**195,605**
Salary and employee benefit costs		(58,968)	(48,706)
Depreciation/amortisation		(8,459)	(7,455)
Third-party services		(49,401)	(39,749)
Court and enforcement fees		(43,478)	(39,847)
Other operating expenses		(16,178)	(7,911)
Total operating expense	**5**	**(176 484)**	**(143 668)**
Profit (loss) on operating activities		**81,725**	**51,937**
Finance income, including	6	3 083	8 244
interest on instruments measured at amortised cost		2,805	1,755
Finance expense, including	6	(53,661)	(41,341)
interest on instruments measured at amortised cost		(45,514)	(36,253)
Earnings before taxation		**31,147**	**18,840**
Income tax	7	(5,174)	521
Net profit (loss) from continuing operations		**25 973**	**19 361**
Net profit (loss) from discontinued operations		**8 136**	**3 874**
Net profit (loss)		**34,109**	**23,235**
Net profit attributable to:			
Shareholders of the parent company		33,340	22,512
Non-controlling interests		769	723

Earnings per share in PLN			
ordinary	16.5	2.59	1.75
diluted	16.5	2.59	1.75
Continuing operations:			
ordinary	16.5	1.96	1.45
diluted	16.5	1.96	1.45

(PLN ‘000)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Net profit (loss)		**34,109**	**23,235**
Income (loss) on hedge accounting recognised in other comprehensive income	24.4	729	4,668
Amounts related to hedge accounting moved to profit or loss	24.4	(278)	(6,479)
Income tax	24.4	(86)	343
Foreign exchange differences on translation of foreign operations	16.6	(3 591)	2,963
Other comprehensive income		**(3 226)**	**1 495**
Total comprehensive income		**30,883**	**24,730**
Comprehensive income attributable to:			
shareholders of the parent company		30,114	24,007
non-controlling interests		769	723

(PLN '000)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Note	31/03/2024	31/03/2023
Goodwill	8.1	4,948	7,022
Intangible assets	8.2	6,161	7,434
Tangible assets (PP&E)	8.3	14,627	17,319
Investment properties	9	10,199	11,449
Purchased debt portfolios*	11	474,153	392,787
Receivables	12	241	464
Derivative financial instruments	24.4	461	-
Deferred income tax assets	13	1,099	676
Non-current assets		**511,889**	**437,151**
Trade and other receivables	12	9 436	9 400
Current income tax receivables		33	185
Purchased debt portfolios*	11	239 211	201 121
Other short-term financial assets	10	-	1,118
Short-term prepayments	19	3,062	1 800
Cash and cash equivalents	15	92 459	45 640
Non-current assets held for sale**	23	12 762	-
Current assets		**356,963**	**259,264**
Total assets		**868,852**	**696,415**

(*) starting with these financial statements, the carrying amount of debt portfolios has been divided into short- and long-term parts
(**) including PLN 10,392 thousand of KI RUS cash

(PLN '000)

Equity & Liabilities	Note	31/03/2024	31/03/2023
Share capital	16.1	12,897	12,897
Statutory capital reserve		104,145	92,157
Revaluation reserve		365	-
Foreign exchange differences on translation	16.6	(5,728)	(2,137)
Retained earnings, including	16.7	240,866	219,514
net profit attributable to shareholders of the parent company		33,340	22,512
profits brought forward		207,526	197,002
Equity attributable to shareholders of the parent company		**352,545**	**322,431**
Non-controlling interests	16.8	684	606
Total equity		**353,229**	**323,037**
Borrowings and other debt instruments	17	369,814	258,439
Lease liabilities	18	8,008	11,472
Long-term accruals		7	-
Deferred tax liabilities provision	13	3 320	1 714
Long-term liabilities		**381,149**	**271,625**
Trade and other payables	21	15,413	19,699
Current income tax liabilities		2 341	1 047
Borrowings and other debt instruments	17	88,425	61,333
Lease liabilities	18	3,655	3,072
Other short-term provisions	22	15,792	11,357
Short-term accruals	20	6 124	5 245
Liabilities related to non-current assets held for sale*	23	2,724	-
Short-term liabilities		**134,474**	**101,753**
Total liabilities		**515,623**	**373,378**
Total equity and liabilities		**868,852**	**696,415**

(*) including PLN 485 thousand of liabilities under KI RUS leases

(PLN '000)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Earnings before tax, including:		**40,889**	**25,807**
- from continuing operations		31,147	18,840
- from discontinued operations	23	9,742	6,967
Adjustments:			
Depreciation of tangible assets (PP&E)		4,413	4,026
Amortisation of intangible assets		4,251	3,616
Purchased debt portfolios - difference between repayments and interest income	11	188,530	196,279
Purchased debt portfolios - portfolio revaluation	4.1 and 23	(111,190)	(93,619)
Finance expenses	6 and 23	47,013	40,758
Finance income	6 and 23	(4,025)	(8,658)
Profit (loss) due to exchange rate differences	6 and 23	6,789	677
Other adjustments*		3,248	2,945
Total adjustments		**139,029**	**146,024**
Change in receivables		(939)	(196)
Change in liabilities		(779)	2,197
Change in capital reserves and prepayments/accruals		4,223	(779)
Cash from operating activities		**182,423**	**173,053**
Income tax paid		(6,094)	(6,228)
Net cash from operating activities		**176,329**	**166,825**
Debt portfolio purchase	11	(205,793)	(132,506)
Proceeds from sale of investment properties	9	1,609	3,280
Proceeds from other financial assets	10	800	800
Proceeds from sale of tangible assets (PP&E)		95	160
Expenses for acquisition of intangible assets	8.2	(3,002)	(2,390)
Expenses for acquisition of tangible assets (PP&E)		(1,392)	(1,133)
Expenses for acquisition of investment properties	9	-	(176)
Interest received		3,746	2,179
Net cash from investment activities		**(203,937)**	**(129,786)**
Proceeds from borrowings	17	86,760	46,150
Proceeds from issue of debt securities	17	122,464	32,689
Redemption of debt securities	17	(25,528)	(93,109)
Proceeds from settled hedging transactions	24.4	268	676
Repayments of borrowings	17	(49,763)	(34,617)
Payments of lease liabilities		(5,246)	(4,968)
Interest paid		(40,311)	(37,046)
Dividends paid to shareholders	16.8	(700)	(840)
Net cash from financing activities		**87,944**	**(91,065)**
Net change in cash and cash equivalents (excluding foreign exchange differences)		**60,336**	**(54,026)**
Change due to exchange rate differences		(3,125)	1,443

(PLN ‘000)

	Note	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Net change in cash and cash equivalents (including foreign exchange differences)		**57,211**	**(52,583)**
Cash and cash equivalents at the beginning of the period		**45,640**	**98,223**
- from discontinued operations		10,371	9,538
Cash and cash equivalents at the end of period:		**102,851**	**45,640**
- from discontinued operations	23	10,392	10,371

(*) ‘Other adjustments’ in 2023/24 includes, among others, adjustment of goodwill of Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp. k. (PLN 2,073 thousand), and in 2022/23, among others, adjustment of goodwill of KI Solver (PLN 751 thousand).

For better comparability of data and due to the lack of detailed guidelines in IFRS 5 and IAS 7 regarding the statement of cash flows in a situation where a part of the Group's activities is classified as discontinued operations, the Group has decided not to separate the cash flows related to the Russian subsidiary from the consolidated statement of cash flows. More details of cash flows related to discontinued operations are presented in note 23.

Annual consolidated financial statements for 12 months ended 31 March 2024 (PLN '000)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Statutory capital reserve	Revaluation reserve	Foreign exchange differences on translation	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
As at 01 April 2023	**12,897**	**92,157**	**-**	**(2,137)**	**219,514**	**322,431**	**606**	**323,037**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(700)**	**(700)**
Change of capital group structure (transactions with non-controlling interest holders)*	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**9**
Net profit	-	-	-	-	33,340	33,340	769	34,109
Other comprehensive income	-	-	365	(3,591)	-	(3,226)	-	(3,226)
Total comprehensive income	**-**	**-**	**365**	**(3,591)**	**33,340**	**30,114**	**769**	**30,883**
Profit distribution	-	11,988	-	-	(11,988)	-	-	-
Total changes in equity	**-**	**11,988**	**365**	**(3,591)**	**21,352**	**30,114**	**78**	**30,192**
As at 31 March 2024	**12,897**	**104,145**	**365**	**(5,728)**	**240,866**	**352,545**	**684**	**353,229**

(*) On 1 November 2023, a share capital increase has been registered for KI RUS, leading to higher non-controlling interest.

Annual consolidated financial statements for 12 months ended 31 March 2024 (PLN '000)

	Share capital	Statutory capital reserve	Revaluation reserve	Foreign exchange differences on translation	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
As at 01 April 2022	**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**

(PLN '000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1. Parent information

Kredyt Inkaso Capital Group ("Capital Group", "Group") is controlled by the parent company Kredyt Inkaso Spółka Akcyjna ("Parent", "Issuer", "Company").

Name of reporting entity:	Kredyt Inkaso S.A.
Registered office:	Warsaw (ul. Postępu 21B, 02-676 Warszawa, Poland)
Principal place of business:	Warsaw (ul. Postępu 21B, 02-676 Warszawa, Poland)
Business name:	Kredyt Inkaso Spółka Akcyjna
Legal form:	Polish joint-stock company
Address:	Warsaw (ul. Postępu 21B, 02-676 Warszawa, Poland)
Country:	Poland
Registry Court:	District Court for Warsaw, in Warsaw, 13th Commercial Division of 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)
Company number (KRS):	0000270672
Statistical number (REGON):	951078572
Tax number (NIP):	922-254-40-99
PKD (Polish Statistical Classification):	64.99.Z - other financial service activities, not classified elsewhere, except insurance and pension funds

The main operating activity of the Parent Company is the management of debt portfolios, including portfolios acquired by Group 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 is collecting debt claims payable mainly by individuals, through amicable or legal means.

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

1.2. Composition of the Parent Company's management and supervisory bodies as at the balance sheet date and report approval date

1.2.1. Management Board

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

There were no changes in the composition of the Management Board during the current reporting period.

(PLN '000)

1.2.2. Supervisory Board

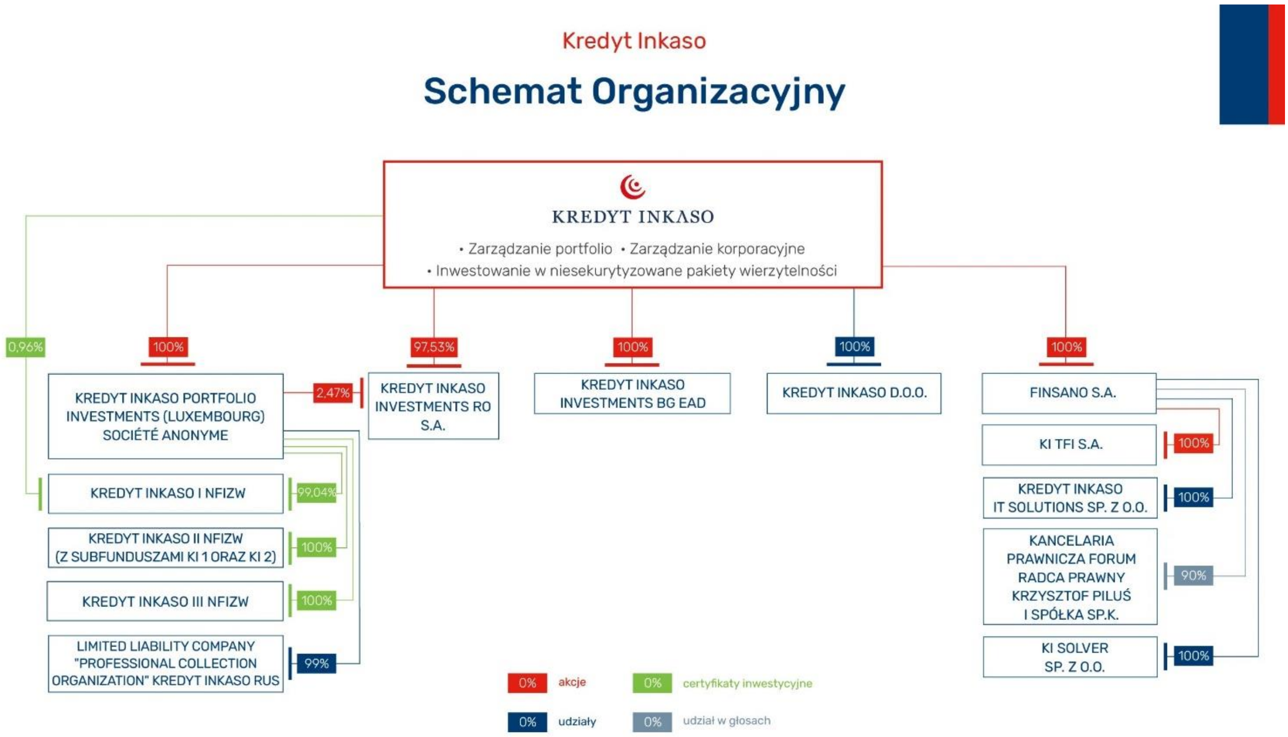
Bogdan Dzudzewicz	Chairman of Supervisory Board
Marcin Okoński	Vice Chairman of Supervisory Board
Tomasz Karpiński	Board Member
Raimondo Eggink	Board Member
Karol Sowa	Board Secretary

Changes in the composition of the Supervisory Board:

- on 18 January 2024, Daniel Dąbrowski resigned from the Supervisory Board;
- on 30 January 2024, members of the Company's Supervisory Board appointed Tomasz Karpinski as a member of the Supervisory Board.

Along with the change in the composition of the Supervisory Board, also the composition of its Audit Committee has changed: on 30 January 2024, Tomasz Karpinski joined the Audit Committee as a new member beside Raimondo Eggink and Marcin Okoński (legacy members as at the Approval Date).

1.3. Information about the Capital Group



This chart shows the Group's organisational structure on the balance sheet date.

As of 6 February 2024, the name of the Russian entity formerly was changed to Limited Liability Company "Professional Collection Organisation" Kredyt Inkaso RUS (formerly Kredyt Inkaso RUS Limited Liability Company (LLC) – '**KI KRUS**').

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

Name of entity	Seat	Shareholding	Number of votes	Core business
Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp.k.	Warsaw, Poland	84%	90%	Legal services
Finsano S.A.	Warsaw, Poland	100%	100%	Holding activities and the acquisition in the course of debt enforcement

Name of entity	Seat	Shareholding	Number of votes	Core business
				proceedings or collection activities of properties, trading in these properties, their development and commercialization
Kredyt Inkaso IT Solutions Sp. z o.o.	Warsaw, Poland	100%	100%	IT services
Kredyt Inkaso Investments RO S.A.	Bucharest, Romania	100%	100%	Investment in debt portfolios, servicing debt assets
Kredyt Inkaso Investments BG EAD	Sofia, Bulgaria	100%	100%	Investment in debt portfolios, servicing debt assets
Limited Liability Company "Professional Collection Organisation" Kredyt Inkaso RUS (formerly 'Kredyt Inkaso RUS Limited Liability Company (LLC)')	Moscow, Russia	99%	99%	Investment in debt portfolios, servicing debt assets
Kredyt Inkaso d.o.o.	Zagreb, Croatia	100%	100%	Investment in debt portfolios, servicing debt assets
Kredyt Inkaso Portfolio Investments (Luxembourg) Société Anonyme	Luxembourg	100%	100%	Investment in debt portfolios, investment in securities carrying risk related to debt claims
Kredyt Inkaso I NFIZW	Warsaw, Poland	100%	100%	Investment in debt portfolios
Kredyt Inkaso II NFIZW	Warsaw, Poland	100%	100%	Investment in debt portfolios
Kredyt Inkaso III NFIZW	Warsaw, Poland	100%	100%	Investment in debt portfolios
KI Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna	Warsaw, Poland	100%	100%	Establishment and management of investment funds
KI Solver Sp. z o.o.	Warsaw, Poland	100%	100%	Debt assets servicing

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

2. Basis for the preparation of the consolidated financial statements and accounting policies

2.1. Basis for 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 annual consolidated financial statements cover 12 months ended 31 March 2024 and include:

- comparative figures for 12 months ended 31 March 2023 in the statement of profit and loss, statement of comprehensive income, statement of changes in equity and the statement of cash flows;
- comparative figures as at 31 March 2023 in the statement of financial position.

These consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the International Accounting Standards as well as related interpretations ("IFRS") promulgated in the form of European Commission ("EU") regulations, as well as requirements relating to issuers of securities admitted or sought to be admitted to trading on an official stock exchange listing market. However, to the extent not covered by the above standards and interpretations, they are consistent with the requirements of the Polish Accounting Act of 29 September 1994 (recast in Polish Official Journal: Dz.U.2023, items 120, 295, 1598, as amended) ("Accounting Act") and the implementing regulations issued under it.

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

The annual consolidated financial statements for the reporting period ending 31 March 2024 comprise the financial statements of the Parent Company and the financial statements of its subsidiaries.

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

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's financial statements, using consistent accounting policies.

2.2. Compliance declaration

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and related interpretations promulgated in the form of European Commission regulations, 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 judgement and estimates.

In preparing the consolidated financial statements, the Parent's Management Board makes estimates, judgements and assumptions regarding the valuation amounts 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 portfolios are valued at amortised 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 proceeds 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 a debt portfolio, taking into account expected credit losses. Estimation of projected cash flows is made based on historical cash flows generated by similar debt portfolios. For retail banking and telecommunication 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 included. Based on historical data, separate repayment curves are built for each type of debt claims.

A portfolio of debt claims is divided into groups, which include homogeneous claims in terms of possible actions and business assumptions. Then, using the model, the repayment 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. Useful life of non-current assets

The Parent's Management Board reviews annually the useful life periods of depreciable fixed assets and their possible impairment at the end of each annual reporting period. Management has assessed that the useful life periods of the assets adopted by the Group for depreciation and amortisation 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 obsolescence.

2.3.3. Investment properties

The Group measures investment properties at fair value. The valuation as at 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 property is recognised in correspondence with the profit and loss account.

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 recognised in the profit and loss account and is not subject to reversal in subsequent reporting periods.

2.3.5. Deferred income tax assets and liabilities

Deferred income tax assets are determined at the amount expected to be deducted from income tax in the future, due to deductible temporary differences that will reduce the basis for calculating income tax in the future, while observing the prudence principle. Deferred tax liability is recognised in the amount that will increase the future income tax liability due to the existence of positive temporary differences between the carrying amount 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 realised. Deferred tax assets related to unused tax losses or unused tax credits are recognised up to the amount to which it is probable that taxable income will be realised.

The Group has control over the realisation of temporary differences on investments in subsidiaries, so when assessing the need to establish a deferred tax liability in this regard, it takes into account the likelihood of realisation 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 liability 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 portfolios at individual Group companies,
- planned payments from purchased debt portfolios in Group companies,

Accordingly, deferred tax liabilities 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

2.4.1. Consolidation methodology

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

The Group verifies its control over other entities whenever a situation has arisen implying a change in any the below prerequisites of control.

The consolidation of a subsidiary starts when the Group acquires control over it and ends when that control is lost. Income and expenses of a subsidiary acquired or divested of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The financial result and all other comprehensive income items are attributed to the shareholders of the Group and to non-controlling interests. The total income of the subsidiaries are attributed to the shareholders the Group and to the non-controlling interests, even if this results in a deficit on the part of the non-controlling interests.

If necessary, the financial statements of the subsidiaries are adjusted as to align the accounting polices applied by them with the accounting policy of the Capital Group.

Subsidiaries whose financial statements are insignificant from the point of view of the consolidated financial statements of the Capital Group may be exempted from the consolidation requirement. Investments in subsidiaries held for sale are accounted for according to IFRS 5.

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

2.4.1.1. Control and significant influence

The Group has control in the event:

- it has the authority over an entity;
- it has exposure to variable returns or entitlement to variable returns based on its interest in the entity;
- it has the ability to exercise authority to shape the level of returns generated.

An investor's significant influence on an entity usually occurs in the following events:

- being a member of the management board or equivalent governing body of an entity in which the investor has invested (the investee);
- participation in the formation of the entity's policy, including participation in decisions on dividends or other methods of profit distribution;
- material transactions between the investor and the investee;
- reciprocal exchange of management personnel; or
- provision of essential technical information.

2.4.1.2. Consolidation procedures

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

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

In the event of potential voting rights, 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 shown in a separate equity item and represent the part of total income and net assets of subsidiaries that is attributable to entities other than the Group companies. The Group allocates the total income of subsidiaries between the shareholders of the Parent Company and non-controlling entities on the basis of their ownership interest, unless the special provisions of the articles of association provide otherwise.

Transactions with non-controlling entities that do not result in the loss of control by the Parent Company are treated by the Group as capital transactions:

- partial sale of interest to non-controlling entities - the difference between the sale price and the net carrying amount of the subsidiary's assets attributable to the interest sold to non-controlling shareholders is recognised directly in equity under retained earnings.
- acquisition of interest from non-controlling entities - the difference between the acquisition price and the net carrying amount of the net assets acquired from non-controlling shareholders is recognised directly in equity under retained earnings.

2.4.1.3. Changes in the Group's interest in subsidiaries

If the Group loses control of a subsidiary, profit or loss will be recognised in the statement or profit or loss as the difference between (i) the aggregate amount of consideration received and the fair value of the retained shares, and (ii) as at the date of loss of control, the carrying amount of the assets (including goodwill) and liabilities of that subsidiary and of the non-controlling interests. All amounts related to this subsidiary, initially recognised in other comprehensive income, will be 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 other equity category in accordance with the provisions of the relevant IFRS). The fair value of investments held in a former subsidiary as at the date of loss of control is treated as fair value at the time of initial recognition in order to enable possible settlement of the cost incurred at the time of initial recognition of investments in an associated entity or a financial asset in accordance with IFRS 9.

2.4.1.4. Business combinations

Business combinations falling under IFRS 3 are accounted for using the acquisition method.

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

(PLN '000)

The consideration paid in exchange for such control includes issued assets, incurred liabilities and issued equity instruments, measured at fair value as at the acquisition date. The consideration also includes contingent payments, measured at fair value as at the acquisition date. Acquisition costs (consultancy, valuations, etc.) do not constitute the consideration for the acquisition, but are recognised as an expense on the date when incurred.

Goodwill is calculated as the difference of two values:

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

The excess of the sum calculated as above over the fair value of the entity's identifiable net assets acquired is recognised as 'goodwill' in the assets of the consolidated statement of financial position. Goodwill corresponds to the consideration paid by the acquiring entity in anticipation of future economic benefits from assets that cannot be individually identified or separately recognised. After the initial recognition, the goodwill will be measured at the acquisition price less cumulative adjustments for impairment.

If the above sum is lower than the fair value of identifiable net assets acquired of the entity, the difference will be recognised immediately in profit or loss. The Group recognises the acquisition profit as other operating income.

2.4.2. Foreign currency transactions

Transactions expressed in currencies other than the Polish zloty are translated into Polish zlotys using the exchange rate of the bank that the Group uses, in effect on the date of the transaction.

Monetary items denominated in foreign currency are valued at the closing rate (immediate realisation, 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 (NBP) 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 (NBP) 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 ended 31 March 2024	Average rate	Rate at the end of reporting period
1 RON	0.8935	0.8655
1 BGN	2.2668	2.1990
1 RUB	0.0456	0.0430
1 EUR	4.4335	4.3009
Reporting period ended 31 March 2023	**Average rate**	**Rate at the end of reporting period**
1 RON	0.9536	0.9445
1 BGN	2.4039	2.3905
1 RUB	0.0710	0.0561
1 HRK	0.6240	-
1 EUR	4.7016	4.6755

2.4.3. Operating segments

An operating segment is the part of an 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 when evaluating the segment's performance; and
- for which separate financial information is available.

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

- 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 costs are entirely allocated to Poland due to the exercise of these central functions by organisational 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.

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

2.4.4. Non-current assets held for sale and discontinued operations

A Group classifies a non-current asset (or a disposal group) as 'held for sale' if its carrying amount is recoverable primarily through a sale transaction rather than through its continued use. This is the case of an asset (or disposal group) that immediately available for sale in its current condition, subject only to normal and customary conditions for selling such an asset (or disposal group), and insofar as its sale is highly probable. The necessary activities leading to the finalization of the sale should imply that significant changes in or withdrawal from the sale is unlikely. The management must be committed to the sale action plan and the sale should be expected to be finalized within one year of the date of classification. The Group measures a non-current asset (or disposal group) 'held for sale' at the lower of its carrying amount or its fair value less selling costs.

An entity determined to make a sale that involves a loss of control in a subsidiary classifies all assets and liabilities of that subsidiary as held for sale, regardless of whether the entity maintains non-controlling interests in the entity that was previously its subsidiary after the sale.

Assets and liabilities classified as held for sale are presented separately in the short-term items of the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and shown in a separate line as profit or loss after taxation of discontinued operations in the profit and loss account.

As a result of the pending sale of KI RUS , the Group has made the decision to classify the operations of the Russian company as discontinued, and the assets and liabilities of the said entity as held for sale. Additional disclosures can be found in note 23.

2.4.5. Goodwill

Goodwill is measured at the end of the reporting period, at the acquisition price less the total cumulative impairment losses and reductions caused by divestment of interests to which it was previously attributed. Impairment of goodwill is not reversible.

Goodwill is reviewed for potential impairment on annual basis at the end of every reporting year.

2.4.6. Intangible assets

Intangible assets are considered assets that result from contractual or other legal titles, regardless of whether they are transferable.

The initial valuation of intangible assets was made at the acquisition price resulting from a separate transaction, or at the production cost recognised by the entity itself. After the initial recognition, intangible assets are revalued at the acquisition price less amortisation – the factor lowering this valuation usually is the total amount of impairment losses. This factor has not occurred in the reporting period.

The period and method of amortisation of intangible assets with a defined useful life were verified at the end of the reporting period. The verified useful life of intangible assets did not differ from previous estimates. Depreciation adjustments of intangible assets are made on a straight-line basis over the expected period of use, which for computer software is 30%, 33% or 50%, and for development work is 20%-100%.

Amortisation rates applied to intangible assets in previous periods do not differ from those verified and applied in the reporting period. In the reporting periods presented, there were no indicators of impairment of other intangible assets. An intangible asset is removed from the balance sheet when it is disposed of or when no further gains are expected from its use or disposal.

2.4.7. Tangible assets (PP&E)

Tangible assets are considered to be fixed assets and their right of use:

- which are maintained by the Group in order to be used in its activities,
- which are to be used for more than one year,
- which are likely to bring economic benefits in the future,
- the value of which can be reliably assessed.

Such tangible assets include:

- right of use to tangible assets (buildings and structures),
- improvements in foreign fixed assets (buildings),
- machinery, devices,
- other fixed assets,
- work-in-progress assets.

At the date of initial recognition, fixed assets were valued at purchase price or at production cost. The initial value of PP&E include the purchase price plus all costs directly related to their purchase and adaptation to a condition fit for use.

The Group classifies long-term lease agreements as leases disclosable in the financial statements as right-of-use assets (in item ‘Tangible assets’ of the statement of financial position) and lease liabilities (in item ‘Lease liabilities’ of the statement of financial position), measured at the present value of the lease payments outstanding.

The lease term is determined taking into account the extension and reduction options available in the concluded contracts, if the option is likely to be exercised.

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

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

After the initial recognition, tangible assets are revalued at the acquisition price less depreciation – the factor lowering this valuation usually is the total amount of impairment losses.

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

In the presented periods, the straight-line method of depreciation of fixed assets was used, resulting from the expected consumption of fixed assets.

The basis for calculating depreciation of fixed assets is the initial value less the residual value. Depreciation rates applied to fixed assets in previous periods do not differ from those verified and applied in the reporting period. Depreciation was applied using the rates that correspond to the expected useful life of the assets currently held:

- Investments in third-party tangible assets (buildings) - 10%
- Computers (workstations), laptops, servers, specialist computing devices – 17%, 30%, 35%
- Photocopiers and high-capacity printers - 28%
- Telecommunications systems, furniture, vehicles - 20%, 30%
- Specialist office equipment (e.g. envelopers, high-capacity shredders) - 14%

Depreciation begins when a given fixed asset is available for use and ends when its carrying amount is equal to the residual value.

Fixed assets not exceeding PLN 1,000 are not considered fixed assets and are charged to expenses of the month when put into use.

2.4.8. Investment properties

Investment properties are initially valued at the purchase price including transaction costs. After the initial recognition, investment properties are recorded at fair value. When determining the fair value of investment properties, the Group uses the services of a qualified and independent valuer experienced in the valuation of properties of a similar nature and location. The valuations are updated at least once a year. Gains or losses resulting from a change in the fair value of an investment property are recognised in profit or loss.

2.4.9. Deferred income tax assets

Deferred income tax assets are determined at the amount expected to be deducted from income tax in the future, due to deductible temporary differences that will reduce the basis for calculating income tax in the future, while observing the prudence principle.

The valuation of deferred income tax assets takes into account the income tax rate that, to the best of our knowledge, will apply in the year in which the asset is realised. In the case of tax losses, deferred tax assets are created up to the amount to which it is likely that the entity will achieve taxable income allowing their realisation.

2.4.10. Financial assets

A financial asset is recognised in the statement of financial position when the Group becomes a party to a contract for such instrument. Standardized transactions in the purchase and sale of financial assets and liabilities are recognised as at the date of the transaction.

The classification of financial assets depends on the Group's business model in the area of management of the financial asset portfolio to which a given financial asset belongs, and also on the results of the SPPI test of that asset (*solely payments of principal and interest).*

The Group distinguishes the following financial asset portfolio management business models:

(1) a business model according to which financial assets are held for cash flows under a contract,
(2) a business model the purpose of which is to obtain contractual cash flows from held financial assets as well as from the sale of financial assets;
(3) other model than those described in (1) and (2) above.

The business model is assessed at the initial recognition of the financial asset. The business model assessment criteria consider the way in which the Group manages its financial assets to generate cash flows.

As at the acquisition date, the Group measures financial assets at fair value. Transaction costs are included by the Group in the initial value of the measurement of all financial assets, except for the category of assets measured at fair value through profit or loss.

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

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

These categories predetermine the principles for the measurement at the balance sheet date and the recognition of measurement-related
gains or losses in profit or loss or in other comprehensive income. Gains or losses recognised in profit or loss are presented in line *Effect of interest and other financial income or other financial expenses.*

A financial asset is excluded from the statement of financial position in the event that the rights to economic benefits and risks arising from the concluded contract have been exercised, expired or waived by the Group.

2.4.10.1. Financial assets measured at amortised cost

A financial asset is classified into financial assets measured at amortised cost if both of the following conditions are met:

a) the asset is maintained in line with a business model according to which financial assets are held for cash flows under a contract,

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets measured at amortised cost are classified as current assets, provided that their maturity does not exceed 12 months from the end of the reporting period. Financial assets measured at amortised cost maturing later than in 12 months of the end of the reporting period are classified into non-current assets. Financial assets measured at amortised cost are recognised in the statement of financial position as receivables and loans, purchased debt portfolios, trade receivables and debt securities presented in other financial assets. The class of financial assets measured at amortised cost include cash and cash equivalents. Cash and cash equivalents are a separate item in the statement of financial position.

Subsequently to the initial recognition, financial assets are measured based on amortised cost using the effective interest rate that is the internal rate of return for a given financial asset.

In the case of financial assets classified for valuation at amortised cost that have been *purchased or originated credit-impaired (POCI),* the effective interest rate adjusted for credit risk (*credit-adjusted effective interest rate)* is used for the purposes of valuation.

In calculating the effective interest rate adjusted for credit risk, the entity estimates the expected cash flows, taking into account all contractual conditions of the financial asset as well as expected credit losses.

Revaluation of debt instruments measured at amortised cost are recognised through profit or loss in line ‘*Finance expenses’.*

An expected impairment loss is recognised at the initial recognition of the asset. The amount of the adjustment will updated for each day ending a reporting period.

The class of financial assets measured at amortised cost includes:

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

Trade receivables, loans and other receivables are primarily receivables resulting from the Group's debt trading and management activities.

Debtor claims purchased are bulk portfolios of overdue debtor receivables (e.g. consumer loans, telecom charges, etc.) that the Group purchased under claim assignment agreements in exchange for a certain price which is significantly lower than the nominal value of the receivable amounts (*Purchased or originated credit impaired assets* - POCI).

The Group's business model in relation to purchased debt portfolios consists in the long-term maintenance and servicing of the portfolios in order to achieve the expected flows from the managed portfolios. It classifies all purchased debt portfolios of the Group into the category of instruments that are measured at amortised cost. This classification reflects the portfolio management strategy which focuses on keeping the assets in order to maximize the value of the contractual proceeds.

The debt portfolios are measured based on amortised cost using the effective interest rate. The initial recognition takes place on the date of purchase, at the purchase price, i.e. the fair value of the payment made plus material transaction costs.

The original forecast of expected cash proceeds that takes taking into account the initial value (purchase price plus transaction costs) is used to determine the effective interest rate that is equal to the internal rate of return (with the credit risk element accounted for) and used to discount the estimated cash proceeds - it will remains unchanged throughout the entire period of holding the portfolio.

Interest income is calculated on the value of the portfolio determined using the amortised cost model according to IFRS 9 guidelines applicable to purchased components of financial assets that has been impaired due to credit risk using the aforementioned effective interest rate that accounts for the credit risk element, and they are recognised through profit or loss in the current period. Interest income is recognised entirely as an increase in the value of the portfolio. Actual repayments received in the period through debt collection are recognised entirely as a decrease in the value of the portfolio.

Estimated cash flows are determined primarily based on:

- the expected effectiveness of the debt collection tools used,
- the repayment history to date,
- the macroeconomic environment.

The value of the asset at a given balance sheet date is equal to its initial value (purchase price plus transaction costs) increased by interest income and reduced by actual proceeds, and also adjusted for changes 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 proceeds.

The estimated flows from debt portfolios include the principal part of a package and the interest determined on the basis of the discount rate. The principal received is recognised as a decrease in the book value of the package, while the interest is recognised as income of the current period.

In addition, changes in the value of a debt portfolio resulting from changes in estimates of time or value of expected future cash proceeds for that portfolio are recognised in revenue of the current period.

The activities involving the purchase of portfolios of debtor claims is associated with certain credit risks.

The Group recognises loans and other financial assets in the statement of financial position only when it becomes a party to such financial instrument contract. The Group decides the classification of a financial asset at the time of its initial recognition.

For loans and other financial assets, the financial asset at initial recognition is measured at fair value, plus or minus transaction costs that can be directly attributed to the acquisition or issue of the financial asset. Subsequently, such other financial assets are measured based on amortised cost using the effective interest rate. Profits or losses recognised in profit or loss are presented as financial income or expenses with the exception of revaluation allowances. Due to insignificant discount effects, accounts receivable are valued at the amount due.

2.4.10.2. Financial assets at fair value through profit or loss

Financial assets are classified as financial assets measured at fair value through profit or loss if they are not measured at amortised cost or at fair value through other comprehensive income, or (only for financial assets that are debt instruments) if the entity has decided at the moment of initial recognition to measure at fair value through profit or loss. Profits and losses from the valuation of financial assets are determined by the change in the fair value determined on the basis of current prices from the active market as at the balance sheet date or on the basis of valuation techniques, if the active market does not exist. Revaluation gains and losses on a financial asset measured at fair value through profit or loss are recognised in profit or loss in the period when they occurred in line *Other finance income or other finance expenses.*

2.4.10.3. 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 maintained based on a business model the purpose of which is to obtain contractual cash flows from held financial assets as well as from the sale of financial assets; and
- contractual conditions entitle to receive cash flows on certain dates that are only principal and interest on principal.

With respect to equity instruments, at the date of initial recognition the entity may make an irreversible selection to classify the instrument as financial instruments measured at fair value through other comprehensive income (fair value through other comprehensive income option). This election concerns a single financial asset. The option to choose fair value through other comprehensive income is not available for equity instruments held for trading. Gains and losses both from measurement and implementation, arising on a financial asset that is an equity instrument for which the fair value through other comprehensive income option has been applied, are recognised in other comprehensive income, with the exception of income from dividends received which is recognised in *Other finance income or other finance expenses.*

Gains and losses arising on a financial asset that is a debt instrument measured at fair value through other comprehensive income option has been applied, are recognised in other comprehensive income, with the exception of:

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

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

2.4.10.4. Equity instruments measured at fair value through other comprehensive income

This category includes investments in equity financial instruments which, at the time of initial recognition, the entity has irrevocably decided to present as comprehensive income later changes in fair value. Such instrument is neither held for trading nor a contingent payment of the acquiring entity in a business combination.

2.4.10.5. Impairment of financial instruments

In the case of financial assets measured using the risk-adjusted effective interest rate method (purchased debt portfolios), the impairment loss on financial assets (so-called credit loss) is the difference between originally planned future flows (taking into account credit risk) from a financial asset and currently expected cash flows from that asset (taking into account credit risk), discounted using the original effective interest rate adjusted for credit risk throughout the expected time horizon of the exposure. Change in the value of financial assets valued using the effective interest rate method adjusted for risk is presented in line *Revaluation of debt packages*.

In the case of other instruments, the impairment loss on financial assets (so-called credit loss) is the difference between all contractual payments from a given financial asset, and expected cash flows from this component, discounted using the original effective interest rate over the entire expected time horizon of the exposure.

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. Expected credit losses are credit losses weighted by the probability of default, for which the following impairment approaches are used:

- general approach (basic),
- simplified approach.

The general model monitors changes in the level of credit risk associated with a given financial asset and classifies financial assets into one of the three impairment loss stages that involve the observation of change in the level of credit risk in relation to the initial recognition of the instrument. Depending on the classification into individual stages, the impairment loss is estimated over a horizon of 12 months (stage 1) or the lifetime horizon of the instrument (stage 2 and stage 3).

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

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

- in the general model - the levels of probability of insolvency, implied from market credit quotations of analogous debt instruments, or other analyses based on available data, taking into account the specificity and capital links between the creditor and the debtor,
- in the simplified model – historical levels of repayments from counterparties.

In particular, the Group considers *default* to be 90 days after the due date.

The Group uses a simplified model for the calculation of impairment losses in the case of trade receivables (regardless of maturity). The expected credit loss is determined at the time the receivable amount is recognised in the statement of financial position, and later updated at each subsequent end of the reporting period, depending on the number of days the receivable has been 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. As of each day ending the reporting period, the Group analyses the occurrence of indicators for the classification of financial assets into the individual impairment loss stages, for example 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.

2.4.11. Hedge accounting

The Group enters into a derivative transaction to hedge its interest rate risk. The Group assigns derivatives to hedging instruments in relation to cash flow hedge, provided that the following criteria are met:

- The hedging relationship consists of eligible financial instruments and eligible hedging items;
- Formal documentation has been prepared before the hedging starts;
- The hedging relationship meets all hedge effectiveness requirements as follows:
  - there is an economic link between the hedged item and the hedging instrument;
  - the credit risk effect is not dominant in the change in value that results from the economic relationship;
  - the hedge ratio reflects the actual size of the hedging instrument and the hedged item (unless the determination of the hedge ratio is a deliberate attempt to generate an accounting effect inconsistent with the purpose of hedge accounting).

Derivatives that meet the definition of a hedging instrument will hedge the risk of change in cash flows in the case of assets or liabilities that generate such risk.

A cash flow hedging derivative is a derivative that:

- serves to limit the volatility of cash flows and can be attributed to a specific type of risk associated with an asset or liability recognised in the statement of financial position or a highly probable forecast future transaction, and
- will affect the reported net profit or loss.

Gains and losses arising from the change in the fair value of the instrument hedging cash flows (the effective part) are recognised in other comprehensive income to the extent that the instrument is an effective hedge of the related hedged item.

The ineffective part is related to the financial result as finance income or finance expenses.

Gains and losses arising on a cash flow hedge instrument are recognised in profit or loss when a given hedged item affects profit or loss.

The Group discontinues the hedge accounting when the hedging instrument expires or is sold, its use is ended, the instrument is realised or when the hedge no longer meets the special conditions that allow its hedge accounting. The method and frequency of assessing the effectiveness of hedging relationships is specified in the documentation of individual hedging relationships.

Derivatives are entered into with major commercial banks in Poland and therefore the risk of the counterparty failing to realise the transaction is considered negligible.

The Group assesses the effectiveness of the relationship (including the existence of an economic relationship between the hedged item and the hedging instrument) by comparing critical parameters or analysing the sensitivity of change in the fair value of the hedging instrument and the hedged item to changes in the hedged risk factor.

2.4.12. Cash and cash equivalents

Cash and cash equivalents are cash at bank and in hand as well as short-term deposits with original maturity within three months maximum. These funds were measured at nominal value, and the bank deposits at their amount due. The book value of these assets corresponds to their fair value.

2.4.13. Short-term prepayments

Short-term prepayments are, in particular, prepaid expenses expenses incurred in relation to future reporting periods and to be settled within 12 months of the reporting date.

2.4.14. Share capital

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

2.4.15. Share premium reserve

This form of capital reserve is created from the surplus in the value of the issued shares over their nominal value less the cost of their issue.

External costs directly related to the issue of shares reduce the value of this share premium reserve. Other costs are charged to the profit and loss account at the time when incurred.

2.4.16. Non-controlling interests

The Group measures all non-controlling interests in proportion to the interest held in the acquired party's identifiable net assets, unless the articles of association provide otherwise.

2.4.17. Revaluation reserve, equity from financial asset revaluation to fair value through OCI

Revaluation reserve is created due to upward or downward re-measurement at fair values of financial instruments measured at fair value through other comprehensive income. The revaluation reserve also reflects the effect of hedge accounting.

At the time of derecognition of a financial asset, cumulative net gains or losses recognised in the revaluation reserve are moved to profit or loss of the period.

2.4.18. Deferred tax provision

Deferred tax liability is recognised in the amount that will increase the future income tax liability due to the existence of positive temporary differences between the carrying amount of assets and liabilities and their tax value.

The valuation of deferred income tax provision takes into account the income tax rate that, to the best of the Group's knowledge, will apply in the year in which the provision is realised.

2.4.19. Provisions for employee benefits

Liabilities and provisions for employee benefits recognised in the statement of financial position include the following:

- short-term items for employee salaries (including bonuses) and social security contributions,
- provision for outstanding leaves, and
- other long-term employee benefits, which include retirement pensions.

The value of liabilities for short-term employee benefits is determined without discount and shown in the statement of financial position in the amount of the required payment.

The Group creates a provision for the accumulated cost of payable absences which it will have to incur due to outstanding employee leaves as accrued by the balance sheet date. The provision for unused leaves is a short-term provision, and it is not subject to discount.

According to the labour law, the employees of the Group are entitled to pension benefits payable once only at the time when retiring. The amount of the provision for retirement pensions is estimated once a year by a third-party actuarial agent.

2.4.20. Other provisions for liabilites

Other provisions are recognised when the Group has an obligation resulting from past events and when it is certain or highly probable that the discharge of such obligation will cause outflow of funds (representing economic benefits) and the amount of such obligation can be reliably estimated. In particular, the Group creates a provision for overpayments of customers resulting from repayments made by them on account of their debts, in the amount corresponding to the estimated return of such overpayments. The provisions created are included in other operating expenses – finance expenses depending on the circumstances to which the future liability relates.

2.4.21. Financial liabilities

A financial liability is recognised in the statement of financial position when the Group becomes a party to a contract for such instrument. Standardized transactions in the purchase and sale of financial assets and liabilities are recognised as at the date of the transaction.

The Group derecognises a financial liability once it is extinguished - namely the obligation specified in a contract has been fulfilled, cancelled or expired.

As at the acquisition date, the Group measures financial liabilities at fair value, i.e. usually based on the amount received. Transaction costs are included by the Group in the initial value of the measurement 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 shown in the following items of the statement of financial position:

- borrowings and other debt instruments,
- lease liabilities,
- trade and other payables

After initial recognition, financial liabilities are measured at amortised 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.

Liabilities under bond issues, borrowings and leases are measured at initial recognition at fair value less transaction costs, and are then measured at amortised cost using the effective interest rate method (at the adjusted purchase price) and divided according to the cash flow time into short- and long-term parts.

The Group classifies derivative instruments other than hedging instruments as financial liabilities measured at fair value through profit or loss.

Short-term trade payables are measured at the value of the required payment due to insignificant discount effects. Gains and losses from the valuation of financial liabilities are recognised in the financial result in line *Finance income or finance expenses*.

2.4.22. Other accruals

Accrued expenses are recognised as of the reporting date (if needed) in the amount of probable liabilities in the current reporting period.

2.4.23. Revenue

The net revenue consists of:

- interest income on debt portfolios calculated using the effective interest rate method
- income from the revaluation of debt portfolios,
- income from the debt portfolio management that is the consideration paid under investment portfolio management contracts, recognised according to the accrual method,
- other non-financial revenues, including revenues from the provision of other services,
- public subsidies,
- result on disposal of tangible assets (PP&E), presented as net amount.

Other net revenues also include closely related costs and are presented in line *Other income/expenses*.

2.4.24. Operating expenses

The cost of operating activities are recorded by nature of expense. The operating expenses include:

- depreciation/amortisation,
- consumed supplies and energy,
- third-party services,
- court and enforcement fees,
- taxes and public charges,
- payroll,
- social security and other employee benefits,
- other prime costs.

2.4.25. Finance income

Finance income consists of:

- interest income calculated using the effective interest rate on loans and receivables, debt financial instruments,
- dividends,
- positive exchange differences (net),
- positive change in the measurement of debt financial assets measured at fair value through profit or loss,
- positive result from the sale of shares, bonds and other securities (bills of exchange and cheques),
- income related to hedge accounting, granted or received guarantee, suretyship, collateral instruments, and other contracts of a similar nature.

2.4.26. Finance expenses

Finance expenses consist of the following items:

- interest costs calculated using the effective interest rate on borrowings, financial lease liabilities, debt securities,
- negative exchange differences (net),
- negative change in the measurement of debt financial assets measured at fair value through profit or loss,
- negative result from the sale of shares, bonds and other securities (bills of exchange and cheques),
- costs of preparing a bond programme prospectus,
- costs related to the award of a line-of-credit, overdraft and other financial instruments with undefined repayment schedule, which have not been settled using the effective interest rate,
- costs income related to hedge accounting, granted or received guarantee, suretyship, collateral instruments, and other contracts of a similar nature.

2.4.27. Income tax

The tax burden on the financial result includes current and deferred income tax which has not been recognised in other comprehensive income or directly in equity.

The current tax charge is calculated based the taxable result ('tax base') of the given financial year. The taxable profit (loss) differs from the accounting profit (loss) before taxation due to the temporary shift of taxable revenues and expenses constituting deductible expenses to other periods and the exclusion of expenses and revenues that will never be subject to taxation. Tax charges are calculated based on tax rates applicable in a given year.

The deferred tax was calculated using the balance sheet method as tax to be refunded or paid in the future, based on the differences between the balance sheet values and the taxable assets and liabilities.

2.4.28. Statement of Cash Flows

The Group prepares a cash flow statement using the indirect method. Operating activities disclose cash flows related to the Group's acquired debt portfolios.

2.5. Standards applied for the first time in the statements

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 not enter into force until after the balance sheet date. During the period under review, the Group did not take advantage of the possibility of early application of standards and interpretations that have been approved by the EU, but have entered or will enter into force only after the balance sheet date.

The following amendments to existing standards, interpretations issued by the International Accounting Standards Board (IASB) and endorsed for use in the EU become effective for the first time in the Group's financial statements in 2023/24:

- 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 IFRS Practice Statement 2 'Disclosure of Accounting Policies' (applicable to annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Error Correction' - definition of estimates (applicable to annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 "Income Taxes" - deferred tax on an asset and liability recognised as a result of a single transaction (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 'Insurance Contracts' - deferred application and exclusion of certain products (applicable to annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 'Income Taxes' - international tax reform (applicable to annual periods beginning on or after 1 January 2023);

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.

(PLN '000)

2.6. New standards and amendments to existing standards already adopted by IASB and approved by EU but pending implementation

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

- Amendments to IAS 1 'Presentation of Financial Statements' - classification of liabilities as current and non-current, and Non-current liabilities with covenants (applicable to annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 "Leases" - lease liability in sale-leaseback transactions, issued on 22 September 2022 (applicable to annual periods beginning on or after 1 January 2024).

The Group has decided not to take advantage of the optional early application of these new standards and amendments to the existing standards. As estimated by the Group, the above standards, changes to the existing standards and interpretations would not have any significant impact on the financial statements if applied by the Group as at 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 7 "Statement of Cash Flows" and IFRS 7 (Amendment) "Financial Instruments: Disclosures" - Additional disclosure requirements (effective for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' – non-exchangeability (applicable to annual periods beginning on or after 1 January 2025).

2.8. Changes in significant accounting policies, data presentation and error adjustments

The same accounting policies have been applied in the preparation of these consolidated financial statements as in the most recent annual consolidated financial statements which were prepared as at and for the reporting year ending 31 March 2023.

In the preparation of these consolidated financial statements, no correction of prior-period errors have been applied.

In the course of the preparation of these consolidated financial statements, the following presentation changes have been made in order to better reflect the economic essence and improve the usefulness of the presented data:

a) In the profit and loss account, the costs of court and enforcement fees were distinguished among other operating costs,
b) The carrying amount of debt portfolios has been divided into short- and long-term parts (current and non-current assets).

As KI RUS has been classified as 'discontinued operations', the comparative data for the FY ended on 31 March 2023 were restated: the financial result and consolidation adjustments concerning the Russian entity have been included in the result for discontinued operations.

The data presented in the published financial statements for the year ended 31 March 2023 have been made comparable. The following is the impact of the above described transformations on the consolidated profit and loss account for the year ended 31 March 2023 and the consolidated statement of financial position as at 31 March 2023:

	01/04/2022-31/03/2023 original figures	alienation of discontinued operations	change in presentation a)	01/04/2022-31/03/2023 restated figures
Net revenue				
Interest income on debt portfolios calculated using the effective interest rate method	121,224	(758)		120,466
Debt portfolios revaluation	93,619	(22,379)		71,240

(PLN '000)

	01/04/2022-31/03/2023 original figures	alienation of discontinued operations	change in presentation a)	01/04/2022-31/03/2023 restated figures
Other income/expenses	3,899			3,899
Total net income	**218,742**	**(23,137)**		**195,605**
Salary and employee benefit costs	(54,406)	5,700		(48,706)
Depreciation/amortisation	(7,642)	187		(7,455)
Third-party services	(44,274)	4,525		(39,749)
Court and enforcement fees		32	(39,879)	(39,847)
Other operating expenses	(53,836)	6,046	39,879	(7,911)
Total operating expense	**(160,158)**	**16,490**		**(143,668)**
Profit (loss) on operating activities	**58,584**	**(6,647)**		**51,937**
Finance income, including	8,658	(414)		8,244
interest on instruments measured at amortised cost	2,169	(414)		1,755
Finance expense, including	(41,435)	94		(41,341)
interest on instruments measured at amortised cost	(36,253)			(36,253)
Earnings before taxation	**25,807**	**(6,967)**		**18,840**
Income tax	(2,572)	3,093		521
Net profit (loss) from continuing operations	**23,235**	**(3,874)**		**19,361**
Net profit (loss) from discontinued operations	**-**	**3,874**		**3,874**
Net profit (loss)	**23,235**	**-**		**23,235**
				-
Net profit attributable to:				**-**
Shareholders of the parent company	22,512	**-**		22,512
Non-controlling interests	723	**-**		723

Assets	31/03/2023 original figures	change in presentation b)	31/03/2023 restated figures
Goodwill	7,022	-	7,022
Intangible assets	7,434	-	7,434
Tangible assets (PP&E)	17,319	-	17,319
Investment properties	11,449	-	11,449
Purchased debtor claims	0	392,787	392,787
Long-term receivables	464	-	464
Derivative financial instruments	0	-	0
Long-term financial assets measured at amortised cost	0	-	0
Deferred income tax assets	676	-	676
Non-current assets	44,364	392,787	437,151
Trade and other receivables	9,400	-	9,400
Current income tax receivables	185	-	185

(PLN '000)

Assets	31/03/2023 original figures	change in presentation b)	31/03/2023 restated figures
Purchased debtor claims	593,908	(392,787)	201,121
Loans	0	-	0
Other short-term financial assets	1,118	-	1,118
Short-term prepayments	1,800	-	1,800
Cash and cash equivalents	45,640	-	45,640
Current assets	652,051	(392,787)	259,264
Total assets	696,415	-	696,415

(PLN '000)

3. Operating segments

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

01/04/2023-31/03/2024	Poland	Romania	Russia*	Bulgaria	Other	Total	Reconciliation of management data to reporting data (concerns the Russian segment)**	Total for continuing operations
Net revenue	173,694	47,136	14 926	37,112	187	273,055	(80)	258,209
Total operating expenses, including:	(125,338)	(34,082)	(5,893)	(9,633)	(7,442)	(182,388)	(11)	(176,484)
- depreciation/amortisation	(7,319)	(284)	(3)	(470)	(588)	(8,664)	(202)	(8,459)
Segment operating result	**48,356**	**13,054**	**9,033**	**27,479**	**(7,255)**	**90,667**	**(91)**	**81,725**
Finance income								3,083
Finance expenses								(53,661)
Earnings before taxation								**31,147**
Income tax								(5,174)
Net profit (loss) from continuing operations								**25,973**

(*) The Russian segment was classified as 'discontinued operations' in FY 2023/24, cf. note 23.
(**) The reconciliation of management data to reporting data makes comparable the Russian segment data, presented as management figures (in which the periodic exchange rates are used to convert the figures for individual months of the financial year), to the reporting figures presenting the discontinued operations in these consolidated financial statements (in which the resulting data for the entire year are translated at the average rate).

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

01/04/2022-31/03/2023 restated	Poland	Romania	Russia*	Bulgaria	Other	Total	Reconciliation of management data to reporting data (concerns the Russian segment)**	Total for continuing operations
Net revenue	149,002	34,419	23,128	15,112	(2,919)	218,742	9	195,605
Total operating expenses, including:	(110,097)	(21,290)	(15,362)	(9,311)	(4,098)	(160,158)	(1,128)	(143,668)
- depreciation/amortisation	(6,323)	(165)	(5)	(509)	(640)	(7,642)	(182)	(7,455)
Segment operating result	**38,905**	**13,129**	**7,766**	**5,801**	**(7,017)**	**58,584**	**(1,119)**	**51,937**
Finance income								8,244
Finance expenses								(41,341)
Earnings before taxation								**18,840**
Income tax								521
Net profit (loss) from continuing operations								**19,361**

(*) The Russian segment was classified as 'discontinued operations' in FY 2023/24, cf. note 23.
(**) The reconciliation of management data to reporting data makes comparable the Russian segment data, presented as management figures (in which the periodic exchange rates are used to convert the figures for individual months of the financial year), to the reporting figures presenting the discontinued operations in these consolidated financial statements (in which the resulting data for the entire year are translated at the average rate).

(PLN '000)

	Poland	Romania	Russia**	Bulgaria	Other	Total
As at 31.03.2024						
Segment assets*	550,280	117,034	-	45,832	155,706	868,852
As at 31.03.2023						
Segment assets*	464,518	96,916	421	31,798	102,762	696,415

(*) The segment assets in segments that are not 'Other' segment reflect only the debt portfolios
(*) The Russian segment was classified as 'discontinued operations' in FY 2023/24 – in the above table, the book value of the Russian debt portfolios as at 31.03.2024 (PLN 209 thousand) was presented in 'Other', cf. note 23.

Debtor recoveries presented as management data by geographic area are shown below (including discontinued operations).

Repayments from debtors by geographic area	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Poland	253,386	219,014
Romania	55 165	48,299
Russia	13 164	27,916
Bulgaria	22 977	21,970
Croatia	287	304
Total	**344,979**	**317,503**

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

4. Net revenue

4.1. Debt portfolios revaluation

Debt portfolios revaluation	01/04/2023-31/03/2024	01/04/2022-31/03/2023 restated
Review of the forecast	41,855	(3 998)
Deviations in actual recoveries vs. forecast	58 697	73,558
Extension of expected recovery times	1 102	1,188
Change in exchange rates	(3,336)	492
Total	**98,318**	**71,240**

Debt portfolios revaluation includes the following components:

(1) Review of the recovery forecast:
  (a) updated the future recovery curves, taking into account historical recoveries and recovery plans derived from statistical models;
  (b) for security-backed portfolios - postponed and/or changed the value of forecast proceeds from such secured claims;
(2) Deviation in actual repayments versus forecast - the difference in the reporting period between the actual repayments from debtors and the projected recovery curves which were the basis for the valuation of debt portfolios using the discounted cash flows method;
(3) Extension of recovery times - the postponement of recovery into the next forecast period in order to keep the standard 15-years horizon of recovery estimation;
(4) Changes in exchange rates - the impact of changes in exchange rates on debt portfolios denominated in foreign currencies.

(PLN '000)

The noticeable decrease in the value of deviation between actual and forecast debtor repayments in FY 2023/24 (-20% y/y) resulted from the continued improvement of valuation models and the adaptation of their parameters to observable historical data, and, as far as reasonable, to trends and developments in the macroeconomic environment. The above results in the increasing precision of the portfolio valuation models (in Q4 2023/2024, actual-to-forecast data on deviations in debt repayments was only 9% of total recoveries) and was reflected in the positive results of the forecast review (PLN 41.9 million in 2023/2024 vs. PLN -4 million in 2022/2023)[1].

Regardless of the above, the following unusual macroeconomic factors had a significant impact on the effectiveness and accuracy of valuation models in the reporting periods:

(1) The military conflict in Ukraine – the outbreak of the war in Ukraine caused particular uncertainty regarding its impact on the macroeconomic situation in the countries of Central and Eastern Europe, mainly in Poland. In addition, the possible impact of hostilities on debt portfolios held by the Group in Russia was unknown (for example, at the time of creating forecasts for valuation on 31 March 2022, the Russian legislator introduced a temporary suspension of payments by court enforcement officers which are the basic stream of recoveries for the Capital Group based in Russia). These circumstances naturally translated into above-normal precaution and a more conservative level of valuations performed by the Group in the analysed periods;

(2) The high unpredictability of the macroeconomic environment (inflation, political changes) in the countries where the Group operates (e.g. record PIT returns in early 2023 in Poland which at the same time translated into high debt recoveries).

4.2. Other income/expenses

Other income/expenses	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Income from debt portfolio management*	3,059	2,827
Net income from property sales and acquisitions	135	(1 575)
Other income	294	2 624
Costs of (creation)/reversal of provision for customer overpayments	18	23
Total	**3,506**	**3,899**

(*) In the current financial year, certain third-party debt management contracts were terminated in Poland – these contracts accounted for approximately PLN 900 thousand of the Group's revenue in the year ended 31 March 2024.

5. Operating expenses

Costs by nature of expense	01/04/2023-31/03/2024	01/04/2022-31/03/2023 restated
Payroll, social security and other employee benefits	58,968	48,706
Third-party services	49,401	39,749
Court and enforcement fees	43,478	39,847
Depreciation/amortisation	8,459	7,455
Taxes and public charges*	9,200	1,744
Consumed supplies and energy	2,219	2,126
Other prime costs	4,759	4,041
Total	**176,484**	**143,668**

(*) in the current reporting period, based on a tax opinion the withholding tax cost in the Romanian subsidiary was recognised as PLN 6,924 thousand.

[1] *Despite the significant negative impact on the forecast review in 2023/2024 from the revaluation of the secured part of the debt portfolios – cf. note 11.*

(PLN '000)

Employment costs rose by 21% year on year, mainly caused by a significant increase in minimum wages in Poland as well as the high inflation stress in Poland, Romania and Bulgaria, which translated into increased wages in the Group. Because of the expanding scale of our business and the significant y/y expansion of acquired debt portfolios, the number of staff has slightly increased as new resources were necessary to ensure the implementation and day-to-day operating management of acquired debts. (the total increase in the Group headcount was around 5% year on year, with the staff responsible for debt collection activities, the so-called 'front office', expanding mainly in Romania). The established provision for payment of compensation to a former employee in the Romanian subsidiary also had a significant impact on employment costs (cf. note 22).

The increase in third-party services by 24% year on year was caused, among others, by the costs of advisory services related mainly to the support of the strategic options review process, the preparation of the audit report by a special auditor in the Company, tax and legal advisory services, as well as external advisory services on the Romanian market. These events were largely one-off only. In addition to the above factors, the increased expenses for third-party services year on year was mainly impacted by the cost directly associated with the purchase and collection of debt portfolios (e.g. mailing costs, IT expenses, debtor database compilation). This y/y increase in this type of costs was around PLN 5.5 million and should translate into a related increase in debt portfolio recoveries in the subsequent accounting periods.

The higher expenses for court and enforcement fees rose year on year by 9% and resulted from the major expansion of the debt portfolio pool, especially debt portfolios in the first service stage that require significant court and enforcement costs for operational reasons – these expenses should also result in increased recoveries in the subsequent periods.

In the current financial year, a considerable increase in taxes and public charges was due to the establishment of the withholding tax provision in the Romanian subsidiary, as further described in Note 13 to these financial statements.

6. Finance income and expense

Finance income	**01/04/2023-31/03/2024**	**01/04/2022-31/03/2023 restated**
Interest income on financial assets measured at amortised cost	2 805	1 755
Interest income on derivative financial instruments	278	6 479
Positive exchange differences	-	-
Other finance income	-	10
Total	**3,083**	**8,244**

Finance expenses	**01/04/2023-31/03/2024**	**01/04/2022-31/03/2023 restated**
Interest cost of financial liabilities	45,514	36,253
Other interest, including	1 176	1 176
on lease liabilities	1 094	965
Interest cost of derivative hedging instruments	-	-
Ineffective part of financial risk hedging	-	3 234
Other finance expenses	324	95
Negative exchange differences	6 647	583
Total	**53,661**	**41,341**

(PLN ‘000)

7. Income tax

	01/04/2023-31/03/2024	01/04/2022-31/03/2023 restated
Attributed to the current year	(4,306)	(4 833)
Attributed to previous years	-	(746)
Current income tax	**(4,306)**	**(5 579)**
Attributed to the current year	(868)	6,100
Deferred tax transferred from equity to profit or loss	-	-
Deferred income tax	**(868)**	**6,100**
Total taxable expense recognised in the current year	**(5,174)**	**521**

Tax rates applied by Group companies	01/04/2023-31/03/2024	01/04/2022-31/03/2023
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., Finsano S.A., KI Solver sp. z o.o. and KI Towarzystwo Funduszy Inwestycyjnych 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.

	01/04/2023-31/03/2024	01/04/2022-31/03/2023 restated
Earnings before taxation	**31,147**	**18,840**
19% income tax expense	(5,918)	(3,580)
Difference between the applicable tax rates and the 19% rate	2 936	1 603
Non-taxable income	1,161	3,411
Taxable income that is not accounting income	(1)	(2,824)
Non-deductible expenses	(4 543)	(5,608)
Tax loss/credit activated (written off)	(870)	4 027
Tax effect of changed tax rate	-	(147)
Adjustments for past periods – deferred tax	-	1 093
Adjustments for past periods – current tax	-	(746)
Tax expenses that are not accounting expenses	5	400
Other items affecting the tax charge	532	(176)
Non-taxable result of investment funds and KI LUX*	1 524	3 068
Income tax cost recognised in current period result	**(5,174)**	**521**
Effective tax rate	**17%**	**(3%)**

(*) In order to increase data legibility, the Group made a presentation change that involved alienation of revenue and cost (from ‘Non-taxable income’ and ‘Non-deductible expenses’) reported by income tax-exempt investment funds and by Kredyt Inkaso Portfolio Investments (Luxembourg) S.A. (which is a securitization entity benefiting from a special tax regime in Luxembourg), and then showing their sum in a single line called ‘Non-taxable result of investment funds and KI LUX’.

(PLN ‘000)

The payment of income from investment funds to Kredyt Inkaso Portfolio Investments (Luxembourg) S.A. should not in the future give rise to income tax in Luxembourg due to the deductible tax losses from previous years (the tax result in the Luxembourg company is calculated according to LUX GAAP) or, as the second option, due to the special tax regime applicable to securitization entities in Luxembourg. Only the payment of dividends by Kredyt Inkaso Portfolio Investments (Luxembourg) S.A. would be subject to income tax in Poland at the basic rate. The Group has control over the realisation of temporary differences on investments in subsidiaries, so when assessing the need to establish a deferred tax liability in this regard, it takes into account the likelihood of realisation of these temporary differences in the foreseeable future (based on financial plans prepared for a period of 3 years). Related disclosures are presented in Note 13.

8. Intangible assets and tangible assets (PP&E)

8.1. Goodwill

	31/03/2024	31/03/2023
Kancelaria Prawnicza Forum radca prawny Krzysztof Piluś i spółka Sp. k.*	3,588	5,662
KI Solver sp. z o.o.	1,298	1,298
Kredyt Inkaso Portfolio Investments (Luxembourg) S.A.	62	62
Total	**4,948**	**7,022**

(*) in the earlier financial statements it presented as ‘goodwill’ of Finsano S.A.

As at the balance sheet date, the Group carried out impairment tests on goodwill and did not recognise the indicators of impairment, except for the goodwill attributed to law firm Kancelaria Prawnicza Forum radca prawny Krzysztof Piluś i spółka Sp. k. The tests cover the carrying amount of the cash-generating unit and, in the event of impairment it is recognised first in relation to goodwill and is not reversible. It was assumed that the cash-generating unit for the above investments is the enterprise as a whole as it is impossible to separate smaller integral parts that could operate while independently generating cash proceeds.

8.1.1. Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp. k.

Goodwill was created through the 2010 acquisition by Kancelaria Forum S.A. (a subsidiary) of shares in Kancelaria Prawnicza Forum radca prawny Krzysztof Piluś i spółka Sp. k. based in Warsaw, and then the 2020 merger of Kancelaria Forum S.A. with Finsano S.A., KI Nieruchomości Sp. z o.o., and Finsano Consumer Finance S.A., with Finsano S.A. being the acquiring company. The cash generating unit in the impairment test is Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka sp. k., and goodwill assigned to Finsano S.A. was PLN 5,662 thousand as at the previous balance sheet date.

As at the balance sheet date, impairment tests of goodwill were carried out under the following assumptions:

- change in the business model through change of the rules for financial settlements with Group subsidiaries
- detailed cash flow projections for the next 5 years
- revenues and expenses increase proportionally by 5% per annum during the period of detailed forecast
- 0% growth rate to extrapolate cash flow projections beyond the next 5 years
- capital expenditures and depreciation balance out
- 9% income tax rate
- 11.41 discount rate

The recoverable amount was set at PLN 6,922 thousand, which, compared to the net assets and goodwill of the cash flow generating centre, showed an impairment of the cash flow generating centre. Therefore, goodwill impairment was created in the amount of PLN 2,073 thousand.

The below table presents a change sensitivity analysis of the recoverable value:

Impact on recoverable value	Change	31/03/2024
change in discount rate	+1 p.p.	(219)

(PLN '000)

Impact on recoverable value	Change	31/03/2024
change in discount rate	-1 p.p.	261
change in long-term growth rate (over 5 years)	+1 p.p.	291
change in long-term growth rate (over 5 years)	-1 p.p.	(244)

8.1.2. KI Solver sp. z o.o.

On 31 May 2021, Finsano S.A. purchased 100% of shares in Advisers Sp. z o.o. (currently KI Solver Sp. z o.o.) and thus obtained control over net assets with a fair value of PLN 981 thousand, equal to the book value at the date of acquisition. The fair value of the consideration paid was PLN 3,030 thousand, generating goodwill attributed to the company in the amount of PLN 2,049 thousand.
According to IFRS, the main factor contributing to the goodwill that was attributed to KI Solver sp. z o.o. is an asset that cannot be identified or separately recognised. In the case of KI Solver sp. z o.o., the attributed goodwill is an official permit to manage debt receivables of a receivables management fund that does not meet the conditions for recognition as a balance sheet asset.
On 31 March 2023, the Group requested an independent valuer to measure the value of KI Solver in order to assess whether the goodwill attributed to it has become impaired. The measurement using the adjusted net assets method as at 31 March 2024 showed the adjusted net assets of this company as PLN 2,238 thousand, and hence upon comparison to the net assets and the attributed goodwill in the total amount of PLN 2,115 thousand it did not necessitate increasing the goodwill impairment loss as at the balance sheet date.

(PLN '000)

8.2. Intangible assets

	Patents and licences	Computer software	Cost of development work	Other intangible assets	Work-in-progress items	Total
As at 31.03.2024						
Gross carrying amount	17,167	3,307	6,265	322	1 308	28,369
Accumulated amortisation and impairment losses	(14,964)	(3,307)	(3,615)	(322)	-	(22,208)
Net carrying amount	**2,203**	**-**	**2,650**	**-**	**1 308**	**6,161**
As at 31.03.2023						
Gross carrying amount	16,128	3,307	5,269	322	373	25,399
Accumulated amortisation and impairment losses	(12,036)	(3,221)	(2,386)	(322)	-	(17,965)
Net carrying amount	**4,092**	**86**	**2,883**	**-**	**373**	**7,434**

Changes in intangible assets by type

	Patents and licences	Computer software	Cost of development work	Other intangible assets	Work-in-progress items	Total
As at 01.04.2023	**4,092**	**86**	**2,883**	**-**	**373**	**7,434**
Increases (acquisition, production, leases)	1,072	-	995	-	935	3,002
Amortisation (-)	(2,937)	(86)	(1,228)	-	-	(4,251)
Other changes	(24)	-	-	-	-	(24)
As at 31.03.2024	**2,203**	**-**	**2,650**	**-**	**1 308**	**6,161**

(PLN '000)

	Patents and licences	Computer software	Cost of development work	Other intangible assets	Work-in-progress items	Total
As at 01.04.2022	**5,680**	**200**	**2,407**	**-**	**500**	**8,787**
Increases (acquisition, production, leases)	1,081	-	1 309	-	-	2,390
Reductions (divestment, liquidation) (-)	-	-	-	-	(127)	(127)
Amortisation (-)	(2,669)	(114)	(833)	-	-	(3,616)
As at 31.03.2023	**4,092**	**86**	**2,883**	**-**	**373**	**7,434**

8.3. Tangible assets (PP&E)

	Buildings and structures	Plant and machinery	Vehicles	Other PP&E assets	Work-in-progress items	Total
As at 31.03.2024						
Gross carrying amount	15,346	11 025	2 287	2 450	40	31,148
Accumulated amortisation and impairment losses	(5,410)	(8,486)	(863)	(1,762)	-	(16,521)
Net carrying amount	**9,936**	**2 539**	**1 424**	**688**	**40**	**14,627**
As at 31.03.2023						
Gross carrying amount	17,579	10,185	1,964	1,903	186	31,817
Accumulated amortisation 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**

(PLN '000)

Including right of use assets.

	Buildings and structures	Plant and machinery	Vehicles	Other PP&E assets	Work-in-progress items	Total
As at 31.03.2024						
Gross carrying amount	13,796	-	2,180	-	-	15,976
Accumulated amortisation and impairment losses	(3,944)	-	(756)	-	-	(4,700)
Net carrying amount	**9,852**	**-**	**1,424**	**-**	**-**	**11,276**
As at 31.03.2023						
Gross carrying amount	14,941	-	1 776	-	-	16,717
Accumulated amortisation and impairment losses	(2,211)	-	(366)	-	-	(2,577)
Net carrying amount	**12,730**	**-**	**1 410**	**-**	**-**	**14,140**

Changes in tangible assets (PP&E) by type

	Buildings and structures	Plant and machinery	Vehicles	Other PP&E assets	Work-in-progress items	Total
As at 01.04.2023	**12,830**	**2,574**	**1,476**	**253**	**186**	**17,319**
Increases (acquisition, production, leases)	647	906	552	632	(146)	2,591
Reductions (divestment, liquidation) (-)	(6)	-	(88)	(6)	-	(100)
Amortisation (-)	(2,802)	(935)	(485)	(191)	-	(4,413)
Other changes*	(733)	(6)	(31)	-	-	(770)
As at 31.03.2024	**9,936**	**2,539**	**1,424**	**688**	**40**	**14,627**

(*) Other changes include, in particular, the reclassification of KI RUS fixed assets to discontinued operations

(PLN '000)

Including right of use assets.

	Buildings and structures	Plant and machinery	Vehicles	Other PP&E assets	Work-in-progress items	Total
As at 01.04.2023	**12,730**	**-**	**1,410**	**-**	**-**	**14,140**
Increase	647	-	552	-	-	1,199
Decrease (-)	-	-	(50)	-	-	(50)
Amortisation (-)	(2,776)	-	(485)	-	-	(3,261)
Other changes*	(749)	-	(3)	-	-	(752)
As at 31.03.2024	**9,852**	**-**	**1,424**	**-**	**-**	**11,276**

(*) Other changes include, in particular, the reclassification of KI RUS fixed assets to discontinued operations

Changes in tangible assets (PP&E) by type

	Buildings and structures	Plant and machinery	Vehicles	Other PP&E assets	Work-in-progress items	Total
As at 01.04.2022	**10,604**	**2 565**	**811**	**146**	**183**	**14,309**
Increases (acquisition, production, leases)	8,485	920	1 331	210	3	10,949
Reductions (divestment, liquidation) (-)	(3,709)	(4)	(196)	(4)	-	(3,913)
Amortisation (-)	(2,550)	(907)	(470)	(99)	-	(4,026)
As at 31.03.2023	**12,830**	**2,574**	**1 476**	**253**	**186**	**17,319**

Including right of use assets.

	Buildings and structures	Plant and machinery	Vehicles	Other PP&E assets	Work-in-progress items	Total
As at 01.04.2022	**7,591**	**-**	**620**	**-**	**-**	**8,211**
Increase	8,485	-	1,331	-	-	9,816
Decrease (-)	(792)	-	(71)	-	-	(863)
Amortisation (-)	(2,554)	-	(470)	-	-	(3,024)
As at 31.03.2023	**12,730**	**-**	**1,410**	**-**	**-**	**14,140**

(PLN '000)

9. Investment properties

	31/03/2024	31/03/2023
As at 01.04.2023	**11,449**	**13,029**
Increase due to purchase of properties*	933	176
Decrease due to sale of properties	(1,482)	(3,280)
Revaluation	(701)	(1 392)
Other changes	-	2,916
As at 31.03.2024	**10,199**	**11,449**

(*) Property taken over in court enforcement proceedings

All investment properties of the Group are its ownership title.

In the period covered by the financial statements, the Group did not move the value of investment properties between the respective measurement levels.

	Level 3	Fair value
Investment properties as at 31.03.2024	10,199	10,199
Investment properties as at 31.03.2023	11,449	11,449

10. Other financial assets

In *Other financial assets*, the Group presents the following investments:

	31/03/2024		31/03/2023	
	Short-term assets	Long-term assets	Short-term assets	Long-term assets
Debt instruments	-	-	801	-
Financial assets at fair value through profit or loss	-	-	317	-
Total	**-**	**-**	**1 118**	**-**

In the current reporting period, Fortunato S.A. bonds (face value PLN 800 thousand) were redeemed in full, the investment in AIF Management Services S.A. was revaluated leading to a write-down (approx. PLN 230 thousand), and the value of Agio Plus 2 NFIZW investment certificates was written off (approx. PLN 85 thousand). On 8 March 2024, the call option concerning 55,000 series B shares in AIF Management Services S.A. was exercised by an external investor for the amount of EUR 55,000 (approx. PLN 236 thousand), which allowed the reversal of the impairment previously created for this investment in September 2023.

11. Purchased debt portfolios

(PLN '000)

Types of debt portfolios	31/03/2024	31/03/2023
Retail	344,487	282,024
Telecom	264,185	193,842
Consumer loans	89,792	78,610
Mortgage loans	1,301	24,110
Corporate facilities	2,089	14,987
Insurance claims	210	318
Other	11 300*	17
Total	**713,364**	**593,908**

(*) in order to better reflect the non-uniform nature of one portfolio that has been reported in the previous reporting period in 'Retail' (carrying value PLN 8.3 million as at 31.03.2023), it was presented in 'Other' also in the current period.

The noticeable decrease in the value of mortgage and corporate portfolios year-on-year has been partly caused by the utilisation of underlying collateral instruments, with majority (about PLN 30 million in FY 2023/2024 and about PLN 18 million in Q4 2023/2024) resulting from the revaluation of the secured part of debt portfolios inspired by certain difficulties that had been observed in recent periods in the utilisation of collateral instruments.

Change in debt portfolios*	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Opening balance	**593,908**	**575,287**
Purchased debt portfolios	205,793	119,906
Sold debt portfolios	-	-
Revaluation	111,190	93,619
Effect of currency differences recognised in other comprehensive income	(8,788)	1,375
Repayments from debtors	(344,979)	(317,503)
Interest income on debt portfolios	156,449	121,224
Reclassified to discontinued operations	(209)	-
Closing balance	**713,364**	**593,908**

(*) The table presents the change in debt portfolios, taking into account activities classified as held for sale

In order to better understand the impact of the alienation of discontinued operations on the balance sheet change in debt portfolios, the following table presents the movements on debt portfolios assigned to discontinued operations only:

Change in debt portfolios related to discontinued operations	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Opening balance	**421**	**3,641**
Purchased debt portfolios	-	-
Sold debt portfolios	-	-
Revaluation	12,872	22,379
Effect of currency differences recognised in other comprehensive income	(83)	1,373
Repayments from debtors	(13,066)	(27,730)
Interest income on debt portfolios	65	758
Closing balance	**209**	**421**

(PLN '000)

Nominal value of estimated remaining collections (ERC) by discount rate ranges:	31/03/2024	31/03/2023
below 25%	713,862	590,597
25% - 50%	627,460	503,455
above 50%	174,819	135,778
Total	**1,516,141**	**1,229,830**

12. Receivables and loans granted

	31/03/2024	31/03/2023
Non-current assets		
Receivables	241	464
Current assets		
Trade and other receivables	9,436	9,400
Loans	-	-

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

- PLN 546 thousand allowance for receivables sought in court by the Group, PLN 596 thousand at the end of the comparative period,
- PLN 332 thousand allowance for other receivables, PLN 288 thousand at the end of the comparative period.
- PLN 0 allowance for reimbursement of court costs related to court enforcement of debt claims (this allowance is currently reported in 'Assets held for sale'(, PLN 1,341 thousand at the end of the comparative period,

13. Deferred income tax assets and liabilities

Deferred tax assets and provisions are presented by their respective balances.

Deferred income tax	31/03/2024	31/03/2023
Balance at beginning of year before offsetting:		
Deferred income tax assets	10,295	3,131
Deferred tax provision	(11,333)	(10,545)
Change during the period affecting:		
Profit and loss account (+/-)	(868)	6 100*
Other comprehensive income (+/-)	(86)	343
Alienation of discontinued operations	**(229)**	**-**
Deferred tax at the end of the period before offsetting:		
Deferred income tax assets	10,060	10,295

(PLN '000)

Deferred income tax	31/03/2024	31/03/2023
Deferred tax provision	(12,281)	(11,333)

(*) excluding discontinued operations in the amount of PLN 67 thousand

	31/03/2023	Change in profit and loss account	Change in other comprehensive income	Alienation of discontinued operations	31/03/2024
Deferred income tax assets					
Tangible assets (PP&E) - right to use	78	13	-	-	91
Investment properties	28	(52)	-	-	(24)
Provisions for employee benefits	738	92	-	(63)	767
Other provisions for liabilities	428	152	-	(192)	388
Borrowings, other debt instruments, derivative financial instruments	116	39	(86)	-	69
Other liabilities	1 505	195	-	-	1,700
Outstanding tax losses	7 395	(983)	-	-	6,412
Other assets	7	650	-	-	657
Total	**10,295**	**106**	**(86)**	**(255)**	**10,060**
Offsetting	**(9,619)**				**(8,961)**
Total deferred tax assets reported in the statement of financial position	**676**				**1 099**
Deferred income tax provisions					
Tangible (PP&E) and intangible assets	588	119	-	-	707
Investment properties	-	(71)	-	-	(71)
Purchased debtor claims	6 891	1 782	-		8 673
Borrowings and other debt instruments	34	(8)	-	(26)	-
Receivables and loans granted, measurement of financial assets	3,813	(1,446)	-	-	2 367
Other assets	7	598	-	-	605
Total	**11,333**	**974**	**-**	**(26)**	**12,281**
Offsetting	**(9,619)**				**(8,961)**
Total deferred income tax provisions reported in the statement of financial position	**1,714**				**3 320**

The Group has control over the realisation of temporary differences on investments in subsidiaries, so when assessing the need to establish a deferred tax liability in this regard, it takes into account the likelihood of realisation 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 liability is affected by the level of assumed future cash flows from subsidiaries 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 portfolios at individual Group companies,
- planned payments from purchased debt portfolios in Group companies,

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

The Group benefits from the IAS 12 exemption and does not create a deferred tax provision for investments in subsidiaries in which it has control over the time when temporary differences become reversed, and it is likely that these differences will not be reversed in the foreseeable future[2]. The total value of temporary differences which constituted the basis of unrecognised provisions for the expected investments in subsidiaries over a period of more than 3 years, from the balance sheet date, was PLN 262,213 thousand as at 31 March 2024.

(PLN '000)

According to the Polish tax regulations in force since 1 January 2019, a tax loss for the financial year may be settled against the same source of income:

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

This rule applies to losses incurred in Polish companies after 31 March 2019.

According to the Polish tax regulations which had been effective until 1 January 2019, a tax loss for the financial year may be settled against the same source of income over 5 consecutive tax years, but not more than 50% of the loss in any year. This rule applies to tax loss incurred in Polish companies until 31 March 2019. For foreign companies of the Group, the rules for settling tax losses follow the local tax laws in a given country.

In previous years, the Group also incurred debt financing costs and expenses for intangible services that were excluded from deductible expenses pursuant to Article 15c and Article 15e of the Corporate Income Tax Act. The cost of debt financing and the cost of intangible services excluded from deductible expenses in a given tax year may be included in the tax costs in one of the following five tax years up to the limits set by the tax regulations.

The below table lists the Group's tax losses and the costs of debt financing and intangible services from which no tax loss assets have been created, as well as the periods over which the tax losses can be settled.

Date of tax loss	Settlement deadline	31/03/2024	31/03/2023
31.03.2019	31.03.2024	-	96
31.03.2020	31.03.2025	2,830	2,462
31.03.2021	31.03.2026	7,870	11,046
31.03.2022	31.03.2027	270	3,175
31.03.2023	31.03.2028	91	91
31.03.2024	31.03.2029	129	-
Unrecovered tax losses		**11,191**	**16,870**
Potential tax credit		**2,077**	**3,205**

Unrecovered tax losses by country of origin	31/03/2024	31/03/2023
Poland	10,927	16,618
Croatia	264	252
Unrecovered tax losses	**11,191**	**16,870**

Date of tax credit	Settlement deadline	31/03/2024	31/03/2023
31.03.2021	31.03.2026	364	364
31.03.2022	31.03.2027	19,302	18,527
31.03.2023	31.03.2028	2 829	-
31.03.2024	31.03.2029	-	-
Non-activated tax credits		**22,494**	**18,891**
Potential tax credit		**4,274**	**3,589**

[2] *This disclosure was based on the assumption of the Group maintaining the so-called status quo as a result of the review of strategic options (i.e. continuation of operations without changing its format or scale). If the review of strategic options resulted in a decision of the Company's bodies to, for example, sell some of the Group's assets, then temporary differences from investments in subsidiaries could be partially realised.*

Goods and service tax, corporate income tax, personal income tax, real estate tax, social insurance regulations are subject to changes and therefore there is often lack of reference to stable regulations or legal precedence. Current regulations also contain unclear provisions resulting in different legal interpretation of tax regulations between state authorities themselves as well as between state authorities and businesses.

Tax settlements and others (i.e. customs duties or foreign currency settlements) may be inspected by state agencies authorised to charge significant penalties, and additional amounts liabilities determined during an inspection must be paid with interest. These factors cause the tax risk in Poland and the Group's other operating countries to be higher than in countries with a more developed tax system. Consequently the amounts presented and disclosed in the financial statements may change in the future as a result as a final decision of the tax inspection office.

The Polish Tax Regulation contains the so-called general anti-avoidance rule (GAAR). GAAR is supposed to prevent the creation and use of artificial organisations made up specifically to avoid paying taxes in Poland. GAAR defines tax avoidance as an action taken primarily to obtain tax benefits in a specific circumstances contrary to the object and purpose of the tax law regulations. In accordance to GAAR such action would not result in tax benefits if its mode of operation is artificial. Any (i) unjustified splitting of operations, (ii) involvement of intermediaries despite the lack of economic or business rationale, (iii) presence of elements mutually offsetting or compensating, and (iv) other actions of similar effect to the above may be treated as an indication of the existence of artificial actions covered by the GAAR regulations. These regulations require much more cautious evaluation of the tax consequences of individual transactions. Similar regulations exist in the legal systems of other countries in which the Group operates.

GAAR needs to be used in the case of transactions made after it enters in force as well as the transactions already completed before the GAAR clause entered in force and which provided or still provide benefits after the clause entered in force. These regulations allow the Polish and foreign tax inspection authorities to question legal arrangements and understandings already implemented by the taxpayers such as group restructuring and reorganisation.

The Group recognises and measures current and deferred income tax assets or liabilities in accordance with IAS 12 'Income Tax' based on the tax profit (tax loss), tax base, unsettled tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainties related to tax treatment. When it is uncertain whether and to what extent the tax authority will accept individual tax settlements of transactions, the Group recognises these settlements taking into account the uncertainty assessment.

Tax settlements may be subject to inspection for a period of five years in Poland, Bulgaria and Luxembourg (possibily extended to ten years in special events), six years in Croatia, and seven years in Romania.

In connection with the Group's operations carried out not only in Poland, but also in the other countries mentioned above, the regulations of the corporate income tax act related to the taxation of income obtained through controlled foreign companies (CFC) may also apply to the Company. If a Polish taxable person holds shares in a CFC, it is subject to certain obligations to notify authorities, assess and pay tax. In the case of the Group, the Russian subsidiary (Limited Liability Company "Professional Collection Organisation" Kredyt Inkaso RUS) should be recognised as such CFC. Upon application of the Company, on 22 August 2023 an individual tax ruling was issued confirming the Company's position that the first income tax return of this CFC (the Russian company) should be submitted by 30 September 2024.

The last decade has been characterized by attempts to reform tax regulations and change the rules of taxation of international corporates. A flagship example of this trend is the BEPS Action Plan (Base Erosion and Profit Shifting) published in 2013 by OECD. Currently, many initiatives are underway at the level of OECD member states or the European Commission, which are also aimed at changing the rules of taxation at the international level. These initiatives are at different stages of development and the most important ones include the Global Minimum Tax – Pillar II (BEPS 2.0), which Member States were obliged to implement by 31 December 2023, and the draft Directive on the abuse of shell entities for tax purposes (so-called ATAD3), which could potentially take effect in Member States from 1 January 2025. The Group does not exclude that changes in the provisions of the above nature may have an impact on its tax settlements in the future.

The Group has conducted tax reviews in recent quarters in selected countries of its operations, with result available to the Group prior to the Approval Date. The tax reviews identified areas of uncertainty in the tax treatment of selected income items of its subsidiaries or in liabilities for taxes other than income tax. Having analysed the tax review report, available tax opinions of tax consulting firms, the current tax regulations and interpretation, and the market's best practices, the Group has concluded that it is likely that tax authorities would acknowledge the cases in which there has been the uncertainty as to their tax treatment (save for the events described below).

Adjustments for corporate income tax in Poland

In the Corporate Income Tax Act of 15 February 1992 (Polish Official Journal: Dz.U. 2021, item 1800, as amended – 'CIT Act'), the 'capital gain' source of income has been distinguished as at the start of 2018 and the income obtained from this source was separated from other income of taxable persons. Thus, starting in 2018, taxable persons need to report two separate sources of income, i.e.

- revenue from capital gains (Article 7b (1) of the CIT Act), and
- revenue from other sources (Article 7.1 of the CIT Act).

According to Article 7b (2) of the CIT Act, due to the specific nature of activities of certain entities, they will be exempt from the obligation to report separate 'capital gains' income - with the exception of two categories of revenue that are referred to in Article 7b.1.1(a) and (f). This exemption is dedicated to a closed catalogue of entities under Article 7b.2 of the CIT Act. The exemption referred to in that clause applies to, among others, 'financial institutions within the meaning of Article 4.1.7 of the Banking Law of 29 August 1997'.

Considering such characteristics of its activity, the Company argued (supported by appropriate opinions of professional tax advisors) that the activities performed by it allow its classification as 'financial institution; within the meaning of Article 7b.2 of the CIT Act. Therefore, the Company benefited from the statutory exception permitting it to not separate the two sources of income (save for income from dividends as well as profit allocated to share capital as the exception does not apply to them).

Consequently, in 01.04.2018-31.03.2023, the Company submitted CIT-8 tax forms allocating all revenues and expenses to the 'from other sources' income line (with the exception of dividends and profits allocated to the share capital).

As part of the these regulatory tax reviews, the Company identified the need to verify whether the exception from the obligation to separate two types of sources of revenue had been applied correctly.

The Company determined that there were doubts as to the accuracy such classification in the Company. Subsequently, it was decided to discontinue the exception that is provided in Article 7b of the CIT Act and to apply a more prudent approach (i.e. to implement the principle of separating these two sources of revenue – based on the general principles provided for in the CIT Act).

Therefore, in June 2024, the Company submitted adjusted CIT-8 tax form for tax years 1.04.2018-31.03.2019 to 1.04.2022-31.03.2023 (which did not result in tax arrears in any of tax years still before the statute of limitations) and also applied the changed approach in the CIT-8 tax form covering 1.04.2023-31.03.2024.

Settlement of withholding tax in Romania

As a result of a tax review in the Group subsidiary 'Kredyt Inkaso Investments RO S.A.', the Group identified uncertain treatment of tax settlements in this company related to withholding tax in relation to other Group entities. There are no tax or inspection proceedings pending in this case. Kredyt Inkaso Investments RO S.A. has obtained a tax opinion and, according to its recommendations, will prepare and submit withholding tax form adjustments covering the periods still before the statute of limitations (i.e. from January 2018). The additional tax liability in connection with such expected adjustments was estimated at RON 7,749 thousand (total estimated amount of tax arrears and penalty interest based on conservative approach). As at 31 March 2024, the Group created a provision for the estimated cost which, at the exchange rate of 31 March 2024, amounted to PLN 6,707 thousand.

The Group considers that, in addition to the liabilities described above and covered by the provision, it has paid all taxes, fines and penalty interest on time.

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 - inputs to 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 - inputs to the valuation of assets and liabilities, undetermined based on variables derived from active markets.

(PLN '000)

	Carrying value at 31/03/2024				Fair value at 31/03/2024			
	FVTPL	FVOCI	Amor. cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Receivables and loans granted	-	-	-	**-**	-	-		**-**
Trade and other receivables	-	-	9,677	**9,677**	-	-	9,677	**9,677**
Derivative financial instruments	461	-	-	**461**	-	461	-	**461**
Purchased debt portfolios	-	-	713,364	**713,364**	-	-	631,970	**631,970**
Financial liabilities								
Borrowings and other debt instruments	-	-	458,239	**458,239**	252,717	-	212,276	**464,993**
Lease liabilities	-	-	11,663	**11,663**	-	-	11,663	**11,663**
Trade payables	-	-	15,413	**15,413**	-	-	15,413	**15,413**

	Carrying value at 31/03/2023				Fair value at 31/03/2023			
	FVTPL	FVOCI	Amor. cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Trade and other receivables	-	-	9,864	**9,864**	-	-	9,864	**9,864**
Purchased debt portfolios	-	-	593,908	**593,908**	-	-	505,146	**505,146**
Other financial assets - debt securities	-	-	801	**801**	-	-	801	**801**
Other financial assets - shares	317	-	-	**317**	-	-	317	**317**
Financial liabilities								
Borrowings and other debt instruments	-	-	319,772	**319,772**	134,203	-	183,350	**317,553**
Lease liabilities	-	-	14,544	**14,544**	-	-	14,544	**14,544**
Trade payables	-	-	19,699	**19,699**	-	-	19,699	**19,699**

FVTPL - Financial instruments measured at 'Fair Value Through Profit or Loss'
FVOCI - Financial instruments measures at 'Fair Value Through Other Comprehensive Income'
Amor. cost - Financial instruments measured at 'Amortised Cost'

(PLN '000)

The fair value of each debt portfolio is determined by estimation as the present value of the expected future cash flows net (i.e. planned recoveries from a given portfolio minus the costs of the portfolio servicing fees and planned costs of direct debt collections) generated by the debt portfolio in the subsequent months of the forecast. Net cash flows are discounted at the discount rate calculated separately for each debt portfolio, taking into account its credit risk and the change in risk-free rate between the date of portfolio acquisition and the balance sheet date. The fair value of each debt portfolio is calculated based on net cash flows estimated for the next 180 months (15 years) following the balance sheet date. The fair value of the debt claims estimated in this way can be different from the value that otherwise would be determined were there an appropriate active market for them.

The Group measures bond liabilities at amortised 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 at the balance sheet date, plus accrued interest.

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

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

15. Cash and cash equivalents

	31/03/2024	31/03/2023
Cash at bank	92,457	45,638
Cash in hand	2	2
Total	**92,459**	**45,640**

16. Equity

16.1. Share capital

	31/03/2024	31/03/2023
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, with no preference and no limitation on share rights.

16.2. Shareholding structure of Kredyt Inkaso S.A.

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

	Number of shares	Shareholding (%)	Number of votes	Vote ratio (%)
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%

	Number of shares	Shareholding (%)	Number of votes	Vote ratio (%)
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 share interests of management and supervisory personnel

As at the balance sheet date (31 March 2024) and the Approval Date, none of the members of the Management Board or the Supervisory Board held any shares of the Company or any other interest entitling to them.

16.4. Distribution of the Parent Company's result for 2022/2023

On 21 September 2023, the Company's Ordinary General Meeting of Shareholders was held, at which a resolution was adopted to allocate the profit for 2022/2023 in the amount of PLN 5,034 thousand in full to the Company's statutory reserve.

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

No new series of shares were issued during the period covered by this report.

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

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

	01/04/2023-31/03/2024	01/04/2022-31/03/2023 restated
Weighted average number of common shares (in thousands)	12,897	12,897
Impact of treasury shares	-	-
Weighted average number of common shares (in thousands)	12,897	12,897
Net profit (loss) attributable to shareholders of the Parent Company	**33,340**	**22,512**
Basic earnings (loss) per share (PLN)	2.59	1.75
Diluted earnings (loss) per share (PLN)	2.59	1.75
Net profit (loss) from continuing operations attributable to the parent's shareholders	**25,273**	**18,661**
Basic earnings (loss) per share (PLN)	1.96	1.45
Diluted earnings (loss) per share (PLN)	1.96	1.45

There were no instruments diluting earnings per share in the Group in the current and comparative reporting period.

16.6. Foreign exchange differences on translation

The foreign exchange differences item consists of foreign exchange differences related to the conversion of foreign entity financial statements into PLN.

(PLN '000)

	31/03/2024	31/03/2023
Opening balance	**(2,137)**	**(5,100)**
Foreign exchange differences on translation	(3 591)	2,963
Closing balance	**(5,728)**	**(2,137)**

16.7. Retained earnings

	31/03/2024	31/03/2023
Net profit for the current period attributable to the parent's shareholders	33,340	22,512
Retained earnings	207,526	197,002
Total	**240,866**	**219,514**

16.8. Equity attributable to non-controlling interests

	31/03/2024	31/03/2023
Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka sp. k.	690	691
Limited Liability Company „Professional Collection Organisation" Kredyt Inkaso RUS	(6)	(85)
Total equity attributable to non-controlling interests	**684**	**606**

	Net Profit (Loss)	Non-controlling interest at 31/03/2024	Share in profit (loss)
Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka sp. k.	1,851	n/a*	700
Limited Liability Company „Professional Collection Organisation" Kredyt Inkaso RUS	6 884**	1.0%	69
Total share in profit (loss)			**769**

(*) Minority shareholders (general partners) in law firm 'Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka sp. k.' have 10% votes, and the articles of association define how voting rights are exercised and profit distributed among them.
(**) Individual result of the company, including intra-group transactions.

Change in equity attributable to non-controlling interests.

	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Opening balance	**606**	**704**
Profit sharing during the year	769	723
Change of capital group structure (transactions with non-controlling interest holders)	9	-
Dividends paid	(700)	(840)
Other changes	-	19
Closing balance	**684**	**606**

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

(PLN '000)

	31/03/2024	31/03/2023
Non-current assets	145	51
Current assets	4,860	4,131
Total assets	**5,005**	**4,182**
Equity	3,609	3,977
Long-term liabilities	44	29
Short-term liabilities	1 352	176
Total liabilities	**1 396**	**205**
Total equity and liabilities	**5,005**	**4,182**
Non-controlling interest in equity	**690**	**691**

	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Net revenue	2,150	2,629
Operating expenses	(467)	(538)
Other operating income and expenses (net)	32	(101)
Income on operating activities	**1,715**	**1,990**
Finance income and expense	321	404
Earnings before taxation	**2,036**	**2,394**
Income tax	(185)	(223)
Net profit	**1,851**	**2,171**
Components of other comprehensive income	-	-
Comprehensive income net	**1,851**	**2,171**
Non-controlling interest in net profit	**700**	**700**

16.8.2. Limited Liability Company „Professional Collection Organisation" Kredyt Inkaso RUS

The tables below contain individual financial figures of KI RUS, taking into account intra-group transactions and balances of intra-group settlements, hence they differ from the figures alienated into 'discontinued operations' and assets and liabilities held for sale (note 23).

	31/03/2024	31/03/2023
Non-current assets	3,713	4,270
Current assets	12,000	12,097
Total assets	**15,713**	**16,367**

(PLN '000)

	31/03/2024	31/03/2023
Equity	6,723	(845)
Long-term liabilities	26	34
Short-term liabilities	8,964	17,178
Total liabilities	**8,990**	**17,212**
Total equity and liabilities	**15,713**	**16,367**
Non-controlling interest in equity	**(6)**	**(85)**

	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Net revenue	11 835	22,024
Operating expenses	(6,055)	(11,213)
Other operating income and expenses (net)	1 910	(5,663)
Income on operating activities	**7 690**	**5,148**
Finance income and expense	800	320
Earnings before taxation	**8 490**	**5,468**
Income tax	(1,606)	(3,093)
Net profit	**6 884**	**2,375**
Components of other comprehensive income	-	-
Comprehensive income net	**6 884**	**2,375**
Non-controlling interest in net profit	**69**	**23**

16.9. Dividends paid and the dividend policy

The Parent Company has not paid dividends in the last five years. According to the Articles of Association and the Commercial Companies Code, the decision regarding dividend payments is reserved for the General Meeting.

17. Borrowings and other debt instruments

	31/03/2024		31/03/2023	
	Short-term liabilities	**Long-term liabilities**	**Short-term liabilities**	**Long-term liabilities**
Borrowings, including:	59,828	116,778	34,303	105,180
- credit card liabilities	10	-	14	
Debt securities	28,597	253,036	27,016	153,259
Total	**88,425**	**369,814**	**61,333**	**258,439**

(PLN '000)

17.1. Borrowings

Status of borrowings as at the balance sheet date.

Instrument	Currency	Interest rate	Start date	Maturity date	Short-term liabilities	Long-term liabilities	Total
Credit facility in ING Bank Śląski S.A.	PLN	WIBOR 3M + margin	2017-11-23	2032-12-31	22,550	47,323	**69,873**
Credit facility in ING Bank Śląski S.A.	PLN	WIBOR 3M + margin	2018-05-21	2032-12-31	37,268	69,455	**106,723**
Total					**59,818**	**116,778**	**176,596**

Borrowings status as at the comparative balance sheet date.

Instrument	Currency	Interest rate	Start date	Maturity date	Short-term liabilities	Long-term liabilities	Total
Credit facility in ING Bank Śląski S.A.	PLN	WIBOR 3M + margin	2017-11-23	2032-12-31	12,033	28,235	**40,268**
Credit facility in 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**

The maturity date of the credit facilities made available by ING Bank Śląski S.A. is the expiration date of the credit facility agreement, namely 31 December 2032. The maturity date for each individual tranche under the available line of credit is 60 months.

Kredyt Inkaso I NFIZW and Kredyt Inkaso II NFIZW may utilise the finance under the credit facilities for the purpose of purchasing debt portfolios.

According to the credit facility agreement, the bank will provide Kredyt Inkaso I NFIZW and Kredyt Inkaso II NFIZW with funds up to PLN 200,000 thousand.

The line of credit is made available in annual periods ending 31 December which are automatically extended for subsequent annual periods unless the bank or the funds notify on at least 35 days before the deadline that they do not wish to continue the credit line. The maximum date up to which the utilisation end date can be extended is the expiration date of the credit facility agreement, namely 31 December 2032.

The credit facilities are uncommitted and the bank has no obligations under the agreements, with any applications for the utilisation of the lines of credit requiring a prior approval from the bank. The credit facility liabilities are secured - see Note 29.4.

On 13 June 2023, Kredyt Inkaso S.A. concluded an overdraft agreement with ING Bank Slaski S.A. in the amount of PLN 10,000 thousand plus a line of guarantees up to PLN 449,170.39. The line of credit is made available for one year ending on 31 December and such annual period is then automatically extended for another period of one year, unless the bank or the borrower submits a termination notice on at least 35 days before the expiry date. 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 line of guarantees is 2.4% per annum and is calculated on the amounts under the currently issued guarantees. The credit facility is uncommitted and the bank has no obligations under the loan agreement, and the utilisation of such credit facilities requires the bank's prior approval. The credit facility liabilities are secured by a corporate guarantee provided to the bank by a subsidiary of Kredyt Inkaso Investments BG EAD.

17.2. Bonds issued

(PLN '000)

Figures as at the end of the current reporting period.

Bond series	Interest rate	Start date	Maturity date	Face value	Short-term notes	Long-term notes	Carrying value
H1	Fixed 6%	2021-10-22	2025-10-19	3,667	123	3 487	3,610
J1	WIBOR 3M+4.9%	2022-03-28	2029-03-28	36,237	5,748	29 922	35,670
K1	WIBOR 6M+4.9%*	2022-03-28	2029-03-28	85,834	17 535	67 066	84,601
I1	WIBOR 3M+4.9%	2022-04-19	2025-10-23	17,010	260	16,287	16,547
L1	WIBOR 3M+4.7%	2022-08-05	2026-07-27	15,679	503	14,920	15,423
M1	WIBOR M+5.5%	2023-04-14	2027-04-14	15 000	476	14 440	14 916
N1	WIBOR 3M+5.5%	2023-07-13	2027-07-13	18 000	586	17 257	17 843
O1	WIBOR 6M+5.5%	2023-10-04	2027-10-04	37 741	2 332	35 813	38 145
P1	WIBOR 3M+5.5%	2023-12-05	2027-11-28	15 000	286	14 304	14 590
R1	WIBOR 3M+5.5%	2024-02-07	2028-02-07	20 000	528	19 028	19 556
S1	EURIBOR 3M+5.2%	2024-03-27	2028-03-27	21 504	220	20 512	20 732
Total				**285 672**	**28 597**	**253,036**	**281,633**

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

Key dates related to the issued bonds, including events after the balance sheet date

Date	
14 April 2023	Issue of series M1 bearer bonds, total face value PLN 15,000 thousand
28 June 2023	The Company party repaid the face value of series J1 bonds (PLN 2,787 thousand) in line with the timetable specified in WEO
13 July 2023	Issue of series N1 bearer bonds, total face value PLN 18,000 thousand
28 September 2023	The Company party repaid the face value of series J1 bonds (PLN 2,787 thousand) in line with the timetable specified in WEO
28 September 2023	The Company party repaid the face value of series K1 bonds (PLN 8,583 thousand) in line with the timetable specified in WEO
4 October 2023	Issue of series O1 bearer bonds, total face value PLN 37,741 thousand
5 December 2023	Issue of series P1 bearer bonds, total face value PLN 15,000 thousand
28 December 2023	The Company party repaid the face value of series J1 bonds (PLN 1,394 thousand) in line with the timetable specified in WEO
7 February 2024	Issue of series R1 bearer bonds, total face value PLN 20,000 thousand
27 March 2024	Issue of series S1 bearer bonds, total face value EUR 4,999.9 thousand
28 March 2024	The Company party repaid the face value of series J1 bonds (PLN 1,394 thousand) in line with the timetable specified in WEO
28 March 2024	The Company party repaid the face value of series K1 bonds (PLN 8,583 thousand) in line with the timetable specified in WEO
28 June 2024	The Company party repaid the face value of series J1 bonds (PLN 1,394 thousand) in line with the timetable specified in WEO

On 16 February 2023, the Polish Financial Supervision Authority (KNF) approved the base prospectus for the bonds issue programme up to PLN 100 million. The prospectus expired on 15 February 2024.

During the current financial year, the Company carried out the following bond issues:

- On 14 April 2023, series M1 bonds, total face value PLN 15 million, were registered in the Polish Central Securities Depository (KDPW). As such, they were admitted to trading on the Warsaw Stock Exchange regulated market on 14 April 2023.

(PLN '000)

- On 13 July 2023, series N1 bonds,. total face value PLN 18 million, were registered in the Polish Central Securities Depository (KDPW). As such, they were admitted to trading on the Warsaw Stock Exchange regulated market on 13 July 2023.
- On 4 October 2023, series O1 bonds, total face value PLN 37,741 thousand, were registered in the Polish Central Securities Depository (KDPW). On 10 October 2023, the bonds were admitted to trading on the Warsaw Stock Exchange's alternative bonds trading market called Catalyst.
- On 5 December 2023, series P1 bonds, total face value PLN 15 million, were registered in the Polish Central Securities Depository (KDPW). As such, they were admitted to trading on the Warsaw Stock Exchange regulated market on 5 December 2023.
- On 7 February 2024, series R1 bonds, total face value PLN 20 million, were registered in the Polish Central Securities Depository (KDPW). As such, they were admitted to trading on the Warsaw Stock Exchange regulated market on 7 February 2024.
- On 27 March 2024, series S1 bonds, total face value PLN 4,999.9 thousand, were registered in the Polish Central Securities Depository (KDPW).On 27 March 2024, these bonds were admitted to trading on the Warsaw Stock Exchange's alternative bonds trading market.

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

Figures as at the end of the previous reporting period.

Bond series	Interest rate	Start date	Maturity date	Face value	Short-term notes	Long-term notes	Carrying value
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 6M+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%

17.3. Cashpooling

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 floating and set as WIBOR 6M +4.9%.

Cashpool balances are shown in the table below:

	31/03/2024	31/03/2023
Kredyt Inkaso S.A.	(37,708)	(36,610)
Finsano S.A.	34,754	36,343
Kancelaria Prawnicza Forum Radca Prawny Krzysztof Piluś i Spółka sp.k.	3,605	3,201
Kredyt Inkaso IT Solutions Sp. z o.o.	(1,497)	(3,806)
KI Solver Sp. z o.o.	846	872
Total	**-**	**-**

(PLN '000)

18. Lease liabilities

	31/03/2024		31/03/2023	
	Short-term liabilities	**Long-term liabilities**	**Short-term liabilities**	**Long-term liabilities**
Lease liabilities	3,655	8,008	3,072	11,472
Total	**3,655**	**8,008**	**3,072**	**11,472**

	Discounted present value of minimum lease fees		Undiscounted value of minimum lease fees	
	31/03/2024	**31/03/2023**	**31/03/2024**	**31/03/2023**
Up to 1 year	3,655	2,710	4,064	4,002
1 to 5 years	7,885	10,535	10,894	12,567
over 5 years	123	1,299	211	1,405
Total	**11,663**	**14,544**	**15,169**	**17,974**

19. Short-term prepayments

	31/03/2024	31/03/2023
Licences and IT system maintenance	1 103	475
Insurance policies	501	354
Settlements of bond issue costs	605	371
Other	853	600
Total	**3,062**	**1 800**

20. Short-term accruals

	31/03/2024	31/03/2023
Operating expenses	5,944	4,990
Other	180	255
Total	**6,124**	**5,245**

The provision for operating expenses in the current financial year includes, in particular, provisions for advisory services, including those related to the review of strategic options, made during the year and not yet invoiced, provisions for financial statement auditing and IT services.

(PLN '000)

21. Trade and other payables

	31/03/2024	31/03/2023
Trade payables	8,912	15,626
Total trade payables	**8,912**	**15,626**
Liabilities for taxes and other benefits	2,390	1,814
Other non-financial liabilities	4,111	2,259
Total non-financial liabilities	**6,501**	**4,073**
Total short-term liabilities	**15,413**	**19,699**

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

22. Other short-term provisions

	31/03/2024	31/03/2023
Provision for employee benefits	6,482	5,462
Customer overpayments	647	646
Other provisions for liabilities*	8 663	5 249
Total	**15,792**	**11,357**

(*) As at 31.03.2024, this item includes, in particular, a provision for withholding tax in the amount of PLN 6.7 million, described in more detail in note 13, and a provision of the Romanian company for a disputed case that concerns a former employee, in the amount of PLN 1.7 million. As at 31.03.2023, the item included, in particular, a provision created in connection with a tax inspection in KI RUS, in the amount of PLN 4.5 million.

	Provision for employee benefits	Customer overpayments	Other provisions	Total
As at 01.04.2023	**5,462**	**646**	**5 249**	**11,357**
Increase in provisions recognised as an expense in the period	5,758	18	8 391	14,150
Consumed provisions (-)	(2,660)	(17)	(1,632)	(4,292)
Reversed provisions (-)	(2,078)	-	(3,345)	(5,423)
As at 31.03.2024	**6,482**	**647**	**8 663**	**15,792**

	Provision for employee benefits	Customer overpayments	Other provisions	Total
As at 01.04.2022	**7,289**	**669**	**514**	**8,472**
Increase in provisions recognised as an expense in the period	2,805	-	4 735	7,540
Consumed provisions (-)	(3,589)	(23)	-	(3,612)
Reversed provisions (-)	(1,043)	-	-	(1,043)
As at 31.03.2023	**5,462**	**646**	**5 249**	**11,357**

(PLN '000)

23. Discontinued operations

In the current financial year, the Group has taken certain actions aimed at divesting Limited Liability Company "Professional Collection Organisation" Kredyt Inkaso RUS, which constitutes a standalone geographical area in the Group's operations. *Kredyt Inkaso Portfolio Investments (Luxembourg) Societe Anonyme* ("KI LUX"), which holds 99% shares in KI RUS, received three initial and non-binding offers and the bidders started *due diligence* procedures for KI RUS. In May 2024, KI LUX received offers from two of the three interested parties. Negotiations of transaction parameters and structure are currently underway.

The Group is making every effort to complete the sale of the Russian company within 12 months of the balance sheet date.

The net result from discontinued operations, understood as the operations of the Russian entity after the consolidation exemptions, is presented in detail below:

Discontinued operations	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Net income		
Interest income on debt portfolios calculated using the effective interest rate method	65	758
Debt portfolios revaluation	12,872	22,379
Other income/expenses	1,909	-
Total net income	**14,846**	**23,137**
Salary and employee benefit costs	(3,364)	(5,700)
Depreciation/amortisation	(205)	(187)
Third-party services	(2,074)	(4,525)
Court and enforcement fees	1	(32)
Other operating expenses	(262)	(6,046)
Total operating expense	**(5,904)**	**(16,490)**
Profit (loss) on operating activities	**8,942**	**6,647**
Finance income, including	941	414
interest on instruments measured at amortised cost	941	414
Finance expense, including	(141)	(94)
interest on instruments measured at amortised cost	-	-
Earnings before taxation	**9,742**	**6,967**
Income tax	(1,606)	(3,093)
Net profit (loss) from discontinued operations	**8,136**	**3,874**

Cash flows related to discontinued operations are presented below:

	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Cash flow from operating activities	2,685	10,566
Cash flow from investment activities	941	406
Cash flow from financial activities	(194)	(279)

Main groups of assets and liabilities held for sale:

	31/03/2024
Tangible assets (PP&E)	609
Deferred income tax assets	255
Trade and other receivables	1,279
Purchased debtor claims	209

(PLN '000)

	31/03/2024
Prepayments	18
Cash and cash equivalents	10,392
Total assets held for sale	**12,762**
Lease liabilities	485
Deferred tax provision	26
Trade and other payables	2,075
Current income tax liabilities	138
Total liabilities related to assets held for sale	**2,724**

	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Net profit (loss) on discontinued operations attributable to shareholders of the Parent Company	8,067	3,851
Basic earnings (loss) per share (PLN)	0.63	0.30
Diluted earnings (loss) per share (PLN)	0.63	0.30

The cumulative cost of PLN 5,159 thousand reported in the Group's equity, as part of foreign exchange differences from the translation of foreign subsidiaries, refers to a group of assets and liabilities classified as 'held for sale'.

24. Financial risk management

The overriding objective of risk management in the Group is to minimise the likelihood of occurrence and/or to reduce the negative effects of the occurrence in relation to all types of risks related to the conducted activity. The Group manages risk by identifying, measuring, assessing, controlling, forecasting and monitoring risk, reporting and remedial actions. The Kredyt Inkaso Capital Group constantly monitors and manages financial risk in order to minimise the risk of incidents that may have a negative impact on the activity of its organisation. The Group manages the following risks:

- Credit risk
- Liquidity risk
- Market risk: interest rate risk
- Market risk: currency risk

24.1. Credit risk

The Group's activity involves taking credit risk from sellers of debtor claims (original creditors of the debtors). These claims are entirely subject to credit risk, therefore the proper management of this type of risk is a key element in this business.

The Group manages credit risk primarily at the stage of purchasing debt portfolios through their appropriate valuation and selection of portfolio components and characteristics. The value of the receivables portfolio shown in the balance sheet takes into account their credit risk. On a systematic basis, on the last day of each reporting period, the Group verifies the valuation of purchased debtor claims based on revenue forecasts that use historical data (current value of future cash flows). For debts of bankrupt, liquidated or other entities from which the Group does not expect to obtain positive cash flows, a zero value of receivables is assumed.

The value range of receivable claims is diverse among debtors, however the Group's portfolio features individual cases that have a very unusual value. The diversification receivable claims into a large number of separate items allows expecting that the actual revenue will not deviate significantly from the expected one.

(PLN '000)

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

Credit risk in relation to purchased debtor claims is relatively high but the Group has experience and developed analytical methods enabling the estimation of such risk. As at the date of acquisition of a debt portfolio, the Group assesses the credit risk associated with it. The risk is reflected in the offered purchase price for the portfolio.

Due to the fact that purchased debt portfolios are valued at amortised cost, the credit risk related to the purchased 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 proceeds from a given portfolio as well as similar portfolios.
When assessing credit risk, the following parameters are also taken into account, among others (but not limited to):

- debtor claim parameters: current balance, amount of principal, principal-to-debt ratio, loan value received or their aggregate amount, type of product, defaults (DPD), contract period, time since date of contract, established security collateral (yes/no, type, amount),
- debtor parameters: age, legal status (individual, sole proprietor, legal entity), income earned, place of residence, solvency, contract/invoice repayments to date, time since the last repayment, geographic region, event of death or bankruptcy, employment,
- historical payment behaviour of the debtor: amounts and frequency of repayments made, types and intensity of actions taken towards the debtor by the original creditor before the debtor claim has been acquired.

Changes in the credit risk assessment affect the expected cash flows, which are the basis for the valuation of purchased debt portfolios. The Group forecasts future cash flows from debt portfolios over a period of 180 months.

The Group minimizes risk by very cautiously measuring debt portfolios before their purchase, taking into account the possibility of investment recovery from debtor claims and the estimated costs necessary to incur during the recovery process. The market value of the debt portfolio and the maximum sale price are determined based on a complex statistical and economic analysis. In order to minimize the risk associated with the purchased debt portfolios, comparative analyses of the quality of the debt portfolio with other portfolios with similar debtor characteristics from the same industry are carried out, and the valuation is based on the analysis of the effectiveness of debt recovery activities in relation to similar debtor claims. The method for estimating proceeds is based on a statistical model developed using own data and benchmarks corresponding to the data being measured. The maximum price is determined based on the expected investment performance indicators (usually internal rate of return, payback period, nominal return).

	31/03/2024	31/03/2023
Non-current assets		
Receivables and loans granted	241	464
Purchased debt portfolios	474,153	392,787
Derivative financial instruments	461	-
Current assets		
Trade and other receivables	9,436	9,400
Other short-term financial assets	-	1,118
Purchased debt portfolios	239,211	201,121
Cash and cash equivalents	92,459	45,640
Total credit risk exposure	**815,961**	**650,530**

Age structure of receivables from granted loans, trade items and other receivables as at the balance sheet date.

	Total	Current	1 – 30 days	31 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	over 365 days
Non-current assets								
Receivables and loans granted	**241**	241	-	-	-	-	-	-
Current assets								
Loans	**-**	-	-	-	-	-	-	-

	Total	Current	1 – 30 days	31 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	over 365 days
Trade and other receivables	**9,436**	8,010	1 363	-	-	-	6	57
Total	**9,677**	**8,251**	**1 363**	**-**	**-**	**-**	**6**	**57**

24.2. Liquidity risk

The Group's investment needs, including expenditures for debt portfolio purchasing are financed from both equity and debt financing, the sources of which are bond issues (indirectly) 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 contracted debt, or that it will be in breach of its obligations under financing agreements.

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

- financial flow planning and constant monitoring
- cash flow management between Group entities
- continuous claim recovery process, according to the adopted strategy
- analysis of the possible external sources of finance

In order to improve the efficiency of equity, the Group also uses external finance, mainly by issuing bonds or taking on bank loans. In future periods, it also plans to use third-party finance for further development of its business and investments in debt portfolios.

Below are the undiscounted flows resulting from the Group's financial liabilities and assets as at 31 March 2024, by maturity.

(PLN '000)

	Total	up to 3 months	4 – 12 months	1 to 2 years	over 2 years
Financial assets					
Trade and other receivables	9,436	9,436	-	-	-
Purchased debt portfolios*	1,516,141	71,378	204,172	231,529	1,009,062
Derivative financial instruments **	3,639	113	1,052	942	1,532
Cash and cash equivalents	92,459	92,459	-	-	-
Total financial assets	**1,621,916**	**173,386**	**205,224**	**232,471**	**1,010,835**
Financial liabilities					
Debt securities - principal amount	285,672	1,395	21,347	43,417	219,513
Borrowings - principal amount	176,550	14,921	44,763	52,893	63,973
Debt securities - interest	98,520	6,422	23,658	26,756	41,684
Borrowings - interest	31,518	4,240	10,640	9,124	7,514
Trade payables	15,413	15,413	-	-	-
Leases	15,169	998	3,066	3,937	7,168
Total financial liabilities	**622,842**	**43,389**	**103,474**	**136,127**	**339,852**
Liquidity gap	**999,074**	**129,997**	**101,750**	**96,344**	**670,983**
Cumulative liquidity gap		**129,997**	**231,747**	**328,091**	**999,074**

(*) Estimated Remaining Collections (ERC).
(**) The flows from derivative financial instruments were estimated based on expected flows from differences between the fixed interest rate on concluded IRS transactions and the current market interest rate as at the balance sheet date (i.e. without taking into account future interest rate changes expected by the market), at the dates that have been set in the IRS transactions.

In the reporting period, just like in the previous periods, all liabilities of the Group were serviced on time. Proceeds from debtor claims translated into a stable and systematic inflow of cash.

24.3. Market risk: interest rate risk

The interest rate risk relates to the following financial instruments of the Group:

- cash,
- bonds issued and borrowings received,
- lease liabilities.

In relation to cash and lease liabilities, the impact of interest rate changes on the financial result or the level of equity of the Group is insignificant. The interest rate risk relevant for the Group is related to the bonds issued and borrowings. Below is a sensitivity analysis of interest rate changes in the case of such financial instruments.

The Group issues bonds usually with floating interest rates (based on WIBOR 6M, WIBOR 3M and Euribor 3M). Any change in the interest rate may affect the value of the interest payable.

According to its strategy of interest rate risk hedging, the Group concluded transactions in interest rate swap (IRS) derivatives for a total nominal value of approx. PLN 122 million as at 31.03.2024 (the nominal value of the transaction follows the nominal value amortisation of J1 and K1 bonds). The purpose of the hedging transactions was to obtain a fixed-rate financing profile during the hedging period. As at the reporting date, the Group has two active hedging instruments.

(PLN '000)

	31/03/2024	31/03/2023
Borrowings	176,596	139,483
Debt securities*	278,023	176,725
Total	**454,619**	**316,208**
Effect of hedging	(122,071)	-
Floating interest rate risk exposure	**332,548**	**316,208**

(*) does not include a series of bonds with a fixed interest rate

A 300 bps change of interest rate would increase (decrease) shareholders equity and pre-tax earnings by the corresponding amounts shown below. The following analysis is based on the nominal values of the floating rate bonds issued by the Group (excluding J1 and K1 series that are hedged against interest rate risks) and its borrowings, on the assumption that other variables, especially foreign exchange rates, will remain constant. The effect of the above interest rate changes on the financial result reported for the reporting period, and the level of equity is presented assuming a simultaneous and equal increase (decrease) in all market interest rates taking place at the beginning of the annual reporting period.

	Profit (loss) in current period	
	300 bps rise	300 bps drop
31/03/2024		
Floating rate financial assets	-	-
Floating rate financial liabilities	(10,095)	10,095

24.4. Derivative hedging instruments

At the balance sheet date, the Group has open hedging positions. The Group has entered into a derivative transaction to hedge its interest rate risk (IRS) and now pays a fixed rate but receives funds at a floating rate.

Such float-to-fixed IRS transaction, in a currency consistent with the hedged item, was used to hedge cash flows. In that transaction, the Group:

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

The Group assesses the economic link between the hedged item and the hedging instrument by matching the critical parameters, in particular (but not limited to):

- compatibility of face values of the hedging instrument and the identified hedged item,
- compatibility of interest periods/interest payment dates;
- consistency of the hedging instrument reference rate and the benchmark rate for the hedged item.

The Group has identified its liabilities under its issued bonds as the hedged item. The Group assesses the economic link prospectively, in intervals defined in the underlying document.

Instrument	Face value at balance sheet date	Face value amortsied?	Effective period	Initial rate (fixed rate)	Hedged parameter (floating rate)	Assets	Liabilities	Item in Statement of Financial Position	Change in fair value
IRS	85,834	Yes - consistent with amortisation of K1 bonds face value	31/10/2023-28/03/2029	4.96%	WIBOR 6M	219	-	Derivative financial instruments	219
IRS	36,237	Yes - consistent with amortisation of J1 bonds face value	28/03/2024-28/03/2029	4.63%	WIBOR 3M	242	-	Derivative financial instruments	242
				Total		**461**	**-**		**461**

(PLN '000)

Effect of hedging instruments on the Group's statement of financial position in the reporting period

The amount of interest moved from other comprehensive income was charged to Finance income (interest income on hedging instruments) or Finance expenses (interest expense on hedging instruments).

	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Payments from settlement of hedging transactions included in cash flow statement	(268)	(676)
Interest income from hedging instruments	278	-
Hedging gains or losses for the reporting period recognised in other comprehensive income	451	4,668
Ineffective portion of the hedge recognised in profit and loss account	-	(3,234)
Total	**461**	**758**

	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Revaluation reserve at the beginning of period	**-**	**1,468**
Effect of valuation of hedging transactions (effective portion)	729	4 668
Amount of interest moved during the period from other comprehensive income to profit and loss account	(278)	(6,479)
Income tax	(86)	343
Revaluation reserve at the end of period	**365**	**-**

24.5. Market risk: currency risk

The Group is exposed to the foreign exchange risk resulting from:

- the Capital Group subsidiaries holding certain financial assets and liabilities that are denominated in currencies other than their functional currencies (currency risk at the individual level of the entities, which also directly affects the consolidated result and is charged to the profit and loss account),

- the Capital Group subsidiaries having functional currencies other than the parent company (the effect of the translation of foreign entities, effect on the Group equity).

The table below shows the exposure of the Group at the balance sheet date to the foreign exchange risk arising from the Group's financial assets and liabilities that are denominated in currencies other than the functional currency (including financial assets and liabilities attributable to discontinued operations).

(all amounts in PLN)	RON	BGN	RUB	EUR	Other	PLN (companies with functional currency other than PLN)	Total
Long-term receivables and loans granted	38,421	-	-	199	-	-	38,620
Short-term receivables	1,385		6,059	46	6	9	7,505
Cash	12,259	-	-	51	-	24	12,334
Purchased debtor claims	31,083	-	-	-	23		31,106
Other assets				2	1	4	7
Borrowings			(3,457)	(20,732)			(24,189)
Financial leases				(6,530)			(6,530)
Short-term liabilities	(252)	-	(102)	(261)	(26)	(1,051)	(1,692)
Total	**82,896**	**-**	**2,500**	**(27,225)**	**4**	**(1,014)**	**57,161**

(PLN '000)

Exposure of net assets in foreign companies to foreign exchange risk related to the respective currencies, expressed in PLN as at the balance sheet date.

(all amounts in PLN)	RON	BGN	RUB	EUR	Total
Net assets in foreign subsidiaries	38,240	45,693	6 723	(2,966)	87,690

Analysis of the effect of a potential change in the book value of assets on the gross financial result and on equity (exchange differences from translation), in connection with a hypothetical change in the exchange rates of relevant foreign currencies versus the presentation currency (PLN), as at the reporting date.

	exchange rate change	gross financial result	equity - currency differences from translation
RON/PLN	+1%	831	382
BGN/PLN	+1%	2	457
RUB/PLN	+1%	32	67
EUR/PLN	+1%	(272)	(30)

25. Capital management

The Group manages capital in order 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 borrowings and other sources of finance, as well as guarantees and leases. 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.

On 31 March 2024, the most restrictive level of this covenant, contained in the terms of the Company's bond issue, is 2.25.

The calculation of net financial debt and the ratio (simplified) of consolidated net financial debt to consolidated equity is detailed below.

	31/03/2024	31/03/2023
Borrowings and other debt instruments	458,239	319,772
Leases	12,148	14,544
less: cash and cash equivalents*	(102,851)	(45,640)
Net financial debt	**367,536**	**288,676**
Equity	**353,229**	**323,037**
Net financial debt/equity ratio	**1.04**	**0.89**

(*) when calculating this ratio, lease liabilities and cash of KI RUS were taken into account, which in the consolidated balance sheet are shown as assets and related liabilities held for sale

(PLN '000)

26. Significant transactions with related parties

26.1. Related party transactions

26.1.1. Transactions in trade

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

	01/04/2023-31/03/2024		01/04/2022-31/03/2023	
	Revenue	**Cost**	**Revenue**	**Cost**
Cost of consulting services				
WPEF VI HOLDING 5 B.V.	-	266	-	282
Total	**-**	**266**	**-**	**282**

Consulting services are provided under the Company's agreement with WPEF VI HOLDING V B.V. concluded on 31 March 2017, which merged with WPEF VI HOLDING 5 B.V. on 14 December 2021, and include consulting services for the parent company and all subsidiaries in the Kredyt Inkaso Capital Group in the areas of financial analysis 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 successive calendar annual periods, and either party may terminate it within 90 days before the start of the next calendar year. The value of consulting services under the contract is EUR 60,000 per year (net). Under the agreement, the list of persons delegated to perform advisory activities and receive confidential information includes Tomasz Karpinski, a member of the Supervisory Board.

26.2. Loans to officers and related persons

None.

26.3. Transactions with officers

26.3.1. Remuneration of the Management Board

Remuneration of the Company's key executives, at the parent company and subsidiaries in the Group.

	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Base salary/management contract (gross)	4,554	4,544
Other - medical and other benefits	319	328
Total	**4,873**	**4,872**

26.3.2. Remuneration of the Supervisory Board

	01/04/2023-31/03/2024	01/04/2022-31/03/2023
Supervisory Board remuneration	558	470
Total	**558**	**470**

Remuneration rules of the Supervisory Board:

(PLN '000)

- 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 profit sharing (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 profit sharing.
- 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 enterprise sector 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 business sector without profit sharing
  - for serving as Vice-Chairman of the Supervisory Board in the amount of 1/3 of the average monthly salary in the enterprise sector without profit sharing in the period when the Chairman of the Supervisory Board does not serve in that capacity
- A member of the Supervisory Board is not entitled to remuneration if he submits a statement of resignation from remuneration.
- A member of the Supervisory Board is entitled to remuneration and due allowance for the performance of his or her function 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 audit committee membership 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.

Pursuant to Resolution no. 27/2022 of the Extraordinary General Meeting of 30 September 2022 on determining the 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 has been set at an amount equal to half the remuneration of the Chairman of the Supervisory Board. The designated amount of remuneration does not exclude the right of a member of the Supervisory Board to reimbursement of costs incurred in connection with the performance of this function.

27. Group employment

	31/03/2024		31/03/2023	
	FTEs	employees	FTEs	employees
Average headcount in the financial year	549	561	538	542
Headcount as at the balance sheet date	556	574	542	547

28. Auditor remuneration

Auditor remuneration for the financial year ended:	31/03/2024	31/03/2023
Review of mid-year consolidated financial statements	61	54
Audit of annual consolidated financial statements	164	148
Consolidated statements	**225**	**202**
Review of mid-year individual financial statements	78	69
Audit of annual individual financial statements	114	101
Serparate Statements of the Parent Company	**192**	**170**
Assessment of the remuneration report	**15**	**14**
Total	**432**	**386**

(PLN '000)

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

29.1. Costs of discontinued enforcements

A contingent liability is liabilities potentially arising from certain past events, the existence of which can be confirmed only upon either the occurrence or non-occurrence of a future event(s) that is not certain and not fully within the control of the entity, or present liabilities that arise from a past event(s) but are not recognised in the financial statements as the necessity to incur expenditures is not probable to satisfy them or where the amount of such liabilities cannot be measured with sufficient reliability.

The costs of discontinued enforcements are related to past events (initiation of enforcement proceedings), with their occurrence or non-occurrence depending on future events that are uncertain and beyond the Group's control. For the purpose of estimating the contingent liability covering the costs of discontinued enforcements, the Group analysed the current and historical operating figures and determined statistical curves depicting at what point in the lifecycle of each enforcement (group of enforcement proceedings) it is likely that the enforcement will be discontinued, causing the underlying funds to outflow. 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.

Presented below is the value of the contingent liability related to the cost of discontinued enforcement proceedings as at the balance sheet date:

	31/03/2024
Contingent liabilities - cost of discontinued enforcement	39,985
Total	**39,985**

29.2. Key Personnel Retention Programme

On 30 November 2023, the Company's Management Board adopted a resolution on the adoption of a Retention Program for key employees and associates of the Kredyt Inkaso Capital Group (the "Program"). In the event of the occurrence of certain events related to the review of strategic options, the probability of which the Management Board is currently unable to determine, as well as upon the fulfilment of certain conditions by those covered by the Program, the Group will pay covered employees and associates additional compensation under the Program, at a cost to the Group of up to PLN 2.7 million.

29.3. Contingent remuneration for advisor in strategic options review

According to the signed agreement of 4 April 2023, later amended by the annex of 6 May 2024, the Company pays Ipopema Securities, a transaction advisor, depending on the selected strategic option and the resulting transaction variant: (i) *success fee* of 2.00% (two percent) of the value of the shares sold by shareholders, plus a discretionary fee (to be decided exclusively by the Company) up to 0.50% of the value of the shares sold; or (i) *success fee* of 1.00% (one percent) of the price for the sale of the Company's or its subsidiaries' assets, plus a discretionary fee (to be decided exclusively by the Company) up to 0.50% of the price for the assets sold.

29.4. Contingent liability related to income tax (disclosed in the financial statements as at 31 December 2023)

In the interim condensed consolidated financial statements for the period of 9 months ended 31 December 2023, for reasons of prudence the Group decided to disclose a case of uncertain tax treatment that concerned transactions made in 2020-2021 between Group entities on which the total income tax could be up PLN 2.3 million. As at 31 December 2023 no provision for liabilities related to such uncertain tax cases has been opened. Having read the tax opinion on tax effects of the above transactions and additional documentation collected by the Group entities until the date of publication of these financial statements, the Management Board of the Company agrees with the position expressed in this tax opinion and considers the risk of different treatment of the transactions by the tax authorities to be low. Therefore, no provision or contingent liability related to the described tax uncertainties has been recognised as of the balance sheet date.

29.5. Credit facility security with ING Bank Śląski S.A.

Based on:

(i) the credit facility agreement of 23 November 2017, supplemented by agreements no. 1 dated 21 May 2018., no. 2 dated 14 September 2018, and no. 3 dated 27 November 2019, signed by subsidiary Kredyt Inkaso II NFIZW with ING Bank Śląski S.A., and
(ii) the credit facility agreement of 21 May 2018, supplemented by agreements no. 1 dated 15 September 2018 and no. 2 dated 27 November 2019, signed by subsidiary Kredyt Inkaso I NFIZW with ING Bank Śląski S.A.,

Kredyt Inkaso I NFIZW and Kredyt Inkaso II NFIZW established security in favour of the Bank in the form of a conditional assignment of claims under a conditional claim assignment agreement connected with certain commercial contracts, with the total value of the security being not less than 150% of the line of credit utilised by each of these subsidiaries.

The above credit facility agreements were collectively replaced by the Supplementary Agreement 3 of 31 December 2020 and the subsequent Supplementary Agreements no. 4 dated 22 March 2022, no. 5 dated 15 April 2022 and no. 6 dated 3 August 2022, which stipulate, among other things, that Kredyt Inkaso I NFIZW and Kredyt Inkaso II NFIZW secured the Bank with respect to the credit facility by a conditional claim assignment, based on conditional security assignment agreements connected with certain commercial contracts, with the total value of the claims that are the security not less than 150% of the utilised line of credit. As of the balance sheet date, the required level of security in the case of Kredyt Inkaso I NFIZW is: PLN 160,036 thousand, and in the case of Kredyt Inkaso II NFIZW: PLN 104,789 thousand.

29.6. Bond issues security

On 28 March 2022, the Company issued Series K1 bonds, total face value PLN 103 million. According to the terms and conditions of the issue, the bonds were issued as unsecured. However, the bondholders' claims under the bonds were (according to the terms and conditions of the issue) secured after the issue date by established security interests, including registered pledges under the Polish or foreign law on debt portfolios and on investment certificates that are included in the Company's or its subsidiaries' balance sheets as well as other assets of the Company. The total value of the security after 26 April 2022 cannot be less than 150% of the current face value of the bonds.

As at the balance sheet date, the minimum aggregate security was PLN 128.8 million.

30. Court, enforcement, tax and other proceedings

30.1. Litigations and enforcements

The Group's business model involves purchasing of debt portfolios that include claims arising from sold general services (usually
several thousand to tens of thousands of claims bundled in a portfolio) and to pursue their repayment in court. The Group's activities include mass litigation and enforcement proceedings conducted by enforcement officers. However, due to the

relatively low debt balances, there is no risk of concentration (one or more bad debts, i.e. debts apparently much worse than originally calculated).

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

- a lawsuit of BEST S.A. dated 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 claimant 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 statutory standards. 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 fiscal year, which were adjusted in subsequent fiscal years. Kredyt Inkaso S.A. recognises BEST S.A.'s claim as unfounded (Current Report 8/2019);
- a lawsuit by John Harvey van Kannel dated 28 December 2020, against the Company for (i) establishing the existence of a resolution to dismiss Maciej Jerzy Szymanski from the Company's Management Board, and (ii) annulling Resolution no. 38/2020 of the Company's Annual General Meeting of Shareholders, dated 27 November 2020, on the appointment of Daniel Dąbrowski to the Company's Supervisory Board for a new term. John Harvey van Kannel's request for injunction in the present case was fully rejected, and the Company announced it in Current Report 11/2021. The Company considers the demands contained in the lawsuit to be completely unfounded and opposes them, actively participating in the court proceedings (Current Report 26/2021). BEST Capital FIZAN is acting in this case as a side intervener on the side of John Harvey van Kannel;
- a second lawsuit by John Harvey van Kannel dated 22 June 2021, against the Company for annulling Resolution no. 12/2021 of the Company's Extraordinary General Meeting of Shareholders, dated 24 May 2021, on the appointment of Daniel Dąbrowski to the Company's Supervisory Board. The Company considers the demands contained in the lawsuit to be completely unfounded and opposes them, actively participating in the court proceedings (Current Report 31/2021). The case was concluded with a favourable verdict for the Company from the Court of Appeals passed on 4 April 2023, dismissing John Harvey van Kannel's appeal in its entirety (Current Report 8/2023). On 1 August 2023, the Company's attorney was served a notice that the last-resort appeal had been filed with the supreme court by one of the claimants (BEST Capital FIZAN). The Company considers this claim sought through this extraordinary procedure to be completely unfounded (Current Report 32/2023).
- a lawsuit of 18 August 2016 against joint and several defendants: BEST S.A. and Krzysztof Borusowski, and seeking claims of PLN 60,734,500 in favour of the Company. The amount demanded arises from the Company's claim against the Respondents for compensation for damage caused to the Company as a result of the Respondents' dissemination of false and slanderous information: regarding the Company's Management Board at the time, alleged irregularities in the Company, alleged falsification of financial statements and lack of authority of the Company's Management Board to act on behalf of the Company, which, according to the Company, was the direct reason for the termination of the agreements concluded with the Company to manage debt portfolios and legal services agreements 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, and AGIO Wierzytelności Plus 2 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty. The amount of the claim is the sum of the actual losses incurred by the Company and its estimated lost benefits in future years, as the Company announced in Current Report 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 above agreements on the Company's financial situation, in particular the loss of further regular income as well as the potential litigation by the Company to seek relevant compensation, in the Consolidated Quarterly Report for Q1 2016/2017 which was published on 12 August 2016. On 25 August 2023, the court requested the parties to submit their final depositions in writing before the case is closed and the judgment decided in a closed-door session of the court, which both parties did. The judgment of the lower court dismissing the Company's action entirety was issued on 12 March 2024. The Company is currently awaiting a written statement of reasons for the judgment (Current Report 16/2024).
- a lawsuit brought by the Company on 8 June 2020 against the Defendants, jointly and severally: 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 due to the actions of the defendants (between June 2014 and April 2016 when the sale and purchase of Romanian debt portfolios were being arranged and committed), together with statutory interest for delay calculated since 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 opinion of an expert in the field of business valuation, together with statutory interest for delay calculated from the date of delivery of the copy of the statement of claim to the last of the Respondents until the date of payment, and PLN 44,000 as reimbursement for the costs of providing certified translations of the statement of claim and some of the appendices to the statement of claim, together with statutory interest for delay calculated from the date of delivery of the copy of the statement of claim to the last of the Respondents until the date of payment. The main claim of PLN 21,320,000

became apparent during an in-house investigation which showed that Paweł Szewczyk, then acting as the president of board for Kredyt Inkaso S.A. and capital group companies, namely Kredyt Inkaso Investments RO S.A., Kredyt Inkaso Portfolio Investments Luxembourg S.A., and at the same time being a member of the management board of KI Servcollect SRL, had used his knowledge and information concerning Kredyt Inkaso S.A. and the capital group companies to gain financial benefit from the purchase and sale transactions covered by the lawsuit, which were closed on the Romanian market between June 2014 and April 2016. Paweł Szewczyk did not inform the Company while holding the President of Board office about the nature and scope of his collaboration with KI Servcollect SRL in the process of organising claim trading transactions on the Romanian market. Paweł Szewczyk remained a member of the Management Board for KI Servcollect SRL without obtaining the consent of the Supervisory Board of Kredyt Inkaso S.A. in this respect or informing it about it. At the same time, Paweł Szewczyk knew that KI Servcollect SRL made significant profits on debt trading transactions involving Kredyt Inkaso group companies even though KI Servcollect SRL had no investment agreement or service contract singed with any company from the Kredyt Inkaso capital group. In the lawsuit, the Company has also demanded injunction to secure the above claims (Current Report 13/2020). The Company's request for injunction was dismissed by the court and, as the appeal filed by the Company's attorney was rejected by the upper court, this decision should be considered final. In January 2024, BEST S.A. filed to join the side of the Company in the proceedings to which the defendants objected. In May 2024, the Court considered the defendants' objections and excluded BEST S.A. from the proceedings. Witnesses are still being interviewed in the case and further hearing dates are set. The Company is also submitting more requests for evidence. According to the attorney, there will be an expert opinion issued in the case;

- a lawsuit by two members of the Supervisory Board, dated 24 June 2021, to revoke 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 Karol Szymański to the Company's Supervisory Board for a new term and granting him the authority to perform supervisory activities on a permanent individual basis. The Company intends to actively participate in the legal proceedings (Current Report 53/2021);
- the second lawsuit by two members of the Supervisory Board, dated 25 May 2022, to revoke 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 Karol Szymański to the Company's Supervisory Board for a new term and granting him the authority to perform supervisory activities on a permanent individual basis. The case is currently pending before the Regional Court in Warsaw, 16th Commercial Division, case number XVI GC 709/22. The Company wants to actively participate in the litigation (Current Report 36/2022 and 38/2022). By an order of 6 July 2022, the court granted the injunction securing the claimants by suspending the effective force of the resolution until the lawsuit is conclusively closed. According to information provided in Current Report 60/2023, on 23 November 2023 the Court of Appeals reversed the order dated 6 July 2022, and referred the request for injunction to the District Court of Warsaw for reconsideration. The Court of Appeals did not rule on any substantive grounds regarding whether or not securing of the claim should be granted. The request for injunction will therefore be reconsidered.

Court proceedings ended in the current reporting period:

- in reference to Current Report 34/2019 and 61/2023, on 6 December 2023 the Company gained the knowledge that the District Court in Warsaw, 16th Commercial Division, issued a decision of 17 November 2023 to discontinue the proceedings then pending before the Court (case number XVI GC 475/20) and brought by the Company's shareholder BEST S.A. based in Gdynia ("Shareholder"), which sought invalidation or cancellation of Resolution 4/2019 of the Company's Extraordinary General Meeting of 30 May 2019 which had approved certain transactions that encumbered the Company's assets or the assets of other capital group subsidiaries in connection with the Company's issue of Series F1 bonds, for the reason that this Shareholder has withdrawn its claims;
- in reference to Current Report 93/2016, 65/2017, 56/2018, 40/2023 and 55/2023, on 29 November 2023 the Company gained the knowledge that the Regional Court in Warsaw, 20th Commercial Division, issued a decision of 29 November 2023 to discontinue the proceedings then pending before the Court (case number XX GC 739/19) and brought by the Company's shareholder BEST S.A. based in Gdynia, which sought cancellation of certain resolutions of the Company's Annual General Meeting of 3 October 2016, 27 September 2017 and 27 September 2018 (combined into a single case), for the reason that this Shareholder has withdrawn its claims;

30.2. Tax proceedings

On 29 December 2022, KI RUS received a notice of audit from the Interdistrict Inspectorate of the Federal Tax Service. The subject of the audit was all taxes and fees and insurance premiums for the period from 1 January 2019 to 31 December 2021. On 22 June 2023, a report on the aforementioned tax audit was issued, which questioned the settlements between KI RUS and KI LUX under claim assignment agreements entered into between the companies on 16 May 2014 and 2 July 2014, and an agency agreement dated 5 May 2014.

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

- RUB 19.4 million (excluding interest) for underreporting corporate income tax for 2019-2021 plus a fine at a rate of 40%, the amount of which the Company calculated is RUB 7.8 million,
- RUB 28.7 million (excluding interest) 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 the Company calculated was RUB 5.7 million, and

value-added tax overpayment for 2019-2021 of RUB 2.3 million.

The Group has set up a provision to cover the charges raised in the amount of RUB 79.8 million (including the amount of tax arrears and anticipated interest and fines).

KI RUS submitted objections to the audit report in writing and in a meeting with the tax authority. On 21 August 2023, the Russian Company made a payment of tax arrears (excluding interest and fines) in the total amount of RUB 31.5 million (net of value-added tax overpayment), which was agreed upon during a meeting with the tax authority on 18 August 2023. On 30 August 2023, KI RUS received the final decision on the results of the audit, in which the tax authority set the final amount of tax arrears and fines (excluding interest) at a total of RUB 29.6 million. The decision became final after 30 days, at which time the Russian company settled the interest on the tax arrears, which amounted to RUB 5.1 million. The total amount of tax arrears, fines and interest paid for irregularities identified by the tax authority for 2019 - 2021 amounted to RUB 32.4 million (after deducting the amount of overpayment in value-added tax indicated above).

KI RUS also adjusted its tax settlements for the unaudited period from January 2022 to March 2023, resulting in a tax payment with interest of RUB 5.6 million.

As of April 2023, KI RUS makes tax settlements according to the interpretation indicated by the tax authority.

In September 2023, the Group dissolved the unused portion of the provision which had been set up in connection with tax proceedings pending in Russia, in the amount of RUB 41.8 million (equivalent to PLN 1.9 million, exchange rate as of 30 September 2023).

30.3. Other inspections

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

31. Significant events after the balance sheet date

- On 13 May 2024, the Supervisory Board adopted a resolution selecting *PKF Consult Spółka z ograniczoną odpowiedzialnością sp. k.* based in Warsaw (ul. Orzycka 6/1B, licence 477 on the list of audit firms maintained by the Polish Audit Office, registered in the National Court Register under 0000579479) as the entity authorised to audit the individual financial statements of the Company as well as the consolidated financial statements of the Kredyt Inkaso Capital Group for the financial years 2024/2025 and 2025/2026, and to review the mid-year financial individual financial statements of the Company and the mid-year consolidated financial statements of the Kredyt Inkaso Capital Group for the first half of the financial years 2024/2025 and 2025/2026. The contract with *PKF Consult* can last two years. The statutory auditor was selected by the Supervisory Board in conformity with the applicable legal regulations and professional standards.
- On May 28, 2024, Kredyt Inkaso Investments RO S.A. ("KI RO") concluded a pledge agreement under the Romanian law concerning KI RO's debt portfolios for a total fair value of PLN 35.6 million as at 31 March 2024 – in order to secure the claims of series K1 bondholders. The pledge was established according to the terms of the series K1 bonds issue and constitutes another package of security for the bondholders of those Group bonds.
- Acting based on the authorisation of the General Meeting of the Company, contained in Resolution 7/2023 of the Extraordinary General Meeting of Kredyt Inkaso S.A. of 21 December 2023, regarding the amendment of the Management Board and Supervisory Board Remuneration Policy Kredyt Inkaso S.A. ("Remuneration Policy") ("Resolution of the General Meeting")[3], on 13 June 2024 the Supervisory Board adopted:

[3] *Capitalized terms mean as defined in the Resolution of the General Meeting*

(i) a resolution (pursuant to Article 90d (7) of the Public Offering Act) specifying certain elements in the Remuneration Policy related to: a) events that will be considered as the Implementation of the Option Review in the case of Sale of Assets and Change of Control; b) events that will constitute a violation of the additional condition reserved for the payment of the Bonus under section 24^2 of the Remuneration Policy; and c) additional mechanisms for determining the value of the Company's shares for the purpose of the additional part of the variable Bonus, which in the opinion of the Supervisory Board will best reflect the real value of the Company's shares and assets indicated in section 24^3 of the Remuneration Policy;

(ii) a resolution regarding the positive opinion about some insignificant changes to the Remuneration Policy related to: a) events in which the Bonus may be paid despite the non-fulfilment of certain Conditions; and the deferral of payment of the Bonus in the case of the Sale of Assets until a specific date after certain payments are made to shareholders, including by way of dividend, and related to the variable part of the Bonus that depends on certain payments made after the Option Review (e.g. additional *earn-out* fee or profit obtained from the sale of shares or shares of another entity obtained in exchange for shares of the Company under the Option Review) until a specific date after making such payments;

(iii) four resolutions approving the conclusion of additional remuneration annexes to the manager contracts of the respective members of the Management Board of the Company.

The decision concerning the above case was motivated by the Supervisory Board's agreement with the assessment that has been worked out by the General Meeting of the Company, according to which the vesting of the Bonus will contribute to the implementation of the Company's business strategy, its long-term interests and stability through a positive impact on the retention of the management personnel and their motivation to build the value of the Company. In the implementation of the resolutions in question, the Supervisory Board, through the duly authorised Chairman of the Supervisory Board, concluded annexes to management contracts with members of the Management Board ("Annexes"). The basic conditions of vesting the right to the Bonus are: (i) the proper fulfilment of the obligations to support the Option Review; and (ii) holding the office in the Management Board on the date of the Option Review. The annexes define the detailed conditions of the Bonus, including the circumstances in which the second of the above conditions does not need to be met as well as events in which a member of the Company's management board may lose the right to a part of the Bonus upon termination of the office held even after the date of the Option Review. The Bonus consists of two elements, a fixed part and a variable part:

(i) the fixed part is: a) EUR 350,000 gross for Barbara Rudziks, b) EUR 250,000 gross for Maciej Szymański, c) PLN 700,000 gross for Mateusz Boguta; and d) EUR 150,000 gross for Iwona Słomska;

(ii) the variable part of the Bonus depends on the reference value, but in any case will not be higher than 140% of the annual gross remuneration of a given member of the management board.

The additional payment reservation that is referred to in section 24^2 of the Remuneration Policy will not apply to Maciej Szymański.
The Bonus amounts indicated above are gross, i.e. if payable they will be reduced by the relevant personal income tax sums and social security contributions.

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

Factors and events, including those of an unusual nature, having a significant impact on the financial statements factors and events, including those extraordinary in nature, which had a material impact on the financial statements, are presented in notes to the respective financial statement items.

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

Based on the resolution of the Annual General Meeting of 30 September 2022 (Current Report 60/2022) to initiate a review of strategic options concerning the Company's future in order to resolve the Company's existing shareholder situation, including in particular the potential disposal by shareholder(s) of the Company's shares, on 4 April 2023 the Management Board signed an agreement with a transaction advisor (Ipopema Securities S.A. based in Warsaw), hence initiating the review of strategic options (Current Report 9/2023). As part of the process, to the extent permitted by applicable law, additional information about the Company and its affiliates were provided to selected entities. As at the Approval Date, the review of strategic options has not been completed or any binding decisions made regarding the final selection of the option to be implemented. A limited number of potential investors have been involved in the current phase of the strategic options review, and the scope of scenarios examined by the Company includes potential transactions on its assets or the assets of its affiliates (including the division of the Company by spin-off). Based on the information obtained in the options review, one of our shareholders, BEST S.A., made a share acquisition offer to the majority shareholder, WPEF VI Holding 5, and informed the Company and the market accordingly in their Current Report 12/2024. The details of the offer are not known to the Company. The decision to implement one of the strategic options developed by the Management Board will be made by the Company’s shareholders at their General Meeting. Its implementation may cause the Group to violate certain covenants that have been incorporated in relevant credit facility agreements or bond issue terms and conditions. For example, the review of strategic options may lead to a transaction resulting in the disposal by the Company or Group entities of a material part of its assets or business (possibly causing the early redemption of bonds or credit facility liabilities becoming due and payable). In addition, such divestment may generate significant proceeds for the Group which are subject to a material amount of tax. A transaction resulting in a change in the Issuer's shareholding structure and, consequently, a possible call for its shares and the withdrawal of its shares from the Regulated Market could also necessitate the early redemption of its bonds or cause its credit facilities to become matured. In other events where the implementation of decision upon the strategic review will require a consent of the Company’s Board (in addition to approvals from other corporate bodies, if any), for example in the case of a decision leading to the disposal of a material part of the Company’s or Group's assets, then the role and tasks of the Board will be (i.e. in addition to the presentation of the summary and results of the strategic review to the shareholders) to appropriately structure and prepare any potential transactions with a view to mitigating risks of regulatory or contractual violations as well as to ensure that the Group meets all its obligations provided for in regulations or contracts. However, the review of strategic options may also conclude with a decision to keep the status quo existing on the Approval Date.

On March 11, 2024, an out-of-court settlement was concluded between law firm Kancelaria Prawnicza Forum Radca Prawny Krzysztof Piluś and Spółka Komandytowa (“Forum Law Firm”), Kredyt Inkaso S.A., White Berg Towarzystwo Funduszy Inwestycyjnych S.A., Debito Fundusz Inwestycyjny Zamknięty Niestandarizowany Fundusz Wierzytelności pending liquidation, Jupiter Fundusz Inwestycyjny Zamknięty Niestandarizowany Fundusz Wierzytelności, under which Capitea, Debito and Forum Law Firm are settling certain issues related to Legal Support Services, involving the remuneration under the letter of agreement of 28 December 2020 to which Forum Law Firm, Kredyt Inkaso S.A., GetBack S.A. (currently Capitea S.A.), Noble Funds TFI and the Debito Fund are parties.

By this settlement, Capitea S.A. has undertaken to pay Forum Law Firm for the Legal Support Services a one-off sum of PLN 900,955.67 net plus VAT.

Forum Law Firm stated that once paid the settlement amount will exhaust its all claims, and in particular claims against Capitea, Debito and Jupiter, as well as any potential claims against the Company and of any Third Party to whom Forum Law Firm may transfer the Claims or other claimable debts under the letter of agreement or the Legal Support Services. The settlement amount was received by Forum Law Firm on 13 March 2024, and recognised in the profit and loss account in ‘Net revenue’, line ‘Other income/expenses’.

34. Approval for publication

The Parent's Management Board approved for publication these annual consolidated financial statements prepared for the period from 1 April 2023 to 31 March 2024, including comparative data, on 11 July 2024 ("Approval Date").

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

Accounting and Reporting Manager

Ewa Palczewska-Dunia