ITF GROUP AD

ANNUAL MANAMGEMENT REPORT
CORPORATE GOVERNANCE STATEMENT
INDEPENDENT AUDITOR'S REPORT
ANNUAL FINANCIAL STATEMENTS

31 December 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 BGN'000	2019 BGN'000
Income from financial assets	5	6 467	4 965
Revenue from contracts with customers	6	3	171
Other revenue	7	23	
Expenses for materials and hired services	8	(655)	(588)
Employee benefit expenses	9	(2 287)	(2 019)
Amortisation	14, 15	(359)	(246)
Other operating expenses	10	(324)	(524)
Expected credit loss for granted loan, net	11	(731)	(673)
Net loss from sale of receivables from granted loans	18	(557)	(112)
Interest expenses and other financial expenses	12	(821)	(509)
Profit before tax		**759**	**465**
(Loss)/ gains from income taxes	13	(82)	(47)
Profit for the year		**677**	**465**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**677**	**418**

The Annual Financial Statements are approved by the Board of Directors and are signed on 26 March 2021 by:

Svetoslav Angelov
Executive Director

Filip Dobrinov
Executive Director

Zornitsa Staynova
Preparer

Auditor's report is issed on 26 March 2021
Zlatka Kapinkova
Registered Auditor

The notes on 6 to 55 are integral part of the annual financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	31 December 2020 BGN'000	31 December 2019 BGN'000
ASSETS			
Non-current assets			
Intangible assets, plant and machinery	14	1 115	1 073
Right-of-use assets	15	292	420
Deferred tax assets	16	9	10
		1 416	**1 503**
Current assets			
Receivables from granted loans	18	9 536	7 166
Related party receivables	34	45	83
Trade receivable	19	9	17
Other current assets	20	25	83
Guarantees	21	42	45
Cash and cash equivalents	22	294	3 912
		9 951	**11 306**
TOTAL ASSETS		**11 367**	**12 809**

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (CONTINUED)

	Notes	31 December 2020 BGN'000	31 December 2019 BGN'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	23.1	1 800	1 800
Legal reserves	23.2	167	125
Retained earnings	23.3	1 322	724
TOTAL EQUITY		**3 289**	**2 649**
LIABILITIES			
Non-current liabilities			
Bond payables	24	4 928	4 927
Long-term loans from related parties	34	296	296
Non-current lease liabilities	25	147	248
Non-current borrowings	26	1 623	1 080
		6 994	**6 551**
Current liabilities			
Bond payables	24	63	51
Related party payables	34	50	38
Current lease liabilities	25	155	184
Trade payable	27	118	160
Tax liabilities	28	32	27
Employee benefits and payables to social security institutions	29	255	236
Payables for continuing interest in financial assets	30	117	1 893
Short-term borrowings	31	260	986
Other payabeles	32	34	34
		1 084	**3 609**
TOTAL LIABILITIES		**8 078**	**10 160**
TOTAL EQUITY AND LIABILITIES		**11 367**	**12 809**

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 BGN'000	31 December 2019 BGN'000
Cash flows from operating activity			
Granted loans-related proceeds, including interests		13 422	11 269
Payments to borrowers		(10 651)	(9 029)
Cash proceeds from other sales		4	172
Payments to suppliers and receivables from other customers, net		(876)	(1 210)
Payments to employees and social security institutions		(2 434)	(2 030)
Tax payments, other than income tax		(68)	(42)
Other payments, net		(105)	(119)
Net cash flows used in operating activity		**(708)**	**(989)**
Cash flows from financing activity			
Proceeds from bond issue		-	5 000
Proceeds from borrowings		509	2 729
Payments for borrowings		(2 572)	(2 697)
Interest payments		(577)	(89)
Payments under lease contracts	33	(270)	(200)
Net cash flows from financing activity		**(2 910)**	**4 743**
Net increase of cash and cash equivalents		**(3 618)**	**3 754**
Cash and cash equivalents on 1 January		3 912	158
Cash and cash equivalents on 31 December	22	**294**	**3 912**

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STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2020

	Share capital BGN'000	Legal reserves BGN'000	Retained earnings BGN'000	Total BGN'000
Balance on 1 January 2019	**1 800**	**84**	**372**	**2 256**
Changes in equity for 2019:				
Legal reserves	-	41	(42)	(1)
Distribution of dividend for preferred shares	-	-	(24)	(24)
Profit for the year	**-**	**-**	418	418
Total comprehensive income for the year	-	-	**418**	**418**
Balance on 31 December 2019	**1 800**	**125**	**724**	**2 649**
Changes in equity for 2020:				
Legal reserves	-	42	(42)	-
Distribution of dividend for preferred shares	-		(37)	(37)
Profit for the year	-	-	677	677
Total comprehensive income for the year	**-**	**42**	**677**	**677**
Balance on 31 December 2020	**1 800**	**167**	**1 322**	**3 289**

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1. NOTES TO THE FINANCIAL STATEMENTS

1. DETAILS FOR THE COMPANY

ITF GROUP AD is a company established in 2012. The company's seat and registered address is in Sofia 1303, Vazrazhdane region, 84-86 Al. Stamboliyski Blvd. The company is registered in the Commercial Register with UIC 202255877 and in the Bulgarian National Bank (BNB) register of non-banking financial institutions in accordance with the Credit Institutions Act.
The last change for the company has been recorded in the Registry Agency on 28 October 2020. The change refers to the conversion of a portion of the Company's subscribed capital.

1.1. Scope of business

The company's scope of business is as follows: granting loans from funds not raised through public raising of deposits or other refundable money.

A bond issue of the Company is registered on the Bulgarian Stock Exchange with ISIN code BG2100017198.

1.2. Ownership and management

Major shareholders in ITF Group AD:

- Abi Capital EOOD;
- Filip Dobrinov;
- Emil Galabov

By virtue of Resolution of the General Meeting of Shareholders of 30 September 2020, 200 000 materialised, preferred, registered non-voting shares (Shares of class B) of ITF Group AD were converted into ordinary, materialized, registered voting shares. The capital of the Company is in the amount of BGN 1 800 000 (one million and eight hundred thousand Bulgarian levs) and is divided into 1 800 000 (one million and eight hundred thousand) shares with nominal value of BGN 1 (one Bulgarian lev) each, and all 1 800 000 (one million and eight hundred thousand) shares are ordinary, materialized, registered voting shares. With view of the resolution adopted by the General Meeting of Shareholders of 30 September 2020, the Articles of Association of the Company were amended. The amendments are registered in the Commercial Register as stated hereinabove.

The Company has a one-tier management system.
Board of Directors:

- Svetoslav Yuriy Angelov – Executive Director and member of the Board of Directors;
- Filip Georgiev Dobrinov – Executive Director and member of the Board of Directors;
- Yuriy Angelov Angelov – member of the Board of Directors;
- Donka Ivanova Angelova – member of the Board of Directors;

The company is represented by Svetoslav Yuriy Angelov and Filip Georgiev Dobrinov jointly and severally.

An Audit Committee was appointed on the regular General Meeting of Shareholders held on 30 September 2020 with the following members:

- Violeta Vasileva
- Anna Ivanova
- Daniela Mihaylova

The Audit Committee supports the work of the BoD and plays the role of persons charged with the governance who monitor and supervise the Company's internal control, risk management and financial reporting system.

As at 31 December 2020, the company has 55 employees under employment contract (2019: 57 employees).

The beneficial owner of the Company is Abi Capital EOOD whose equity instruments are not traded on the market. Abi Capital EOOD prepares consolidated financial statements which are subject to publication in the Commercial Register at the Registry Agency.

1.3. Key indicators of the economic environment

The key indicators of the economic environment that influence the company's business for the period 2018 - 2020 are summarised in the following table:

Indicator	2020	2019	2018
GDP, BGN million	118 605	113 393	101 043
Actual GDP growth	4.39%	3,4%	3,8%
Inflation at the end of the year	1,7%	3,1%	2.8

source: National Institute of Statistics

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The company's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) developed and issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (IFRS endorsed by the EU). Within the meaning of paragraph 1, item 8 of the Supplementary Provisions of the Accounting Act applicable in Bulgaria, the term "IFRS endorsed by the EU" means the International Accounting Standards (IAS) adopted in accordance with Regulation (EU) 1606/2002 of the European Parliament and of the Council.

The financial statements are prepared in Bulgarian lev (BGN), which is the functional currency of the company. All amounts are presented in thousand Bulgarian levs (BGN'000) (including the comparative information for 2019), unless stated otherwise.

The management is responsible for the preparation and fair presentation of the information in these financial statements.

Going concern

The annual financial statements are prepared in accordance with the going concern principle taking into account the possible effects of the continued impact of the Covid-19 pandemic.

Currently, the global pandemic of the new coronavirus Covid-19 has spread across almost all regions worldwide. The continued Covid-19 pandemic may have significant adverse effect on the Company's business. The spread of the disease among the Company's employees, as well as any quarantine affecting the employees, might decrease the ability for performance of their official duties. Any possible infections or quarantines would affect the ability of the Company's customers to execute transactions in its offices, which would have adverse impact on granting offline loans. Last but not least, the continued quarantine measures would affect the ability of the customers to repay their loans in case of material decrease of their household income.

In addition to the above considerations, the Company's business would be adversely affected by the wider macroeconomic impact of the continued Covid-19 pandemic. The deterioration of the economic conditions at global level and in Bulgaria would probably result in decreasing trust of the business and consumers, higher unemployment rate, decrease of households' available income, decrease of the value of actual and financial asset, and increase of non-payments and intercompany indebtedness. On the other hand, the active governmental measures for limiting the economic and social damages due to the pandemics might result in new statutory requirements and charges of interests and other higher expense components upon customer becomes in delay to pay, or even imposition of temporary suspension of loan interest and principal payments.

Irrespective of the above and of the impact on the sector and on the business as a whole, in 2020 the Company undertook immediate measures to mitigate the adverse consequences.
ITF Group AD managed to adapt to work under the new conditions and limited a portion of its costs, such as rental, hired services, etc. Despite the lower turnovers in March and April 2020, this was a short-term decrease and at the beginning of June, the company gradually started to return to its usual amounts of granted loans and collection of cash.

The Covid-19 pandemic has long-term effects on the economic situation. The fintech sector, and the financial service sector, in particular, managed to quickly adapt to the new reality. The demand of remote financial services increases and the share of population who actively use e-banking services and finance management grows. The benefits (speed and easy access) offered to the customers by the business are in the foundation of the increased demand of the services offered by ITF and determine further development opportunities.

As at the date of preparation of these financial statements, the management has assessed the company's ability to continue operating as going concern on the basis of the information available for the foreseeable future. Based on the company's business review, the management expects that the company has sufficient assets and abilities available to continue its operations in the near future and continues applying the going concern principle to the preparation of the annual financial statements.

Future development

The company focuses on the development of the online business model, the introduction of innovations, automation and optimisation of all operational processes.
The new reality determined by the Covid-19 pandemic further enable new business opportunities for the Company based on remote connection with the customer, the use of advanced technologies and the expectations for increasing demand of flexible financial products properly adapted to different groups of customers.
For 2021, the company estimates growth of its loan portfolio and growth of the market share in Bulgaria of its online brand – Smile Credit. The sales network of GetCash has stable position on the market and will keep its good operational rate in future.

3. CHANGES IN THE ACCOUNTING POLICY

3.1. New standards, amendments and interpretations effective for the financial year beginning on 1 January 2020

The Company applies the following new standards, amendments and interpretations that have become effective during this year:

IAS 1 and IAS 8 (revised) – Definition of Material, effective from 1 January 2020, endorsed by the EU

The amendments aim to use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting. The amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Amendments to References to the Conceptual Framework in IFRS Standards, effective from 1 January 2020, adopted by the EU

IASB has issued revised conceptual framework, which comes into effect for the Board and its work related to the development of new accounting standards immediately. Such framework does not result in changes in any of the existing accounting standards. Nevertheless, entities that rely on the conceptual framework when designing their accounting policies for transactions, events or conditions for their business, which are not explicitly highlighted in specific accounting standard, would be able to apply the revised framework as from 1 January 2020. These entities should assess whether their accounting policies are still appropriate in accordance with the revised conceptual framework. The key amendments are as follows:

- in order to achieve the objective of the financial reporting, a focus is made on the role of the management, which should serve the primary users of the reports
- the principle of prudence as a required element to achieve neutral presentation of the information is highlighted again
- a definition of reporting entity is given, whereas this can be a separate legal entity or part of the entity
- definitions of asset and liability are revised
- the condition of probability of economic benefit inflows and outflows is eliminated upon recognition of assets and the derecognition guidelines are supplemented
- additional guidelines for various valuation basis are given, and
- profit or loss is determined as the key indicator for the entity's business and a recommendation is made to recycle revenue and expenses from other comprehensive income through the profit or loss, where this would increase the appropriateness or the fair presentation of the financial statements.

IFRS 3 (revised) – Definition of a Business, effective from 1 January 2020, adopted by the EU

The amended definition of business requires that acquisition should consist of inputs and substantive process, which in aggregate significantly contribute to the ability to create outputs. The definition of output changes to focus on goods and services offered to customers that generate income from investments and other income. The definition excludes return in the form of lower costs and other economic benefits. Probably, these amendments would result in reporting of more acquisitions classified as acquisition of assets.

Amendments to IFRS 9, IAS 39, and IFRS 7: Interest Rate Benchmark Reform, effective from 1 January 2020, adopted by the EU

The proposed update includes elements to reflect the new disclosure requirements introduced by the amendments to IFRS 9, IAS 39 and IFRS 7.

Amendments to IFRS 16 Covid-19-Related Rent Concessions, effective from 1 June 2020, adopted by the EU

The lessee may decide not to assess whether the COVID-19-related rent concession is a lease modification. A lessee that applies the exemption accounts for COVID-19-related rent concessions as if they were not lease modifications.

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

As at the date of approval of these financial statements, new standards, amendments and interpretations to already existing standards have been issued but are not yet enforced or endorsed by the EU for the financial year beginning on 1 January 2020, and have not been applied by the company earlier. They are not expected to have significant effect on the company's financial statements. The management expects all standards and amendments to be adopted in the company's accounting policy during the first period beginning after the date of their enforcement.

Amendments are related to the following standards:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-Current, effective from 1 January 2023, not yet endorsed by the EU
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, effective from 1 January 2022, not yet endorsed by the EU
- Annual Improvements 2018-2020, effective from 1 January 2022, not yet endorsed by the EU
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, effective from 1 January 2022, not yet endorsed by the EU

4. ACCOUNTING POLICY

4.1. General provisions

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2. Presentation of the financial statements

The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements. The Company presents the statement of profit or loss and other comprehensive income in a single statement.

Comparative data

Two comparative periods are presented in the statement of financial position. Where the Company applies the accounting policy retrospectively, it either translates the items in the financial statements retrospectively, or reclassifies items in the financial statements, which materially affects the data in the statement of financial position at the beginning of the previous period.
Whenever necessary, comparative data are reclassified to achieve comparability with any changes in the presentation for the current year.

Foreign exchange differences

Upon initial recognition, any foreign transactions are translated directly in the reporting currency, as far as the two currencies have an exchange rate fixed by law, by applying the BGN exchange rate to the foreign currency amount applicable as at the time of transaction or operation. Cash, receivables and payables, as monetary reporting items denominated in foreign currency are stated in the reporting currency by applying the exchange rate published by the Bulgarian National Bank (BNB) for the last business day of the respective month. As at 31 December, they are measured and stated in Bulgarian levs by applying the BNB's final exchange rate.

Non-monetary reporting items in the statement of financial position that are initially denominated in foreign currency are recognized in the functional currency by applying the historic exchange rate as at the date of the operation, and are not subsequently revaluated at final exchange rate.

Effects of foreign exchange differences related to settlement of foreign currency transactions or reporting of foreign currency transactions at exchange rates other than those at which they have been initially recognised, are stated in the statement of comprehensive income (in profit or loss for the year) as at the time of their occurrence.

4.3. Revenue from contracts with customers

Company's major revenue is related to operations with financial assets. Revenue is measured at fair value of received or receivable consideration.

Revenue generated by the company, other than that from financial instrument trading, is determined in accordance with the requirements of IFRS 15.
In order to determine whether and how to recognise revenue, the company uses the following 5 steps:
1. identifies the contract with a customer;
2. identifies the performance obligation;
3. determines the transaction price;
4. allocates the transaction price to the performance obligations;
5. recognises revenue when the performance obligations are satisfied.

Revenue is recognised either at a point in time, or over time, when or as the company satisfies the performance obligations by transferring the promised goods or services to its customers.

The company recognises as contractual liabilities any consideration received with regard to unsatisfied performance obligations and presents them as other liabilities in the statement of financial position. Similarly, if the company satisfies any performance obligation before receiving the consideration, in the statement of financial position it recognises either a contractual asset, or receivable, depending on whether the receipt of such consideration requires otherwise than specific time.

4.3.1. Revenue recognised at a point of time

For separate sales of software that are neither customised by the company, nor subject to significant integration services, the control transfers at the time in which the customer indisputably accepts the delivery of goods.

For sales of software that are neither customised by the company, nor subject to significant integration services, the license term begins as at the time of delivery.

The company accounts for revenue from granting right of use of a software license (for indefinite time and a lump-sum payment) and upon recording it, it only identifies a performance obligation for delivery of a software license.

The company reviews the nature of its promise to transfer the software license in accordance with paragraph B58 of IFRS 15. With the single transfer of software licenses, the company is not committed to provide support or updates. The contractual relations do not give raise to additional contractual or implicit obligations for the company, as well as obligations to perform actions that change the functionality of the software with regard to the granted license. The transferred software license (the use of the software) remains functional, without updates and technical support, other than reference hardware service of workstations, and therefore the customer's ability to obtain the benefits of the software in substance neither originates from, nor depends on the company's continuing activities. To this end, the company determines that the contracts for sale of software neither require, nor the customer reasonably expects, the Company to carry out activities that have significant influence on the software.

4.3.2. Revenue from interests, penalties, charges

Revenue from interests, penalties and charges are recognized in the statement of comprehensive income (in profit or loss for the year) upon their occurrence.
Revenue from interests is recognized on ongoing basis with the effective interest rate method.
Revenue from penalties occurs in case of customer's breach of the terms and conditions of the loan agreement signed thereby in relation to the provision of collateral.
Revenue from charges comprises additional charges for out-of-court collection.

4.3.3. Dividend income

Dividend income is recognised on the date of establishing the right to receive the payment.

4.4. Operating expenses

Operating expenses are recognised in the profit or loss at the time of the use of the services or on the date of incurrence thereof.

The following operating expenses are always stated as current expenses at the time of incurrence thereof:

- General and administrative expense (unless covered by the customer);
- Expenses for waste inventories;
- Expenses related to satisfied performance obligation;
- Expenses for which the company is not able to determine whether they are related to satisfied or unsatisfied performance obligation.

4.5. Interest expenses and other financial expenses

Interest expenses are reported on an accrual basis using the effective interest method.

Borrowing expenses mainly comprise Company's interests for borrowings. Interest expenses should be recognised as an expense for the period of incurrence thereof in the statement of comprehensive income on line "Interest expenses and other financial expenses" and comprise interests for borrowings, interests for bond issue. Financial expenses are stated in the statement of comprehensive income (in the profit or loss for the year) upon their incurrence and comprise: interest expenses, including bank charges and other direct costs for loans and bank guarantees, foreign exchange differences from foreign currency loans (net).

4.6. Plant and Equipment

All items of plant and machinery are stated at acquisition cost, less accumulated depreciation and impairment losses. Acquisition cost comprises expenses that meet the criteria for recognition of fixed tangible assets and directly refer to the acquisition of the asset.
Subsequent expenses are added to the carrying amount of the asset or are stated as a separate asset where the company expects to obtain future economic benefits related to the use of such asset and where its book value may be reliably determined. The carrying amount of any replaced part is derecognised. All other expenses for maintenance and repair are recognised in the profit or loss for the period they have been incurred. The material threshold is BGN 700.
Depreceation of plant and equipment is charged on the basis of the straight-linear method for the purposes of distributing the difference between the carrying amount and the residual value over the

expected useful life of the assets as follows:

Office equipment	7 years;
Machinery and equipment	3 years;
Vehicles	5 years;
Computer equipment	2 years;

The residual value and useful life of assets is subject to review, and whenever necessary, the respective adjustments are made as at each date of preparation of the respective financial statement.

The carrying amount of the asset decreases to its recoverable amount where the carrying amount of the asset is higher than its expected recoverable amount. Gains and losses from decommissioned assets are determined by comparing the price received and their carrying amount in other losses/ gains – net, in the income statement.

4.7. Intangible assets

Intangible assets are measured at acquisition cost. After initial recognition, intangible assets are stated at acquisition cost less charged amortisation and impairment losses.

Useful life of intangible assets is determined as finite.
Intangible assets with finite useful life are amortised during their useful life and are tested for impairment whenever there are indications that their value is impaired. At least at the end of each financial year, the useful life of and the amortisation methods applied to any intangible asset with finite useful life is subject to review. Changes in expected useful life or method for consumption of future economic benefits of intangible assets are stated through change of the amortisation period or method and are treated as change in accounting estimates. Expenses for amortisation of intangible assets with finite useful life are classified by function in the income statement, depending on the use of the intangible asset.

Reference software	7 years;

Research and development expenses for intracompany project are recognised as cost at the time of incurrence.

Expenses that may be directly referred to the development phase of an intangible asset are capitalised if they meet the following criteria:

- The finalisation of the intangible asset is technically feasible so that it will become available for use or sale;
- The company intends to finalise the intangible asset and to use and/or sell it;
- The company is able to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Furthermore, there is a market for the production of the intangible asset or for the intangible asset itself, or if used in the company's business, it would generate economic benefits;
- Adequate technical, financial and other resources are available for the completion of the research and for the use or sale of the intangible asset;
- Intangible asset-related expenses during the phase of its development can be reliably measured.

Expenses for development of intangible assets that do not meet the above capitalisation criteria are recognised at the time of incurrence.

Expenses that are directly related to the development phase of the intangible asset comprise costs for remuneration of specialists and hired services directly related to the creation of the respective intangible assets. Internally developed software products recognised as intangible assets are subsequently measured alike purchased intangible assets. Before the completion of the development project, assets are tested for impairment.

Gains or losses generated upon derecognition of an intangible asset, being the difference between the net proceeds from sale, if any, and the carrying amount of the asset, are stated in the income statement upon derecognition of the asset.

4.8. Lease

4.8.1. The Company as a lessee

For any new concluded contract, the Company judges whether a contract is or contains a lease. Lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". In order to apply such definition, the company makes three major estimates:

- whether the contract contains an identified asset that is explicitly stated in the contract or is implicitly stated as at the time of conveying the asset for use
- the company is entitled to obtain substantially all economic benefits of the use of the asset during the whole period of use, within the specific scope of its right to use the asset in accordance with the contract
- the company has the right to direct the use of the identified asset during the whole period of use.

The company assesses whether it has the right to direct "how and for what purpose" the asset will be used during the whole period of use.

Measurement and recognition of lease by the Company as a lessee

At the initial date of the lease contract, the company recognises the right-of-use asset and the liability under the lease in the statement of financial position. The right-of-use asset is measured at acquisition cost that comprises the amount of initial measurement of the lease liability, the initial direct expenses incurred by the company, estimate of expenses that the lessee will incur for dismantling and removal of the underlying asset at the end of the lease contract, and any lease payments made before the commencement date of the lease contract (less lease incentives).

The company amortises the right-of-use asset by the straight-linear method as from the commencement date of the leasing until the earlier of the end of the right-of-use asset's useful life, or the expiration of the term of the lease contract. Furthermore, the company reviews right-of-use assets for impairment where such indications exist.

On the commencement date of the lease contract, the company measures the lease liability at present value of lease payments that are outstanding as at such date discounted with the interest rate set out in the lease contract, if such rate is directly identifiable, or with the company's differential interest rate.
In order to determine the differential interest rate for leased offices, the company.

- uses methodology for determining a synthetic rating based on ICR ratio and published historic data for the risk premium of shares on risk markets, as well as market interest rate data. In its turn, the respective synthetic review is based on the interest coverage ratio, which is a key indicator for most credit agencies. For the purposes of the assessment, the yield of Bulgarian long-term ten-year government securities is used as a market interest rate. The rate calculated as at the date of the financial statements is 6%

In order to determine the differential interest rate for leased vehicles, the company uses:

- the differential interest rate of the lessor applicable to similar assets. The rate used is in the amount of 3%.

Lease payments included in the measurement of the lease liability comprise fixed payments (including substantially fixed ones), variable payments based on index or rate, amounts that are expected to be payable by the lessee under the guarantees for residual value, and payments resulting from options, if its certain enough that the company would exercise such options. Case-by-case approach is applied on the basis of concluded contracts.

After the initial date, the lease liability is decreased by the amount of settled payments and increased by the interest amount. The lease liability is revaluated to take into account the revaluations or amendments to the lease contract, or to reflect the adjusted substantially fixed lease payments.

Where the lease liability is revaluated, the respective adjustment is reflected in the right-of-use asset or is recognised through profit or loss, if the right-of-use asset's carrying amount has been decreased to zero.
The company has elected to state short-term lease contracts and the lease of assets of low value by using practical exemptions as set out in the standard. Instead of recognition of right-of-use assets and liabilities under lease contracts, the related payments are stated as expense through profit or loss by the straight-linear method during the lease term.
In statement of financial position right-of-use assets are stated on separate line, depending on their term, and the lease liabilities are comprised in non-current and current lease liabilities and lease agreements.

Options for renewal and termination are included in a number of property leases of the company. They are used to increase the operational flexibility with regard to the management of assets used in the company's operations. The options for renewal and termination available are taken into account for every contract.

A lease contract is classified as finance lease contract if it transfers substantially all risks and benefits of the ownership of the underlying asset, and as an operating lease contract if it does not transfer substantially all risks and benefits of the ownership of the underlying asset.

Rent concessions under leases

As a lessee, the Company has applied the amendment to IFRS 16 to lease contracts under which Covid-19-related rent concessions exists. The Company applies the practical expedient allowing not to assess whether particular rent concessions under leases occurring as direct consequence of the Covid-19 pandemic are lease modifications. The company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances.

4.8.2. The Company as a lessor

As a lessor, the Company classifies its lease contracts as operating or finance lease.

A lease contract is classified as finance lease contract if it transfers substantially all risks and benefits of the ownership of the underlying asset, and as an operating lease contract if it does not transfer substantially all risks and benefits of the ownership of the underlying asset.

Assets under operating lease contracts are stated in the Company's statement of financial position and are amortised in accordance with the amortisation policy adopted in terms of similar assets of the Company and with the requirements of IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets. Rent income is recognised on straight-linear basis for the term of validity of the lease contract.

Assets under finance lease contracts are stated in the Company's statement of financial position as receivable equal to the net investment in the lease contract. The income from sale of assets is stated in the statement of comprehensive income for the respective period. The recognition of financial revenue is based on a model that reflects permanent periodic rate of return on the residual net investment.

During the two stated periods, the Company is not a party to lease contracts as a lessor.

4.9. Test for impairment of intangible assets, plant and equipment

When calculated the amount of impairment, the Company defines the smallest identifiable group of assets for which separate cash flows may be defined (cash flow generating unit). Therefore, some of the assets are subject to impairment test on individual basis, and others – on the basis of cash flow generating unit.

All assets and cash flow generating units are subject to impairment test at least once a year. All other individual assets or cash flow generating units are tested for impairment whenever any events or changed circumstances indicate that their carrying amount may not be recovered.

An amount with which the carrying amount of an asset or a cash flow generating unit exceeds their recoverable amount, being the higher between the fair value less the asset's sales costs, and its value in use, is recognised as an impairment loss. In order to measure the value in use, the management of the Company calculates the expected future cash flows for each cash flow generating unit and determines the appropriate discount rate in order to calculate the present value of these cash flows. The data used for the impairment test are based on the last approved budget of the Company adjusted, if necessary, for the purposes of eliminating the effect of future reorganisations and significant improvements of assets. The discount rates are determined for each cash flow generating unit and reflect its risk profile assessed by the management of the Company. At management's discretion, the valuation of internally acquired intangible assets is assigned to properly qualified licensed valuer.

Impairment losses of a cash flow generating unit reduce the carrying amount of assets within such unit. In terms of all assets of the Company, the management subsequently estimates whether indications exist that the impairment loss recognised during previous years does not yet exist or has decreased. Impairment recognised in previous period is reversed if the recoverable value of the cash flow generating unit exceeds its carrying amount.

4.10. Investments in subsidiaries

The company states investments in subsidiaries where it has power over the investee, has rights over the return and has the power to influence the return. Investments in subsidiaries are measured at acquisition cost.

4.11. Financial instruments

4.11.1. Recognition, measurement and derecognition

The company recognises financial asset or financial liability in its financial statements only when it becomes a party to the contractual covenants of the respective financial instrument.

Upon initial recognition, the entity measures financial assets (other than accounts receivable that do not have material funding component determined in accordance with IFRS 15) and financial liabilities at their fair value.

Upon initial recognition, the fair value of a financial asset/ liability is usually the contractual price. The contractual price of financial assets/ liabilities, other than financial assets measured at fair value through profit or loss, comprise transaction costs directly related to the acquisition/ issuing of the financial instrument. Transaction costs incurred upon acquisition of financial asset and issuing of financial liability measured at fair value through profit or loss are immediately stated as an expense.

If upon initial recognition the fair value differs from the transaction price, the entity accounts for this instrument as at such date in the following way:
a) at fair value based on proven quoted price at an active market of identical asset or liability (i.e. input data at level 1), or based on evaluation technique that uses data from observable markets only. The entity recognises the difference between the fair value at initial recognition and the transaction price as profit or loss;

b) in all other cases – at fair value adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the entity recognises such deferred difference as profit or loss only to the extent it has resulted from the change of a given factor (including time) that market participants would take into account when determining the price of the asset or liability.

Upon initial recognition, the company measures account receivables that do not have a material funding component (determined in accordance with IFRS 15) at their respective transaction price (as set out in IFRS 15).

The purchase or sale of financial assets is recognised by using transaction date-based accounting – the date on which the company has made a commitment to purchase the respective financial assets.

Financial assets are derecognised from the company's statement of financial position when the rights to obtain cash from such assets have expired, or have been transferred, and the company has transferred the material portion of the risks and benefits from the ownership of the asset to another company (entity). In case the company continues holding material part of the risks and benefits associated to the ownership of a transferred financial asset, it continues recognising the asset in its statement of financial position, however it further recognises secured obligation (loan) for the received funds.

Upon derecognition of a financial asset as a whole, the difference between the carrying amount as at the date of derecognition and the received consideration is recognised in profit or loss.

A financial instrument (asset or liability) is derecognised on the date at which the company does not anymore control the contractual rights and has substantially transferred the risks from the ownership of the asset. This happens when the rights have been realised, their validity has expired or have been redeemed.

4.11.2. Classification and subsequent measurement

Financial assets

Financial assets are classified as at the date of their initial recognition in the statement of financial position. Depending on the method of subsequent reporting, financial assets are classified in one of the following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit or loss;
- financial assets measured at fair value through other comprehensive income, with or without reclassification in profit or loss, depending on whether these are debt or equity instruments.
- The company classifies financial assets as subsequently measured at amortised cost in accordance with the following two conditions:
- a) business model for entity's financial asset management; and
- b) features of contractual cash flows of the financial asset.

Financial assets measured at amortised cost

Such category comprises receivables from granted loans, cash and other debt instruments that meet the following two conditions:
a) the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such category comprises non-derivative financial assets that are not quoted on active market. After initial recognition, they are measured at amortised cost by using the effective interest method. No discount is made until the effect of it is minor.

The amortised cost of a financial asset or liability is the value at which the asset or liability has been measured upon its initial recognition, less any principal payments settled, plus or less the cumulative amortisation of all differences between the value at initial recognition and the value payable at the maturity date, calculated by applying the effective interest method, and less any adjustment arising from expected credit losses or impairments.

- Accounts receivables

Accounts receivable comprise amounts payable by customers under service contracts incurred in the usual course of business. Usually they should be settled in short-term and are classified as current. Accounts receivable are initially recognised in the amount of unconditional consideration, unless they comprise material funding components. The company holds its accounts receivable for the purposes of collecting contractual cash flows and therefore measures them at amortised cost by using the effective interest method. No discount is made where its effect is minor.

4.11.3. Expected credit losses

At each reporting date, the company measures and determines the expected credit losses for each type of financial asset or exposure. The adopted impairment approaches are aimed at recognising expected credit losses for the entire term of all financial instruments whose credit risk has significantly increased after the initial recognition – whether measured individually or collectively, by taking into account the entire reasonable and substantiated information, including for future periods. During the review, the company reports the change of the risk of occurrence of default during the expected term of the financial instrument, and not the change of the amount of expected credit losses. For the purposes of such review, the entity compares the risk of occurrence of default with regard to the financial instrument as at the reporting date and at the date of initial recognition.

When applying such future oriented approach, it differentiates between:

- Financial instruments whose credit quality has not deteriorated significantly in comparison to the initial recognition or those that of low credit risk (Stage 1), and
- Financial instruments whose credit quality has deteriorated significantly in comparison to the time of initial recognition, or which are not of low credit risk (Stage 2)
- "Stage 3" comprises financial assets for which objective evidence for impairment as at the reporting date exists.

12 month expected credit losses are recognised for the first category, while expected losses for the full lifetime of financial instruments are recognised for the second category. Expected credit losses are determined as the difference between all contractual cash flows payable to the company and the cash flows that it actually expects to receive ("cash deficiency"). Such difference is discounted by the initial effective interest rate (or by the effective interest rate adjusted towards the loan).

For the purposes of implementing the requirements for application of the expected credit loss model of financial assets in accordance with IFRS 9, a policy for application of IFRS 9 is implemented. The policy sets out the framework for determining:

- 12 month expected credit losses or full lifetime expected credit losses of the instrument
- Expected credit losses (ECL) are recognised on the probability of default during the instrument's full lifetime, unless the credit risk has changed significantly after initial recognition, where 12 month expected credit losses are reported. 12 month expected credit losses are that portion of the credit losses for the instrument's full lifetime as a result of default, which could occur within 12 months after the reporting date.

4.11.3.1. Approach and models for impairment of financial assets – on collective and individual basis

Parameters affecting the amount of expected credit losses (ECL) are determined collectively, depending on the type and nature of financial instruments under review. Expected credit losses for loans grouped in common product features-based portfolios are reviewed collectively. The collective approach applies to exposures with risk classification in stage 1, 2 and 3.

4.11.3.2. Criteria for assessment of increased credit risk

For the purposes of determining the expected credit loss allowance, the company compares the credit risk levels, i.e. the probability of occurrence of default as at the reporting date and as at the date of initial recognition of the asset. In the cases of credit commitments, the review refers to the probability of occurrence of default under the loan they refer to, and in the cases of financial guarantees, to the probability for the guarantee debtor to become in default under the contract. The changes are analysed on the basis of available appropriate information that is accessible for the company and that can be justified without input of excessive resources and efforts. Such information comprises:

- Historic data for presentation of specific financial instruments or other financial instruments with similar risk features;
- Data for current performance of instruments under review – allowed number of days in arrears;
- Reasonable suggestions and expectations that are expected to affect the credit risk of the assets under review in the future;
- The respective risk classification, depending on the credit quality of financial assets.

Analysis of changes of credit quality of financial assets in comparison to their initial recognition, determines their risk classification in three major stages, as well as the subsequent recognition of impairment:

- Stage 1 (regular exposures) – financial assets without indications for increase of credit risk in comparison to initial measurement are classified. The company recognises 12 month ECL for financial assets classified at Stage 1. Interest income is recognised in accordance with the effective interest method over the gross carrying amount of the instrument.
- Stage 2 (exposures with damaged service) – financial assets with significant increase of credit risk but without objective evidence for impairment/ reasons for suffering losses (the exposure is not in default) are classified here. The company recognises full lifetime ECL of the instrument in the classification at Stage 2. Interest rate is recognised by the effective interest method over the gross carrying amount of the instrument.
- Stage 3 (credit impairment exposure) – financial assets with significant increase of credit risk and objective evidence for impairment (exposures for which "default" exists) are classified here. The company recognises instrument's full time expected credit losses in the classification at Stage 3. Interest income is recognised by the effective interest method over the net carrying amount of the instrument, i.e. after deduction of loss allowance.

4.11.3.3. Determination and modelling of risk parameters

The major risk parameters affecting the ECL amount are as follows:

- Probability of default (PD) – the probability a counterparty not to perform the contractual clauses related to debt repayment. With regard to collectively assessed exposures, for each separate portfolio the company maintains historic information for migration of exposures from Stage 1/ Stage 2 to Stage 3 ("default"). The amount of 12 month PD is determined on the basis of observed rates of deterioration and is calculated as a moving average for a period covering at least 2 years. The company applies major macro-neutral scenario for determining the amount of expected credit losses in terms of credit exposures due to the lack of material statistical significance between the default ratios and the changes of the macroeconomic indicators in the country. Due to the short-term nature of the loans, the default ratios have been updated and have taken into account the effects in the economic situation for the first 9 months of the year.

- Exposure at default (EAD) – the potential amount of exposure at the time of default. The amount of exposure at default is determined in accordance with the type of the loan by taking into account both the debt amount and the contractual unutilised amounts, depending on the expectation for future utilisation.

- Loss given default (LGD) – the ratio of exposure loss due to counterparty's default to the amount of exposure at default. In order to determine the LGD indicator, the company calculates the potential loss that would occur if an exposure goes in default. The loss is measured by measuring the money value of collected funds on loans went in default. The LGD parameter is determined individually for each portfolio within the credit portfolio in the asset features. In 2020, the Company has sold receivables from unserved loans. The sales transaction was used as a market benchmark for the purposes of determining the actual levels of loss given default. See Annex 14 for more information.

4.11.3.4. Methods for calculation and presentation of expected credit losses by types of financial assets

The assessment of expected credit losses is an average value weighted for probability of default during the instrument's lifetime by assessing the scope of possible results. Credit losses are the present value of the difference between the cash flows payable under a contract and the cash flows that the company actually expects to receive by taking into consideration the amounts and the time when it expects to receive them. For the purposes of determining credit losses, the difference between contractual and expected cash flows is discounted by initial effective interest rate for the transaction or by the credit loss-adjusted effective interest rate for purchased or initially created financial assets with credit impairment. The change in the loss allowance is stated as a result of impairment in profit or loss for the period.

In terms of financial assets measured at amortised cost accrued allowance decreases the carrying amount of the instrument in the statement of financial position.

4.11.4. Modified financial assets

If contractual cash flows of a financial asset have been renegotiated or modified, and the financial asset has not been derecognised, the company estimates whether a significant increase of credit risk of the financial instrument has occurred by comparing:
a) the risk of occurrence of default as at the reporting date (based on modified contractual terms); and
b) the risk of occurrence of default as at the date of initial recognition (based on initial unmodified contractual terms).

4.11.5. Financial liabilities

Financial liabilities comprise loans (credits), including bond issue, payables to suppliers and other counterparties. Initially, they are recognised in the balance sheet at fair value, net of direct transaction costs, and subsequently – at amortised cost through the effective interest method. Items classified as accounts payable and other payables are not usually measured again, as payables are known to a high level of certainty and their settlement is a short-term settlement.

4.11.6. Interests, dividends, losses and gains

Interests, other income and expenses related to financial assets, dividend, losses and gains related to financial instrument or a financial liability item are recognised as income or expense in profit or loss.
Dividend is recognised in profit or loss only when: a) the entity's right to receive dividend payment has been established; b) it is probable that the entity would gain dividend-related economic benefits; and c) the amount of dividend could be reliably measured.

4.12. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts in banks. Company's cash is accumulated in banks with good credit rating.

4.13. Retirement and other employee benefits under the social security and labour legislation

Labour and social security relations with employees and workers at ITF GROUP AD are based on the provisions of the Labour Code and the provisions of the applicable social security legislation in the Republic of Bulgaria.

The company does not have any established and functioning private voluntary social security fund.

Short-term benefits

Short-term employee benefits in the form of remunerations, bonuses and social grants and benefits (payable within 12 months after the end of the period of employee's service or meeting of the required conditions) are recognised as an expense in the statement of comprehensive income (in profit or loss for the year) during the period of service or meeting the requirements for their receipt, and as a current liability (after deducting all amounts and respective deductions already paid) in their non-discounted amount. The social security and health insurance contributions payable by the company are recognised as current expense and liability in non-discounted amount, together and within the period of posting the respective benefits they refer to.

As at the date of each financial statement, the company estimates the amount of expected costs for accumulating leaves subject to compensation that is expected to be paid as a result of unused right of accumulated leave. The assessment comprises an estimate of costs for remunerations and costs for compulsory social security and health insurance payable by the employer over these amounts.

Long-term benefits upon retirement

In accordance with the Labour Code, in its capacity of employer in Bulgaria, the company is obliged to pay employees compensation upon reaching pension age, which varies between 2 and 6 gross salaries as at the date of termination of the employment relation, depending on the length of service in the company.

The Company has assessed the employee benefits upon retirement in accordance with the requirements of IAS 19 Employee Benefits on the basis of forecast payments for the next five years discounted for the time being by long-term interest rate of risk-free securities. Since the amount is minor for the purposes of the financial statements as a whole (0,1% of liabilities) and due to the great uncertainty of the estimate of the turnover rate, the level of future remunerations, mortality and discount rate, the company believes that there are enough grounds for not charging the above payables.

Benefits upon Dismissal

According to national provisions of labour and social security legislation in Bulgaria, as an employer, the company is obliged to pay specific types of compensation upon termination of employment agreement before retirement.

The company recognises employee benefits under benefits upon dismissal before reaching retirement age, where binding commitment has been demonstrated on the basis of publicly announced plan, including for restructuring, to terminate the employment agreement with the respective individuals, without the option to be cancelled, or upon formation issue of documents for voluntary dismissal. Benefits upon dismissal payable more than 12 months are discounted and stated in the statement of financial position at their present value.

4.14. Equity and reserves

The share capital of the Company reflects the nominal value of issued shares.

ITF GROUP AD is a joint stock company registered in the register of BNB as a financial institution. As at 31 December 2020, the Company's capital is in the amount of BGN 1 800 thousand and meets the requirements of the Commerce Act and Ordinance No 26 of BNB.

The statutory reserves are formed in accordance with the requirements of the Commerce Act and the Company's Articles of Association. The statutory reserves can be used for covering the annual loss and losses from previous years only. When the fund reaches the minimum amount as set out in the Articles of Association, the surplus may be used for capital increase.

Retained earnings comprise the current financial performance and accumulated gains and uncovered losses from previous years.

Dividend payables to shareholders stated on line "Payables to related parties" in the statement of financial position, when dividends have been approved for distribution by the general meeting of shareholders before the end of the reporting period.

All transactions with Company's owners are stated on stand-alone basis in the statement of changes in equity.

4.15. Income taxes

Income taxes recognised in the profit or loss comprise the sum of deferred and current taxes that are not recognised in the other comprehensive income or directly in equity.

Current tax assets and/or liabilities are these payables to or receivables from tax authorities related to current or previous reporting periods, that have not been paid as at the date of the financial statement. The current tax is payable over the taxable income that is different from the profit or loss in the financial statements. The current tax is calculated in accordance with the tax rates and tax laws that are effective as at the end of the reporting period.

Deferred taxes are calculated in accordance with the passive method for all temporary differences between the carrying amount of assets and liabilities and their tax base. No deferred tax is stated upon initial recognition of an asset or liability, unless the respective transaction refers to the tax or book profit.

Deferred tax assets and liabilities are not subject to discount. The tax rates that are expected to apply during the period of their realization are used to calculate them, provided they have become effective or would surely become effective at the end of the reporting period.

Deferred tax liabilities are recognised in full.

Deferred tax assets are recognised if it is possible to utilize them through future taxable income. The management's estimate for the probability of occurrence of future taxable income through which deferred tax assets could be utilized is summarised in annex No 16

Deferred tax assets and liabilities are offset when and only when the Company has the right and intention to offset the current tax assets or liabilities from the same tax authority.

The change of deferred tax assets or liabilities is recognised as an item of tax income or expense in the profit or loss, unless they are not related to items recognised in other comprehensive income or directly in capital, where the respective deferred tax is recognised in the other comprehensive income or in equity.

The company does not recognise deferred taxes in relation to impairment of receivables in accordance with article 96, paragraph 1 of the Corporate Income Tax Act.

4.16. Provisions, contingent liabilities and contingent assets

Provisions are recognised when it is probable that present liabilities as a result of past event would generate outflow of the company and the amount of the liability can be reliably measured. The time period or the amount of the outflow can be possibly uncertain. The present liability occurs from the existence of legal or constructive obligation as a result of past events, for example guarantees, litigations or encumbering contracts. Provisions for restructuring are recognised only if a detailed formal restructuring plan has been developed and implemented, or the management has announced the major aspects of the restructuring plan to those that would be affected. Provisions for future losses from operations are not recognised.

The amount recognised as provision is charged on the basis of the most reliable estimate of expenses required to settle the present liability as at the end of the reporting period, by taking into account the present liability-related risks and uncertainty. Where a number of similar liabilities exist, the probable need of outflow to settle the liability is determined by taking into consideration the group of liabilities as a whole. Provisions are discounted where the effect of time differences in the value of money is significant.

Compensations from third parties with regard to a liability the company is sure to receive are recognised as a separate asset. Such asset may not exceed the amount of the respective provision.

Provisions are subject to review as at the end of each reporting period and their amount is adjusted to reflect the best estimate.

In case it is believed that it is less probable to generate an outflow of economic resources as a result of a current liability, no liability is recognised. Contingent liabilities should be estimated subsequently at the higher value of the comparable provision described above and the initially recognised amount less charged amortisation.

Probable inflows of economic benefits that do not yet meet the criteria for recognition of an asset are considered contingent assets. They are described together with the company's contingent liabilities under note 37.

4.17. Significant estimates made by the management for the implementation of the accounting policies

Significant estimates of the management when applying the company's accounting policies that have most significant effect on the financial statements are described below. Major sources of uncertainty while using accounting estimates are described under note 4.18.

4.17.1. Internally created intangible assets and research costs

The management controls intracompany development projects by using a project management system. Development costs are recognised as an asset when they meet all criteria, while research costs are stated at the time of their incurrence.

To differentiate the research phase of a development project, the company's accounting policy requires detailed forecast of sales or decrease of costs that are expected to be realised by the intangible assets. Such forecast is included in the general budget forecast when the capitalisation of development costs begins. Thus, the company guarantees that the management accounting, impairment tests and accounting of internally created intangible assets are based on one and the same data.

The company's management further observes whether research costs are still meeting the recognition criteria. This is necessary since the successful market realisation of the developed product is uncertain and may be subject to future technical issues after the time of recognition.

4.17.2. Deferred tax assets

The estimate of the probability for future taxable income for utilisation of deferred tax assets is based on the most recently approved budget forecast adjusted in terms of significant untaxable income and expenses and specific restrictions for carry forward of unused tax losses or credits. Tax rates in different jurisdictions in which the company operates are also taken into consideration. If a reliable forecast for taxable income suggests probable use of deferred tax asset, especially in case the asset could be used without restrictions in time, then the deferred tax asset is recognised in full. Recognition of deferred tax assets that are subject to specific legal or economic restrictions or uncertainty, are reviewed by the management on case by case basis with due consideration of specific facts and circumstances.

4.17.3. Debt instruments measured at amortised cost

The analysis and intentions of the management are verified by the business model of holding debt instruments that meet the requirements for receiving only principal and interest payments and holding assets until collection of contractual cash flows from bonds classified as debt instruments measured at amortised cost. Such decision takes into consideration the current liquidity and the capital of the company.

4.17.4. Review of useful life of property, plant and equipment

During the current financial year, no changes in the useful life of fixed tangible and intangible assets have been made.

4.17.5. Term of lease contracts

When determining the term of lease contracts, the management takes into account all facts and circumstances that create economic incentives to exercise an option for renewal or not to exercise an option for termination. Options for renewal (or periods after options for termination) are included in the lease term only if it is certain enough that the lease contract has been renewed (or has not been terminated).
The following factors are usually most appropriate in terms of office lease:

- Significant sanctions for termination (or non-renewal); usually, the company is not sure that it would renew (or would not terminate).
- If it is expected that improvements of leasing rights would have significant residual value; usually, the company would renew the term of the contract (or would not terminate it) with reasonable level of certainty.
- In other cases, the company reviews other factors, including historic duration of the lease and the costs for changes in business required to replace the leased asset.

Options for renewal of office and vehicle lease contracts are not included in the lease liabilities. The company judges each contract individually, depending on the needs of the economic activity.
The lease term is reviewed if the option has been actually exercised (or not exercised), or the Company is obliged to exercise (or not exercise) it. The estimate of reasonable certainty is reviewed only upon occurrence of significant event or significant change of circumstances that affect such estimate and this is within the lessee's control.

4.17.6. Recognition of deferred taxes in relation to assets and liabilities arising from lease contracts

When as a result of a lease contract assets and liabilities occur that result in initial recognition of taxable temporary difference related to a right-of-use asset and offsetting temporary difference with an equal value over the lease liability, this results to a net temporary difference equal to zero. Therefore, the company does not recognise deferred taxes with regard to the specified lease transactions, as far as within the framework of the useful life of the asset and the maturity of the liability, the net tax effects would be equal to zero. However, deferred tax would be recognised where temporary differences occur during the next periods, provided the general conditions for recognition of tax assets and liabilities under IAS 12 are met.

4.18. Uncertainty of accounting estimates

While preparing the financial statements, the management makes a number of judgements, estimates and assumptions in terms of recognition and measurement of assets, liabilities, income and expenses.
Actual results might differ from such management's judgements, estimates and assumptions, and in rare cases they fully correspond to the estimate results.
Information about significant judgements, estimates and assumptions that have most significant impact on the recognition and measurement of assets, liabilities, income and expenses is presented below.

4.18.1. Impairment of non-financial assets

The amount with which the carrying amount of an asset or a cash-generating unit exceeds their recoverable amount, which is the higher than the fair value less the costs for sale of an asset, and its value

in use, is recognised as an impairment loss. In order to determine the value in use, the company's management calculates expected future cash flows for each cash-generating unit and determines appropriate discount factor for the purposes of calculating the present value of such cash flows. When calculating the expected future cash flows, the management makes assumptions with regard to future gross profits. Such assumptions refer to future events and circumstances. Actual results might differ and require significant adjustments in the company's assets during the next reporting year.
In most cases, when determining the applicable discount rate, the company estimates the appropriate adjustments with regard to the market risk and the risk factors that are specific for individual assets.
During the periods in question, the Company has not identified indications for impairment of non-current assets up to their recoverable value.

4.18.2. Useful life of amortised assets

The management reviews the useful life of amortised assets at the end of each reporting period.
As at 31 December 2020, the management determines the useful life of assets being the expected term of use of the company's assets. The actual useful life may differ from the estimate due to the technical and moral wear and tear, mainly for software products and computer equipment.

4.18.3. Determining the expected credit losses

At every reporting date, the company reviews and determines expected credit losses of granted loans, cash and other debt instruments by taking into account the entire reasonable and substantiated information, including for future periods. During the review, the company takes into account the change of risk from occurrence of default during the expected life of the financial instrument and such review is to a great extent based on forecasts, estimates and previous experience, and specific, operational and other individual characteristics. Loss at default is calculated on the basis of monthly time periods in order to take into account that loans at different stages of service delay have different collection rates. Calculated probabilities of default and losses at default are applied to each loan and the resultative assessments are discounted as at the date of portfolio review. Discounts are made in case of expected loss at the end of the maximum time period of default. The sum of these discounted values gives the expected credit loss of the portfolio.

4.18.4. Employee benefits upon retirement

The company has measured employee benefits upon retirement in accordance with the requirements of IAS 19 Employee benefits. Such evaluation requires to make assumptions about the rate of discount, future increase of wages and salaries, staff turnover and mortality rates. Due to the long-term nature of employee benefits upon retirement, such assumptions are subject to significant uncertainty.

4.18.5. Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is the output price and is based on the assumption that the sales operation would be realised either on the major market of such asset or liability, or if no such major market exists – on the most advantageous market for the asset or liability. Both the determined major market and the most advantageous market are markets the company always has access to.

Fair value measurement is made from the perspective of assumptions and estimates that potential market participants would make when they would determine the price of the respective asset or liability, while assuming that they would act for achieving the highest economic benefit of it for themselves.

4.18.6. Uncertainty upon determining the Company's corporate tax liabilities and uncertain contingent tax liabilities

The Company's management has assessed whether it is probable that the tax authority would accept uncertain tax treatment. While pursuing its business, the Company has taken into account the tax practice and the probable tax treatment; therefore, the taxable profit (tax loss), tax bases, unused input tax and tax rate correspond to the used and expected treatment that would be applied upon declaring income taxes.

5. REVENUE FROM FINANCIAL ASSETS

Revenue reported as at 31 December 2020 comprise interest income from granted loans, revenue from charges, revenue from default charges, revenue from other financial assets classified in the following groups:

	2020 *BGN'000*	*2019* *BGN'000*
Interest income from granted loans	1 123	965
Charges	721	701
Default charges	4 560	3 231
	6 404	**4 897**
Other financial revenue	**63**	**68**
Revenue from financial assets	**6 467**	**4 965**

With view of the disclosure of the impact of the Covid-19 pandemic and in pursuance of the legal requirements under the Law on the Measures and Actions during the State of Emergency announced by Resolution of the National Assembly of 13 March 2020 and for overcoming the consequences (title supplemented in SG no. 44 of 2020, effective from 14.05.2020), (SG no. 28 of 24.03.2020, effective from 13.03.2020, as further amended), and namely not to apply the consequences of delayed payment of debts of private legal entities, including interests and penalties for delay, as well as the non-monetary consequences, such as early repayment request, cancellation of contracts, etc., during the period of the state of emergency, the Company reports decrease of the revenue from additional charges for out-of-court collection of overdue loans. The effect of the temporary non-recognition of this revenue does not materially affects its percentage share in the total revenue, in comparison to the previous reporting period. Such charges were resumed upon lifting the statutory restrictions to this effect for loans subject to the respective conditions.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020 *BGN'000*	*2019* *BGN'000*
Revenue from contracts with customers comprise revenue from services	3	171

7. OTHER REVENUE

	2020 *BGN'000*	*2019* *BGN'000*
Revenue from operating lease (refer to annex 25)	23	-

8. EXPENSES FOR MATERIALS AND HIRED SERVICES

Expenses on materials and hired services comprise:

	2020 BGN'000	*2019 BGN'000*
Consumables and stationery	(32)	(28)
Fuel	(2)	(3)
Expenses for FTA less than BGN 700		(2)
Expense for materials	**(34)**	**(33)**
Legal and other consultancy services	(70)	(98)
Advertising expenses	(115)	(102)
Telephone and internet communication	(83)	(81)
Accounting services	(92)	(76)
Overhead maintenance	(73)	(62)
Technical maintenance	(131)	(62)
Other services	(24)	(65)
Short-term variable lease-related expenses	(21)	(2)
Audit	(11)	(7)
Expenses on hired services	**(620)**	**(555)**
Total expenses on materials and hired services	**(654)**	**(588)**

In relation to the disclosure of the impact of the Covid-19 pandemic, the management undertook measures to limit some costs. The average costs for acquiring new customers have been decreased.

Short-term variable lease-related payments comprise:

	2020 BGN'000	*2019 BGN'000*
Rent of office equipment	(9)	(2)
Short-term rents	(12)	
Expenses on materials	**(21)**	**(2)**

The fee for the independent financial audit for 2020 is in the amount of BGN 9 thousand, VAT exclusive, and BGN 11 thousand, VAT inclusive, respectively. During the years registered auditors have not provided services other than the statutory financial audit. This disclosure is made by virtue of the requirements under article 30 of the Accounting Act.

9. EMPLOYEE BENEFITS

Employee benefits comprise:

	2020 BGN'000	*2019 BGN'000*
Current remunerations	(2 055)	(1 802)
Social security contributions	(232)	(217)
	(2 287)	**(2 019)**

In relation to the disclosure of the impact of the Covid-19 pandemic and the imposed anti-epidemic measures related to the spread of Covid-19, the management undertook actions to protect the health of its employees by ensuring continuity of the working process and for decrease of the expenses of the wages and salaries. During the period March – May 2020, the working hours of the employees have been reduced from 8 to 6 hours, which resulted in decrease of the expenses for wages in salaries in comparison to the previous months of 2020. During the period of the announced epidemiologic situation in December, the remunerations of the management staff were decreased in comparison to the previous year. Despite the unfavourable situation, ITF Group AD kept its employees. Being part of the Fintech sector in Bulgaria and having mainly online operations, the Company avoided significant restructuring of its operations for remote work and kept the usual rates of its operating activity.

10. OTHER OPERATING EXPENSES

Other operating expenses comprise:

	2020 BGN'000	***2019 BGN'000***
Peer to peer platform charges	(21)	(111)
Other hired services	(62)	(104)
Charges under other consultancy contracts	(22)	(82)
VAT related to supplies under article 84 of the Value Added Tax Act (VATA)	(58)	(66)
Other expenses	(44)	(56)
Out-of-court charges	(49)	(52)
Charges to the National Social Security Institute and BNB	(31)	(24)
Entertainment	(25)	(17)
Insurances	(9)	(5)
Municipal waste disposal charge and other taxes	(3)	(7)
	(324)	**(524)**

11. EXPENSES FOR EXPECTED CREDIT LOSS OF GRANTED LOANS, NET

During the current period, expenses for expected credit loss of receivables in the amount of BGN 856 thousand (as at 31 December 2019: BGN 722 thousand) are recognised, being impairment of receivables under granted loans, in accordance with the adopted corporate policy. Revenue from reversed impairments in the amount of BGN 119 thousand (2019: BGN 49 thousand) and from reversed impairment under loans granted to third legal entities in the amount of BGN 6 thousand (2019: none) is recognized.

	2020 BGN'000	***2019 BGN'000***
Charged for the period	(856)	(722)
Recovered for the period	119	49
Recovered impairment of receivables under loans granted to third legal entities	6	-
Net	**(731)**	**(673)**

12. INTEREST EXPENSES AND OTHER FINANCIAL EXPENSES

	2020 BGN'000	***2019 BGN'000***
Bank charges and fees	(47)	(49)
Interest expenses	(762)	(460)
Expenses for foreign currency transaction	(12)	-
	(821)	**(509)**

13. INCOME TAX (EXPENSES)/ REVENUE

The major components of income tax expenses for the years ending on 31 December are as follows:

	2020 BGN'000	***2019 BGN'000***
Tax profit for the year per tax return	805	518
Current income tax expense for the year	**81**	**52**
Change of deferred tax related to occurrence and reversal of temporary differences	1	(5)
Total income tax (expense)/ revenue	**82**	**47**

Reconciliation of income tax expense towards accounting result

	31 December 2020 BGN'000	***31 December 2019 BGN'000***
Accounting profit for the year	759	467
Income tax expense - 10% (2019: 10%)	76	47
Expenses for tax from amounts not recognised in the tax return:		
increases – BGN 503 thousand (2019: BGN 485 thousand)	50	48
decreases – BGN 457 thousand (2019: BGN 434 thousand)	(45)	(43)
Tax expenses comprise:		
current tax	81	52
deferred tax expenses/ revenue from occurrence and reversal of temporary differences	1	(5)
Total expense/ (saving) for income tax stated in the statement of comprehensive income	82	47

14. INTANGIBLE ASSETS, PLANT AND EQUIPMENT

Intangible assets, plant and equipment comprise:

	Software	Rights	Computer equipment	Fixtures and fittings	Software in process of development	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Gross value as at 01 January 2020						
At the beginning of the period	1 525	8	119	41	9	1 701
Acquisitions during the period	39	-	6	2	141	188
Gross value as at 31 December **2020**	**1 564**	**8**	**125**	**43**	**150**	**1 889**
Amortisations						
Amortisation amount as at 01.01.2020	487	8	102	31	-	628
Accruals for the period	131		11	4	-	146
Amortisation amount as at 31 December 2020	**618**	**8**	**113**	**35**	**-**	**774**
Carrying amount at the end of the period	**945**	**-**	**12**	**8**	**150**	**1 115**

	Software	Rights	Computer equipment	Fixtures and fittings	Software in process of development	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Gross value as at 01.01.2019						
At the beginning of the period	489	8	111	41	604	1 253
Acquisitions during the period	6	-	8	-	435	449
Transfers	1 030	-	-	-	(1 030)	-
Gross value as at 31.12.2019	**1 525**	**8**	**119**	**41**	**9**	**1 701**
Amortisations						
Amortisation amount as at 01.01.2019	456	7	81	25	-	569
Accruals for the period	31	1	21	6	-	59
Amortisation amount as at 31.12.2019	**487**	**8**	**102**	**31**	**-**	**628**
Carrying amount at the end of the period	**1 037**	**-**	**17**	**10**	**9**	**1 073**

Company's Software comprises the following intracompany developed software products:

Internally acquired intangible assets during the period	ITF Admin	Collection System	Identity reports software	Scoring software	Impairment model IFRS 9	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*		*BGN'000*
Gross value as at 01.01.2020	685	160	100	85		**1030**
Acquisitions during the period					5	5
Gross value as at 31.12.2020	685	160	100	85	**5**	**1 035**
Amortisations						
Amortisation amount as at 01.01.2020	17	-	-	-		**17**
Accruals for the period	68	23	14	13	1	119
Amortisation amount as at 31.12.2020	**85**	23	14	13	**1**	**136**
Carrying amount at the end of the period	**600**	**137**	**86**	**72**	**4**	**899**

Internally acquired intangible assets during the period	ITF Admin	Collection System	Identity reports software	Scoring software	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Gross value as at 01.01.2019					
Acquisitions during the period	685	160	100	85	1 030
Gross value as at 31.12.2019	685	160	100	85	**1 030**
Amortisations					
Amortisation amount as at 01.01.2019	-	-	-	-	-
Accruals for the period	17	-	-	-	17
Amortisation amount as at 31.12.2019	**17**	-	-	-	**17**
Carrying amount at the end of the period	**668**	**160**	**100**	**85**	**1 013**

In addition to intracompany developed software products, the company reports other non-current software products with carrying amount of BGN 46 thousand as at 31 December 2020. The total carrying amount of software is BGN 945 thousand.

The value of fully amortised *intangible assets, plant and equipment* as at 31 December 2020 is BGN 596 thousand (as at 31 December 2019: BGN 511 thousand).

The company does not have significant contractual obligations to acquire fixed tangible assets as at 31 December 2020.

As at 31 December 2020, there are no encumbrances established on fixed tangible and intangible assets of the company.

15. RIGHT-OF-USE ASSETS

Right-of-use assets comprise:

Right-of-use assets	**Buildings**	**Vehicles**	**Total**
	BGN'000	***BGN'000***	***BGN'000***
Gross value as at 01.01.2020	554	54	608
Acquisitions during the period	84		83
Gross value as at 31.12.2020	**638**	**54**	**692**
Amortisations			
Amortisation amount as at 01.01.2020	183	4	187
Accruals for the period	202	11	213
Amortisation amount as at 31.12.2020	**385**	**15**	**400**
Carrying amount at the end of the period	**253**	**39**	**292**

Right-of-use assets	Buildings	Vehicles	**Total**
	BGN'000	BGN'000	**BGN'000**
Gross value as at 01.01.2019			
At the beginning of the period	393	-	**393**
Acquisitions during the period	161	53	**214**
Gross value as at 31.12.2019	554	53	**607**
Amortisations			
Amortisation amount as at 01.01.2019	-	-	**-**
Accruals for the period	183	4	**187**
Amortisation amount as at 31.12.2019	183	4	**187**
Carrying amount at the end of the period	371	49	**420**

All significant fixed tangible and intangible assets were reviewed as at 31 December 2020 for the purposes of identifying any signs of impairment. The review found that there were no significant differences between the carry forward amount of assets and their recoverable amounts.

16. DEFERRED TAX ASSETS

Recognised deferred taxes as at 31 December:

	Tax base	*tax*	*Tax base*	*tax*
	31 December 2020 BGN'000	*31 December 2020 BGN'000*	*31 December 2019 BGN'000*	*31 December 2019 BGN'000*
Charged unused annual leave	79	8	58	6
Recognition of unrecognised costs for unused annual leave	(81)	(8)	(37)	(4)
Recognition of unrecognised costs being residents' income	(25)	(2)	(5)	-
Costs being residents' income	7	-	24	2
Costs recognised for accounting purposes with regard to operating lease contracts in accordance with IFRS 16	210	21	208	21
Costs applied to operating lease contracts in accordance with IFRS 16	(204)	(20)	(200)	(20)
Revenue/ expense for temporary taxes	**(14)**	**(1)**	**48**	**5**
Balance as at the end of the period		**9**		**10**

Upon recognition of deferred tax assets, the company has taken into account the probability for the individual differences to reverse in future and the company's capacity to generate sufficient tax profit.

17. INVESTMENTS IN SUBSIDIARIES

In 2020, ITF Group AD has terminated its participation in the following subsidiaries: Smilecredit EOOD – Bulgaria and Getcash.BG EOOD – Bulgaria, in total amount of BGN 2 thousand (completely impaired yet during the comparative period). As at the date of these financial statements, ITF Group AD does not have interests in the capital of other companies.

18. RECEIVABLES FROM GRANTED LOANS

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Receivables from customers, gross, before impairment	9 638	7 377
Recognized impairments for expected credit loss	(552)	(576)
Receivables from customers, net	**9 086**	**6 801**
Judicially awarded receivables from granted loans	732	507
Recognized impairments for expected credit loss	(282)	(142)
Judicially awarded receivables, net	**450**	**365**
	9 536	**7 166**

As at 31 December 2020, the expected credit loss of granted loans is determined as follows:

	Total impairment of financial assets stated at amortised cost	
	2020	***2019***
	BGN'000	***BGN'000***
Balance as at 1 January 2020	(727)	(2 316)
Recognized expected credit loss for the current period	(855)	(722)
Derecognized impairment of sold loans	624	2 264
Charged/ recovered impairment of other receivables and assets, net	5	(2)
Recovered impairment loss	119	49
As at 31 December 2020	**(834)**	**(727)**

Sale of receivables has been realised in 2020. The effect of the sale on the receivable portfolio is as follows:

	2020	***2019***
	BGN'000	***BGN'000***
Gross value of sold receivables from granted loans	1 294	2 639
Total amount of derecognized impairment of receivables	(624)	(2 264)
Net value of sold receivables from granted loans	670	375
Revenue from sale of receivables	113	263
Net loss from sale of receivables from granted loans	(557)	(112)

During the year the Company has sold a portfolio of overdue receivables. The Company has good long-term business relationships with the counterparty to the transaction. Despite the stagnation of the market of such type of transactions, the Company realised the sale under conditions similar to the market conditions before the pandemic situation. The sale transaction is part of the overall strategy of the company in terms of maintaining good liquidity and business risk management.

Quality of credit portfolio

31 December 2020	**Stage 1** *BGN'000*	**Stage 2** *BGN'000*	**Stage 3** *BGN'000*	**Total** *BGN'000*
Gross carrying amount	2,254	4 029	3 354	9 637
Impairment loss	(44)	(84)	(423)	(551)
Net amount	**2 210**	**3 945**	**2 931**	**9 086**

31 December 2019	**Stage 1** *BGN'000*	**Stage 2** *BGN'000*	**Stage 3** *BGN'000*	**Total** *BGN'000*
Gross carrying amount	2,626	515	4,236	7,377
Impairment loss	(25)	(5)	(546)	(576)
Net amount	**2,601**	**510**	**3,690**	**6,801**

Quality of the credit portfolio for judicially awarded receivables

31 December 2020	**Stage 1** *BGN'000*	**Stage 2** *BGN'000*	**Stage 3** *BGN'000*	**Total** *BGN'000*
Gross carrying amount	-	732	-	732
Impairment loss	-	(282)	-	(282)
Net amount	**-**	**450**	**-**	**450**

31 December 2019		**Stage 2** *BGN'000*	**Stage 3** *BGN'000*	**Total** *BGN'000*
Gross carrying amount	-	507	-	507
Impairment loss	-	(142)	-	(142)
Net amount	**-**	**365**	**-**	**365**

19. TRADE RECEIVABLE

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Advances for supplies	9	17
	9	**17**

20. OTHER CURRENT ASSETS

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Loans granted to third legal entities	10	45
Expected credit loss	(1)	(4)
Carrying amount of loans granted to third legal entities	9	41
Interests for granted loans	13	11
Refundable taxes	-	22
Other short-term receivables	3	9
	25	**83**

The company *has granted loans under the following conditions:*

Agreed amount:	BGN 10 thousand
Purpose of loans:	Working capital
Maturity date:	31/12/2021
Interest rate:	10%
Balance as at 31.12.2020	principal – BGN 10 thousand;

21. GUARANTEES

As at 31 December 2020, guarantees in relation to lease agreements in total amount of BGN 42 thousand (as at 31 December 2019 – BGN 45 thousand) have been issued.

22. CASH AND CASH EQUIVALENTS

As at 31 December 2020, the cash is available in the company's current accounts in the following banks and payment service system operators:

- Raiffeisenbank (Bulgaria) EAD
- Eurobank Bulgaria AD
- Unicredit Bulbank AD
- CCB AD
- DSK AD
- Easypay AD
- UBB AD
- FIB AD

Cash are distributed as follows:

	31 December 2020 *BGN'000*	*31 December 2019* *BGN'000*
Cash at hand – BGN	80	108
Current accounts – BGN	214	3 804
Total	**294**	**3 912**

The Company does not have blocked cash.

23. EQUITY

23.1. Share capital

By virtue of Resolution of the General Meeting of Shareholders of 30 September 2020, 200 000 materialised, preferred, registered non-voting shares (Shares of class B) of ITF Group AD were converted into ordinary, materialized, registered voting shares. The capital of the Company is in the amount of BGN 1 800 000 (one million and eight hundred thousand Bulgarian levs) and is divided into 1 800 000 (one million and eight hundred thousand) shares with nominal value of BGN 1 (one Bulgarian lev) each, and all 1 800 000 (one million and eight hundred thousand) shares are ordinary, materialized, registered voting shares. With view of the resolution adopted by the General Meeting of Shareholders of 30 September 2020, the Articles of Association of the Company were amended.

Shareholders

As at 31 December 2020, the shareholders of ITF GROUP AD are as follows:

- Abi Capital EOOD – 1 350 000 shares A – 75 %;
- Filip Dobrinov – 385 000 shares A – 21,38%;
- Emil Galabov – 65 000 shares A - 3,62%;

	31 December 2020 *BGN'000*	*31 December 2019* *BGN'000*
Fully paid shares, including	1 800	1 800
- Ordinary, materialized, registered	1 800	1 600
- Preferred	-	200
	1 800	**1 800**

The holders of ordinary shares have the right to dividend and to one vote per share they hold at the general meetings of ITF GROUP AD. All shares of the company are ranking pari passu in terms of residual assets.

23.2. Legal reserves

As at 31 December 2019, **statutory reserves** in accordance with the Commerce Act represent 10% of the share capital. Upon realisation of positive financial result, the general meeting adopts resolutions on annual basis for additional allocations to the reserve fund of ITF GROUP AD until reaching the statutory amount.

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Legal reserves	167	125
Total	**167**	**125**

23.3. Retained earnings

As at 31 December, retained earnings comprise:

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Retained earnings	645	306
Net profit for the period	677	418
	1 322	**724**

24. BOND PAYABLES

The bond is recognized as financial liabilities measured at amortised cost.

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Principal	5 000	5 000
Interest	63	63
Non-amortised costs	(72)	(85)
Total	**4 991**	**4 978**

The bond liability is stated in the statement of financial position by maturity dates as follows:

	2020		*2019*	
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
	Current portion	Non-current portion	Current portion	Non-current portion
Book value	63	5 000	63	5 000
Loan non-amortised costs	-	(72)	(12)	(73)
Amortised cost	**63**	**4 928**	**51**	**4 927**

Amount of the bond	BGN 5 000 000 (five million Bulgarian levs);
Currency of bond	BGN
Number of corporate bonds	5 000 (five thousand);
Nominal value per 1 bond	BGN 1 000 (one thousand Bulgarian levs);
Issue value per 1 bond	BGN 1 000 (one thousand Bulgarian levs);
Date of issue	15 November 2019;
Type of corporate bonds	first ranking, ordinary, registered, interest-bearing, dematerialised, non-convertible, freely transferrable, secured;
Term of validity	7 (seven) years 84 (eighty four) months;
Period of coupon payment	6 (six) months;
Repayment of principal	10 (ten) equal instalments, together with the last 10 interest payments, and namely: 15.05.22 15.11.22 15.05.23 15.11.23 15.05.24 15.11.24 15.05.25 15.11.25 15.05.26 15.11.26
Coupon	10 % per annum
Collateral	real estates and receivables

As at 31 December 2020, a loan receivables pledge is established in favour of the bondholder trustee Elana Trading AD in accordance with the Special Pledges Act in the amount of BGN 5 293 thousand (2019: BGN 4 232 thousand.). Pledged receivables represent 52% of the company's gross portfolio (2019: 54%)

Contractual mortgage of real estate – ownership of a shareholder, in the amount of BGN 1 463 thousand, and contractual mortgage of real estate – ownership of a third payer, in the amount of BGN 482 thousand, are established in favour of the bondholder trustee Elana Trading AD.

First ranking pledge over all existing and future payment accounts receivables of the Company with Easypay AD and over all other existing and future accounts of ITF Group AD in payment institutions on the territory of the Republic of Bulgaria is established in favour of the bondholder trustee Elana Trading AD.

At the meeting of the Board of Directors of BSE AD under Protocol No 29/ 22.05.2020 the following resolution is adopted with regard to an application under article 20, paragraph 1 of Part III Rules for Admission to Trading: On the grounds of article 33, paragraph 8 of the Rules, the Board of Directors of BSE AD admits to trading on the BSE main market, Bond Segment.
The issue is registered with ISIN code BG2100017198.

As at 31 December 2020, the value of the Interest Coverage Ratio is 299.74%.
As at 31 December 2020, the value of liabilities to assets ratio is 71.07%.
As at 31 December 2020, the value of the Minimum Collateral Amount is 69.06%.
Pledged aggregate receivables from granted loans in the amount of BGN 5,293 thousand.

25. LEASE PAYABLES

	2020 *BGN'000*	*2019* *BGN'000*
Payables under lease contracts – non-current portion	147	248
Payables under lease contracts – current portion	155	184
Payables under lease contracts	**302**	**432**

As at 31 December 2020, the future minimum lease payments are as follows:

	Minimum lease payments due					
	Less than 1 year	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
31 December 2020						
Lease payments	167	90	39	25	-	321
Financial expenses	(12)	(5)	(2)	-	-	(19)
Net present value	**155**	**85**	**37**	**25**	**-**	**302**
31 December 2019						
Lease payments	201	131	69	39	25	465
Financial expenses	(17)	(10)	(4)	(2)	-	(33)
Net present value	**184**	**121**	**65**	**37**	**25**	**432**

With regard to the disclosure of the impact of the Covid-19 pandemic, the company states revenue from concession under operating lease contracts being payments for rented offices in the amount of BGN 23 thousand.

The Company rents offices and company cars. Except for the short-term lease contracts and the low-value asset lease, every lease is stated in the statement of financial position as a right-of-use asset and lease liability. Variable lease payments that do not depend on index or floating rates (for example, lease payments based on percentage of the Company's sales) are excluded from the initial recognition of the lease liability and asset. The Company classifies its right-of-use assets on a separate line in the Statement of Financial Position (annex 15).

Usually, every lease sets out a restriction that the right-of-use assets may be used by the Company only, unless the Company has a contractual right to release the asset to a third party. The Company is not allowed to sell or pledge the leased assets as collateral. In accordance with the office lease contract, the Company should maintain the leased properties in good condition and to give the properties back in their original condition after the expiration of the lease contract.

Lease payments not recognised as liability

The Company has elected not to recognize liabilities under lease contracts when they are short-term liabilities (leases with expected term of validity of 12 months or less) or if they refer to low-value asset lease. Payments made under these lease contracts are recognised as expense according to the straight-linear method. Furthermore, some variable lease payments may not be recognised as lease liabilities and are recognised as expense at the time of incurrence thereof.

As at 31 December 2020, the expenses related to payments that are not taken into account in the measurement of the liabilities under lease contracts are as follows:

Expenses for variable lease payments that are not recognised as liabilities under lease contracts comprise parking lot lease, expenses for use of office equipment exceeding specific fixed amount. Variable payment terms and conditions apply due to a number of reasons, including minimising the expenses for IT equipment, which is rarely used in operations. Variable lease payments are recognised as an expense during the period they have been incurred. Their amount is presented in annex 8, including payments for lease of office equipment of BGN 9 thousand and parking lot lease and short-term office lease in the amount of BGN 12 thousand (for 2019 – BGN 2 thousand)

Detailed information about the types of right-of-use assets is presented in annex 15.

26. NON-CURRENT BORROWINGS

	31 December 2020 BGN'000	***31 December 2019 BGN'000***
Liabilities to third parties for borrowings	1 623	1 080
	1 623	**1 080**

Non-related creditors 1

Agreed amount:	BGN 89 thousand
Purpose of loans:	Working capital
Maturity date:	30/11/2026
Interest rate:	10%
Balance as at 31.12.2019:	principal – BGN 200 thousand;
Balance as at 31.12.2020:	principal – BGN 89 thousand

Non-related creditors 2

Agreed amount:	BGN 111 thousand
Purpose of loans:	Working capital
Maturity date:	30/11/2026
Interest rate:	10%
Balance as at 31.12.2019:	
Balance as at 31.12.2020:	principal – BGN 111 thousand

Non-related creditors 3

Agreed amount:	BGN 470 thousand
Purpose of loans:	Working capital
Maturity date:	30/11/2026
Interest rate:	10%
Balance as at 31.12.2019:	principal – BGN 470- thousand;
Balance as at 31.12.2020:	principal – BGN 470 thousand

Non-related creditors 4

Agreed amount:	BGN 500 thousand
Purpose of loans:	Working capital
Maturity date:	2/12/2026
Interest rate:	5%
Balance as at 31.12.2019:	principal – BGN 500 thousand;
Balance as at 31.12.2020:	principal – BGN 400 thousand

Non-related creditors 5

Agreed amount:	BGN 200 thousand
Purpose of loans:	Working capital
Maturity date:	30/10/2022
Interest rate:	11%
Balance as at 31.12.2019:	principal – BGN 200 thousand;
Balance as at 31.12.2020:	principal – BGN 200 thousand;

Non-related creditors 6

Agreed amount:	BGN 60 thousand
Purpose of loans:	Working capital
Maturity date:	09/02/2022
Interest rate:	10%
Balance as at 31.12.2019:	principal – BGN 60 thousand;
Balance as at 31.12.2020:	principal – BGN 60 thousand

Non-related creditors 7

Agreed amount:	BGN 293 thousand
Purpose of loans:	Working capital
Maturity date:	30/10/2022
Interest rate:	10%
Balance as at 31.12.2019:	principal – BGN 293 thousand;
Balance as at 31.12.2020:	principal – BGN 293 thousand

The borrowings received by the Company are not secured.

27. TRADE PAYABLE

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Current payables to suppliers	102	112
Charged expenses related to the current period as per documents received during the next period	16	48
	118	**160**

28. TAX LIABILITIES

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Income tax liabilities	32	27
	32	**27**

29. EMPLOYEE BENEFITS AND PAYABLES TO SOCIAL SECURITY INSTITUTIONS

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Employee benefits	29	19
Payables for charged leaves subject to compensation	108	111
Payables for individual income tax	36	38
Payables for state social security scheme and health insurance	82	68
	255	**236**

30. LIABILITY FOR CONTINUING INTEREST IN FINANCIAL ASSETS

A liability for participation in Peer to Peer platform as at 31 *December* 2020 in the amount of BGN 117 thousand (BGN 1 893 thousand as at 31 *December* 2019).

31. SHORT-TERM BORROWINGS

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Liabilities for borrowings to third parties		500
Liabilities for borrowings to third parties	196	470
Interest liabilities for funding granted by non-related parties	64	14
	260	**986**

Non-related creditors 1

Agreed amount:	BGN 196 thousand
Purpose of loans:	Working capital
Maturity date:	14/02/2021
Interest rate:	10%
Balance as at 31.12.2019:	principal – BGN 196 thousand;
Balance as at 31.12.2020:	principal – BGN 196 thousand;

Short-term liabilities to non-related parties from previous comparative period are in the amount of BGN 500 thousand and BGN 470 thousand are reclassified to non-current liabilities.

32. OTHER PAYABLES

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Current liability for corporate credit card	25	29
Value added tax liability	9	5
	34	**34**

33. RECONCILIATION OF CASH FLOWS RELATED TO FINANCING ACTIVITY

Supplementary disclosure for the liabilities from financing activity:

	31 *December* 2019	**Cash flows**	**Changes of non-monetary nature**	**31 *December* 2020**
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***
Long-term borrowings	6 303	(131)	675	**6 847**
Short-term borrowings	2 922	(1 932)	(588)	**402**
Interest payments, net	51	(577)	616	**90**
Lease payments	432	(270)	140	**302**
Total liability from financing activity	**9 708**	**(2 910)**	**843**	**7 641**

34. RELATED PARTIES

The company's related parties are as follows:

Owners:

Owners of company's capital	ABI CAPITAL EOOD	203269374	75%
	Filip Georgiev Dobrinov		21,38%
	Emil Borisov Galabov		3,62%
	Anastasia Blagovestova Grebenarova-Zheleva shareholder until 30.07.2020		
	Maria Evgenieva Zheleva - shareholder until 30.07.2020		
	Polina Evgenieva Zheleva - shareholder until 30.07.2020		

Companies under common control:

Companies **under common control**	SEM HOLD EOOD	200445721
	CREMAX AUTO EOOD	202524683
	DELTA COM GROUP KDA	202035774
	DELTA COM HOLDING GROUP OOD	831671674
	A INVESTMENT EOOD	203704022
	THE CASE EOOD	204699553
	SV INVESTMENT OOD	204092165

Companies in the **management of** which **persons managing the Company** or	THE CASE 2019 EOOD	205576062	Svetoslav Angelov – Manager
	SEM HOLD EOOD	200445721	Svetoslav Angelov – Manager
	A INVESTMENT EOOD	203704022	Svetoslav Angelov – Manager
	DELTA-A EOOD	201892650	Svetoslav Angelov – Manager
	THE CASE COMPANY EOOD	205661242	Svetoslav Angelov – Manager

owners of the capital are involved	X CAPITAL OOD	204952152	Svetoslav Angelov – Manager
	SVS INVESTMENT AD	204829192	Svetoslav Angelov – representative and BoD member
	CREMAX AUTO EOOD	202524683	Svetoslav Angelov – Manager
	KIZMETI AD	201653351	Svetoslav Angelov – representative and BoD member. Yuriy Angelov is a BoD member
	REPUBLICA HOLDING AD	121676036	Svetoslav Angelov and Yuriy Angelov – BoD members
	THE CASE PROJECT EOOD	205661139	Svetoslav Angelov – Manager
	SV INVESTMENT OOD	204092165	Svetoslav Angelov – Manager
	DELTA S – 2 EOOD	121416309	Yuriy Angelov is a manager
	DELTA – U EOOD	201892611	Yuriy Angelov is a manager
	ARMSNAB AD	121333685	Yuriy Angelov is a BoD member
	MERKA CONSULT EOOD	204825913	Maria Zheleva – Manger
	MAXIMOR EOOD	201711477	Polina Zheleva – Manager
	DEVAWARE AD	205564302	Filip Dobrinov – representative and BoD member
	FATBOY OOD	205318927	Filip Dobrinov – Manager
	FASTCOLLECT OOD	206338142	Filip Dobrinov – Manager Svetoslav Angelov – Manager
	TERRA ALTERA EOOD		Donka Angelova - Manager

Companies in the capital of which a **persons managing the Company** or **owners** of the capital hold interest	ART MEDIA OOD	104693439	8,60%	Svetoslav Angelov – partner
	SEM HOLD EOOD	200445721		Svetoslav Angelov – sole owner of the capital
	SIMBALI GROUP OOD	175043714	50,00%	Svetoslav Angelov – partner
	A INVESTMENT EOOD	203704022		Svetoslav Angelov – sole owner of the capital
	B WORKS EOOD	131248077		Svetoslav Angelov – sole owner of the capital
	DELTA COM HOLDING GROUP OOD	831671674	95,24% 4,76%	Svetoslav Angelov – partner Yuriy Angelov – partner
	DELTA-A EOOD	201892650		Svetoslav Angelov – sole owner of the capital
	X CAPITAL OOD	204952152	50,00%	Svetoslav Angelov – partner
	EXCEPTIONAL TRIUMPH OOD	203509245	30,00%	Svetoslav Angelov – partner
	CREMAX AUTO EOOD	202524683		Svetoslav Angelov – sole owner of the capital
	SV INVESTMENT OOD	204092165	50,00%	Svetoslav Angelov – partner
	DELTA – U EOOD	201892611		Yuriy Angelov – sole owner of the capital
	FATBOY OOD	205318927	33.33%	Filip Dobrinov – partner
	FASTCOLLECT OOD	206338142	75% 25%	Abi Capital EOOD Filip Dobrinov
	TERRA ALTERA EOOD		100%	Donka Angelova – sole owner of the capital

- **Other:**

Key management staff of the company	Svetoslav Yuriy Angelov	Executive director and BoD member
	Filip Georgiev Dobrinov	Executive director and BoD member
	Yuriy Angelov Angelov	BoD member
	Donka Ivanova Angelova	BoD member

- All employees under employment contracts;

During the year, the company has had *transactions with the following related parties*:

	Type of relationship
Svetoslav Angelov	Shareholder, BoD member, executive director
Yuriy Angelov	BoD member
Filip Dobrinov	Shareholder, BoD member, executive director
Donka Angelova	BoD member

A Investment	Shareholder's ownership, key management staff
Anastasia Grebenarova – Zheleva	Shareholder in ITF Group AD – shareholder until 30.07.2020
Maria Zheleva	Shareholder in ITF Group AD – shareholder until 30.07.2020
Polina Zheleva	Shareholder in ITF Group AD – shareholder until 30.07.2020
Delta Com Holding Group OOD	Company under common control
Other related parties	Employees under employment contract

34.1. Receivables from related parties as at 31 December 2020

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Receivables from owners		
Granted loans		34
Receivables related to other related parties		
Receivables from accountable persons – current	45	49

34.2. Payables to related parties as at 31 December 2020

	2020 BGN'000	*2019 BGN'000*
Payables related to owners		
Long-term:	***296***	***296***
Borrowings	296	296
Short-term:	***50***	***38***
Interest liabilities for funding of related party	27	14
Distributed dividend	23	24
Total	**346**	**334**

Related parties – creditors

Agreed amounts:	BGN 296 thousand
Purpose of loans:	Working capital
Maturity:	31/12/2026
Interest rate:	5%
Balance as at 31.12.2019:	principal – BGN 296 thousand;
Balance as at 31.12.2020:	principal – BGN 296 thousand;

34.3. Related party transactions as at 31 December 2020

	2020 BGN'000	*2019 BGN'000*
Accounts with owners		
Interest expenses	15	14
Accounts with companies under common control		
Expenses for services	59	76

Accounted transactions with owners		
Funding from related party – owner		100
Accounts related to key management staff		
Interest expenses		11
Remunerations	480	334

35. FINANCIAL RISK MANAGEMENT

Structure of financial assets and liabilities as at 31 December 2020 by categories:

	31 December 2020 BGN'000		*31 December 2019 BGN'000*
Loans and receivables, including	**9 657**		**7 394**
Granted loans	9 536	18	7 166
Receivables from loans granted to related parties	45	34	83
Other receivables	76	19.20.21	145
Cash and cash equivalents	**294**	22	**3 912**
Total	**9 951**		**11 306**
Financial liabilities, including	**7 639**		**9 703**
to related parties	346	34	320
Other financial liabilities	**439**	27,28,29,32	**457**
	8 078		**10 160**

In the course of its usual business, the company may be exposed to different financial risks, the major of which comprise: market risk (including currency risk, risk of change of fair value, and price risk), credit risk, liquidity risk, and risk of interest-bound cash flows.

The general risk management focuses on difficulties to make forecasts for the financial markets and to achieve minimum potential adverse effects that might affect the company's financial performance and position. Financial risks are identified, measured and monitored on ongoing basis by means of various controls, in order to determine adequate prices of company's products, to adequately evaluate the forms of maintaining free liquid funds, not allowing unreasonable concentration of particular risk.

Risks are managed on ongoing basis under the direct supervision of the Board of Directors and the financial officers of the company.

The different types of risks the company is exposed to while performing its business operations, as well as the approach adopted for the management of these risks are summarised below.

A. Market risks

The company is not exposed to market risk where the fair value or the future cash flows of financial instruments may vary due to changes of market prices.

Currency risk

The company is not exposed to currency risk since foreign currency payments to suppliers are settled in euro the exchange rate of which is fixed. The company does not maintain bank accounts in foreign currency.

B. Credit risk

The credit risk is the risk of company's customers not being able to pay their outstanding amounts in full or within the usually fixed deadlines.
The major principles of the company's credit risk management are set out in its credit policy and the related procedures. They are subject to analysis on ongoing basis and are applied or modified as necessary. The Board of Directors is the major unit that determines and/or changes the policy.

The Board of Directors defines and approves the risk profile of the new credit products and the introduction of parameters used for potential customer assessment determining the probability of loan repayment by the customer.

Credit risk management refers to setting limits related to a borrower, a group of borrowers, geographic unit, or other categories of portfolio diversification.

Three major components are considered when measuring the credit risk:
- the probability of customer's failure to fulfil their obligations under agreed parameters, based on historic data (for traditional customers - borrowers)
- the current exposure to customer and its probable future development giving raise to possible failure to perform their obligations;
- the possible percentage of recovery of outstanding obligations;

In addition to the above three major components, the Board of Directors monitors an average ratio of outstanding loans determined on the basis of historic data since the establishment of the company until nowadays, with regard to the different groups of loans (loan until salary, loan by instalments).

The maximum exposure to credit risks by items of the statement of financial position is as follows:

	31 December 2020 ***BGN'000***	***31 December 2019*** ***BGN'000***
Cash and cash equivalents	294	3 912
Granted loans to customers	9 536	7 166
Other current assets	121	228
	9 951	**11 306**

The above table summarises the company's exposure to credit risk as at 31 December 2020 and 31 December 2019. With regard to book assets, the exposure of credit risk presented in the above table is based on the net carrying amount as stated in the statement of financial position for the respective period. As at 31 December 2020, 96% (63% as at 31 December 2019) of the maximum exposure to credit risk is related to the company's credit portfolio.

The company's management believes that all financial assets mentioned above that have not been impaired or have matured during the presented reporting periods, are financial assets with good credit rating.
Credit risk in terms of cash and cash equivalents is considered minor, since counterparties are reputable banks with high external credit rating.

The Company regularly monitors the performance of the obligations of its customers and other counterparties identified on individual basis or as a group, and uses this information to control the credit risk.
In the context of the Covid-19 pandemic, the Company has also undertaken additional measures to mitigate the credit risk and to minimize the possible adverse impacts on business as a whole.

The approval rate of new customers has decreased during the months of overall, more severe restrictions that applied to all citizens and were imposed by means of regulation. During these months, the Company has focused on its loyal customers with established risk profile. The customer approval rate has not been affected by the restrictions that were applicable to specific economic sectors but is rather based on the proven credit history of the respective individual.
Furthermore, the Company is committed to be socially responsible and to give its customers the opportunity to successfully cope with their financial obligations. To this end, the Company has designed liability renegotiation policy, which allows deferment of current liabilities within reasonable time periods. The policy became effective on 28 April 2020. The Company regularly observes the impact of the renegotiation policy and monitors customers with renegotiated loans on individual basis.

B. Liquidity risk

Liquidity risk is the negative situation in which the company would not be able to unconditionally meet its liabilities according to their maturity. The accounting department monitors the maturity and the timely settlement of payments on ongoing basis. It keeps daily information about available cash flows and forthcoming payments.

The company meets its needs of liquid funds by carefully monitoring the payments of its financial liabilities, as well as the cash inflows and outflows occurring in the course of its operating activity. The needs of liquid funds are monitored for different time periods – on daily basis, on weekly basis, as well as on the basis of 30 days' forecasts. The needs of liquid funds in long-term aspects for periods of 180 and 360 days are determined on monthly basis.

For the purposes of the liquidity risk assessment and management, the Company takes into account the expected cash flows from financial instruments, in particular, the available cash and short-term receivables from customers. Available cash and short-term receivables from customers do not exceed the current needs of cash outflow.

The deterioration of the economic conditions due to the Covid-19 pandemic results in decrease of households' income and in difficulties to settle their financial obligations on ongoing basis. For the purposes of maintaining reasonable liquidity levels and in order to avoid situation where the Company's receivable collection rate would significantly decrease, the Company monitors the liquidity during the months with restrictive measures on daily basis and maintains reasonable levels of cash enabling it to cover its operating liabilities on ongoing basis.

In April and May, the uncertainty of the expectations of the Company's customers resulted in decreased collection rates. In terms of liquidity, the impact during these months was compensated with the decreasing percentage of approved loan requests (refer above). Since June, the cash receivables from loans have gradually increased and in September they have reached the pre-pandemic levels at the beginning of the year.

The Company has designed appropriate procedures for collection of receivables and monitors early indicators allowing the precise estimation of future cash inflows.

The funds for long-term liquidity needs are ensured through borrowings and cash from the company's operating activity.

As at 31 December 2020, the maturities of the company's contractual obligations (comprising interest payments, if applicable), are summarised as follows:

31 December 2020	*Less than 6 months BGN'000*	*From 6 to 12 months BGN'000*	*From 1 to 5 months BGN'000*
Related parties	50		296
Borrowing payables	-	402	1 623
Lease payables	77	78	147
Bond issue payables	63	-	4 928
Accounts payable	119	-	-
Tax and social security payables	123	-	
Employee benefits	65	108	
TOTAL	**497**	**588**	**6 994**

Risk of change of interest rates

Cash flows related to risk of change of interest rates determine the risk where future cash flows from financial assets would vary due to a change of interest rate market levels. In terms of the company, this risk is controlled due to the maintained higher prices of granted loan resources typical for this kind of crediting to natural persons. The company does not implement a policy of floating interest rates when obtaining and granting loans.

D. Capital risk management

The purpose of the company's capital management is to establish and maintain opportunities to continue operating as going concern in order to ensure the required return of owner's investments in its business, as well as to maintain capital structure in order to reduce capital costs.

The company monitors the capital availability and structure on ongoing basis by observing a debt ratio, being the ratio between net debt (the difference between borrowings and cash) and the total capital of the Company.
Debt ratio is summarised below by years:

	31 December 2020 BGN'000	*31 December 2019 BGN'000*
Total debt capital	7 705	9 708
Less cash and cash equivalents	(294)	(3 912)
Net debt capital	7 411	5 796
Total equity	3 288	2 649
Debt ratio	**2.25**	**2.19**

36. FAIR VALUES

The financial assets held by the company are mainly short-term loan receivables and cash in current bank accounts; therefore, it is assumed that their carrying amount is approximately equal to their fair value.

The financial liabilities held by the company are mainly of long-term nature and comprise issued bonds, accounts payable and borrowing liabilities; therefore, it is assumed that their carrying amount is equal to their fair value.

The company's management believes that under the existing circumstances, the measurements of financial assets and liabilities as stated in the statement of financial position are as reliable, adequate and fair as possible for financial reporting purposes.

37. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The company has granted collaterals in the form of pledge on its own receivables and has received collateral comprising real estates of related and third parties (refer to note 21).

During the year, just minor claims were brought against the Company. The Company's management believes that the claims are unreasonable and the probability to result in settlement costs for the Company is low. This judgment of the management is supported by the opinion of an independent legal adviser.

Tax payables

The last tax audits of the Company were performed by the tax authorities as follows:

- Corporate tax – until 31 December 2018;
- Social security – October 2012 – March 2020.

The Company's management believes that no significant risks exist as a result of the dynamic fiscal and regulatory environment in Bulgaria that would require adjustments in the financial statements for the year ending 31 December 2020.

38. EVENTS AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENT

No significant adjusting events or non-adjusting events have occurred between the date of the annual financial statements and the date of authorisation of its publication, except for the following non-adjusting events:

On 26 January 2021, at an extraordinary meeting of the government and with view of the continuing world Covid-19 pandemic, by its decision No 72 the Council of Ministers continued the duration of the extraordinary epidemiologic situation until 30 April 2021. By Order No РД-01-173/18.03.2021, temporary anti-epidemiologic measures were imposed on the territory of the country, including closing of many stores, suspension of trips and school classes across the country. The Company's management does not expect that the continuation of the epidemiologic situation would have material impact on the company's business, other than the business already reported in the annual financial statements.

39. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements as at 31 December 2020 (including the comparative information thereto) are approved for publication by the Board of Directors on 26 March 2021.