Translation from Bulgarian

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

31 December 2021

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2021

	Notes	2021 BGN'000	2020 BGN'000
Income from financial assets	6	6 023	6 467
Income from contracts with customers	7	25	3
Other income	8	20	23
Expenses on materials and hired services	9	(663)	(654)
Wages and salaries	10	(2 343)	(2 287)
Amortisation	15	(331)	(359)
Other operating expenses	11	(375)	(324)
Expected credit loss for granted loans, net	12	(431)	(695)
Net effect from sale of receivables	18	(923)	(557)
Interest expenses and other financial expenses	13	(797)	(821)
EBT		**205**	**796**
(Loss)/ gains from income taxes	14	30	(82)
Profit for the year		**235**	**714**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**235**	**714**

The Annual Financial Statements are approved by the Board of Directors and are signed on 28 March 2022 by:

Svetoslav Angelov
Executive Director — *Electronic signature*

Zornitsa Staynova
Preparer — *Electronic signature*

With auditor's report
Zlatka Kapinkova
Registered Auditor, reg. No 0756 — *Electronic signature*

The notes on page 1 to 39 are integral part of the annual financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31 December 2021 BGN'000	31 December 2020 BGN'000	1 January 2020 BGN'000
ASSETS				
Non-current assets				
Intangible assets, plant and machinery	15	1 11556	1 115	1 073
Right-of-use assets	16	662	292	420
Deferred tax assets	17	39	9	10
		1 857	**1 416**	**1 503**
Current assets				
Receivables from granted loans	18	10 589	8 992	6 586
Related party receivables	34	54	45	83
Accounts receivable	19	256	9	17
Other current assets	20	38	25	83
Issued guarantees	21	67	42	45
Cash and cash equivalents	22	518	294	3 912
		11 522	**9 407**	**10 726**
TOTAL ASSETS		**13 379**	**10 823**	**12 229**

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)

	Notes	31 December 2021 BGN'000	31 December 2020 BGN'000	1 January 2020 BGN'000
EQUITY AND LIABILITIES				
EQUITY				
Share capital	23.1	1 800	1 800	1 800
Legal reserves	23.2	180	167	125
Retained earnings	23.3	1 000	778	144
TOTAL EQUITY		**2 980**	**2 745**	**2 069**
LIABILITIES				
Non-current liabilities				
Bond issue payables	24	3 940	4 928	4 927
Long-term loans from related parties	34	296	296	296
Non-current payables under lease contracts	25	492	147	248
Non-current payables for borrowings	26	1 623	1 623	1 080
		6 351	**6 994**	**6 551**
Current liabilities				
Bond issue payables	24	1 063	63	51
Related party payables	34	94	50	38
Current payables under lease contracts	25	181	155	184
Accounts payable	27	125	118	160
Tax payables	28	-	32	27
Employee benefits and payables to social security institutions	29	270	255	236
Payables for continuing interest in financial assets	30	842	117	1 893
Payables for received short-term borrowings	31	1 438	260	986
Other payables	32	35	34	34
		4 048	**1 084**	**3 609**
TOTAL LIABILITIES		**10 399**	**8 078**	**10 160**
TOTAL EQUITY AND LIABILITIES		**13 379**	**10 823**	**12 229**

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STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2021

	Notes	31 December 2021 BGN'000	31 December 2020 BGN'000
Cash flows from operating activity			
Granted loans-related proceeds/ (payments)	22	14 838	13 422
Payments to borrowers		(11 862)	(10 651)
Cash proceeds from other sales		4	4
Payments to suppliers and proceeds from other customers, net		(1 184)	(870)
Payments to employees and social security institutions		(2 301)	(2 293)
Tax payments (net of income tax)		(24)	(68)
Other proceeds/ (payments), net		(182)	(105)
Net cash flows used in operating activity		**(711)**	**(561)**
Cash flows from investing activity		(191)	(147)
Net cash flows from investing activity		**(191)**	**(147)**
Cash flows from financing activity			
Cash flows from received loans		2 280	509
Cash flows from paid loans		(410)	(2 572)
Cash flows from interest payments		(579)	(577)
Payments under lease contracts		(165)	(270)
Net cash flows from financing activity		**1 126**	**(2 910)**
Net increase of cash and cash equivalents		**224**	**(3 618)**
Cash and cash equivalents on 1 January		294	3 912
Cash and cash equivalents on 31 December	22	**518**	**294**

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STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2021

	Share capital BGN'000	**Statutory reserves BGN'000**	**Retained earnings BGN'000**	**Total BGN'000**
Balance on 1 January 2020	**1 800**	**125**	**724**	**2 649**
Changes in the parameters of ECL model	-	-	(580)	(580)
Balance on 1 January 2020 (recalculated)	**1 800**	**125**	**144**	**2 069**
Changes in equity for 2020:				
Allotment for statutory reserves	-	42	(42)	
Distribution of dividend for preferred shares	-		(38)	(38)
Profit for the year	-	-	714	714
Total comprehensive income for the year	**1 800**	**167**	**778**	**2 745**
Balance on 31 December 2020	**1 800**	**167**	**778**	**2 745**
	1 800	167	778	2 745
Allotment for statutory reserves		13	(13)	-
Profit for the year	-	-	235	235
Balance on 31 December 2021	**1 800**	**180**	**1 000**	**2 980**

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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, Lozenets region, 16 Srebarna St, Park Lane Office Building. 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 16 December 2021. The change refers to the entry of the current seat and registered address.

1.1. Scope of business

The company's scope of business is as follows: granting loans with 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. LEI: 254900SP9M660ZUP0O21

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. As at the date of these financial statements there are no changes in the Company's capital.

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 during the regular annual 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 2021, the company has 55 employees under employment contract (2020: 55 employees).

The beneficial owner of the Company is Abi Capital EOOD the equity instruments of which 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	2021	2020	2019
GDP, BGN million	132 744	118 605	113 393
Actual GDP growth	4.2%	4.39%	3,4%
Inflation at the end of the year	7,8%	1,7%	3,1%

source: National Institute of Statistics

GENERAL PROVISIONS OF THE COMPANY'S ACCOUNTING POLICY

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 levs (BGN), which is the functional currency of the Company. All amounts are presented in thousand Bulgarian levs (BGN'000) (including the comparative information for 2020), unless stated otherwise.

During the period, the company has sold receivables. As a result of such sale, an insufficiency of the receivables covered by the allocated expected credit losses has been identified. The model has been validated and thus the applicable parameters of the model of expected credit loss allocated in accordance with IFRS 9 Financial Instruments have had to be changed.

The total net effect on the amount of the expected credit loss balance is in the amount of BGN 544 thousand. The changes in the parameters of the expected credit loss calculation model may be defined as changes in the model assumptions and are considered a change of the accounting policy.

The Company changes its accounting policy for the purposes of presenting in its financial statements reliable and more appropriate information about the effect of its credit operations and the related events, as well as their effects on the financial position, performance or cash flows of the Company. The change of the accounting policy with regard to the calculation of the ECL amount for credits and advances is aimed at achieving model stability and decrease of profit and loss volatility due to single effects, as well as for losses due to excessive increase of the credit risk, which has not been identified by the ECL model. The Company has changed the approach to the selection of input calculation data and the methods for calculation of LGD parameter of the ECL model and has thus determined additional ECL in the amount of BGN 544 thousand.

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

Going concern

The 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 coronavirus pandemic and the military actions in Ukraine.

Although the last several reporting periods have been strongly affected by the economic changes and processes due to the global Covid-19 coronavirus pandemic, the Fintech sector is among those that managed to recover from the initial stagnation quickly.

In 2019 ITF Group AD successfully realised the issue of corporate bonds. The year is of strategic importance for the company since the bond issue gives the opportunity for accelerated development and increased market share in the consumer loans segment.

The Company starts 2020 at high rate with designed growth program. Due to the Covid-19 coronavirus pandemic since March 2020, the Company has adapted its development program. The good liquidity positions allow to apply new risk policy that is adequate to the economic situation in order to ensure the keeping of good turnovers in crediting, despite the temporary decrease in the collectability of receivables and the lost profits due to additional charges for delay, which are part of the governmental measures imposed to limit the negative consequences for the population. ITF Group AD undertakes further measures and significantly limits its costs. The company shifts to entirely distant work in remote environment.

The overall policy of the management and the cash flow control enable ITF Group AD to start recovering its business turnovers quickly, yet in the mid-2020.

The Company closes 2020 with revenue of BGN 6,493 thousand, which is 26% increase in comparison to 2019.

The effects of the pandemic still have influence in 2021. Despite the increased demand of remote financial services, both the business and consumers adapt their behaviour due to the existing uncertainties in the economic expectations. In 2021, the business of ITF is well positioned. The Company focuses on the improvement and further automation of the processes and on maintaining good customer base of loyal customers. Although the Company does not record revenue growth in 2021, the management's analysis shows that the customer base is good, some of the operational indicators related to various products improve. The Company uses this period as strategic to improve the service and product quality and to maintain its customer base.

At the end of the period, turnovers start increasing gradually, and the management's plan is to increase revenue by at least 60% in 2022.

BGN'000	**2021**	**2020**	**2019**
Revenue	6 068	6 493	5 136

Currently, the global pandemic of the new coronavirus Covid-19 has spread across almost all regions worldwide. Despite the trend of limited spread, the pandemic may still have significant adverse effect on the Company's business. The return of most employees back to the office at global levels, may cause the appearance of new local foci resulting to new, even if local measures, by the governments. This logically results to negative trends on the economy both at global level and in the country in general – increased unemployment, inflation processes, intercompany indebtedness. The consequences for the Company would comprise customers' inability to repay their loans in timely manner and/or in full.

Irrespective of the above, the possible impact on the sector and the business in general, and the subsequent worsening of the pandemic situation, the Company is ready and able to undertake immediate measures to mitigate any possible adverse consequences.

ITF Group AD is able to quickly adapt to work under new, mainly virtual, conditions.

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 continues focusing mainly on the development of the online business model, the introduction of innovations, automation and optimisation of all operational processes. In order to address the business environment in the sector changed as a result of the Covid-19 pandemic, and namely, the increased demand of automated financial services, in 2021 the Company improved its development program with clearly defined priorities both in terms of technological development and of market presence as well. Additional programs and product characteristics are developed, which attract new customers and enhance the interest of loyal customers. The management estimates that the improved terms and conditions of individual products would achieve further increase of the market share and better positioning in comparison to the competitors on the market.

New marketing strategies, new terms and conditions of products are developed. They will contribute to make the products more attractive and preferred by customers. Customers' convenience is a priority of ITF and the company works hardly to improve the quality of its services. In 2021, the market positions of GetCash sales network are stable. In 2021, the sales network managed to recover its turnovers from the pre-Covid-19 period and achieves good performance. The management believes that the positions of the GetCash brand on the market will remain as stable during the next year as well.

CHANGES OF THE ACCOUNTING POLICY

1.4. New standards, amendments and interpretations effective for the financial year beginning on 1 January 2021

The Company has adopted the following new standards, amendments and interpretations of IFRS issued by the International Accounting Standards Board and endorsed by EU, which are appropriate and effective for the financial statements of the Group for the annual period beginning on 1 January 2021, but does not have significant impact on the Company's financial performance or positions:

- IFRS 4 Insurance Contracts – postponement of IFRS 9, effective from 1 January 2021 endorsed by the EU
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, effective from 1 January 2021 endorsed by the EU
- IFRS 16 Leases: Covid-19-Related Rent Concessions after 30 June 2021, effective from 1 April 2021 endorsed by the EU

1.5. Standards, amendments and interpretations that are not yet in force and are not applied by the Company as from earlier date

As at the date of approval of these financial statements, new standards, amendments and interpretations to already existing standards have been published but are not yet enforced or endorsed by the EU for the financial year beginning on 1 January 2021, 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. A list of amended standards is provided herein below:

- Amendments to IFRS3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, effective from 1 January 2022, endorsed by the EU
- Annual Improvements 2018-2020, effective from 1 January 2022, endorsed by the EU
- Amendments to IFRS 17 Insurance Contracts, effective from 1 January 2013, endorsed by the EU
- 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 IAS 1 Presentation of Financial Statements, IFRS Statements for Annex 2: Disclosure of Accounting Policies, effective from 1 January 2023, not yet endorsed by the EU
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, effective from 1 January 2023, not yet endorsed by the EU
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective from 1 January 2023, not yet endorsed by the EU
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information, effective from 1 January 2023, not yet endorsed by the EU
- Amendments to IFRS 14 Regulatory Deferral Accounts, effective from 1 January 2016, not yet endorsed by the EU

ACCOUNTING POLICY

4.1. General provisions

The most significant accounting policies applied for the preparation of these financial statements are summarised below.

The financial statements are prepared in accordance with the principles of assessment of all types of assets, liabilities, revenue and expenses in accordance with IFRS. Valuation bases are disclosed in details in the next sections of the accounting policy to the financial statements.

It should be noted that accounting estimates and assumptions have been used for the preparation of these financial statements. Although they are based on the information available to the management as at the date of preparation of the financial statements, the actual results might differ from the estimates and assumptions made.

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 one 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.
For more details about the change of the accounting policy, see annex 5.

Foreign exchange differences

Upon initial recognition, any foreign currency transaction is stated 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 stated 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. Income 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. identification of the contract with a customer;
2. identification of the performance obligation in the contract;
3. determination of the transaction price;
4. allocation of the transaction price to the performance obligations;
5. recognition of revenue when the performance obligations are satisfied.

Revenue is recognised either at a point in time, or over time, when or until 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. Analogically, 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 states income 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. Income from interests, default charges, charges

Income from interests, default charges and charges are stated in the statement of comprehensive income (in profit or loss for the year) upon their occurrence.
Income from interests is stated on ongoing basis with the effective interest rate method.
Income from default charges 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.
Income from charges comprises additional charges for out-of-court collection.

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 the fulfilment of the 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 stated on ongoing basis with the effective interest rate 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 amortisation 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.

Amortisation 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 statements.

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 consumption model 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;
Self-developed fixed intangible assets	from 6 to 10 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% (2020: 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 exist. 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 calculating 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 are stated as a decrease of 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 recovered if the recoverable value of the cash flow generating unit exceeds its carrying amount.

4.10. Financial instruments

4.10.1. 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, comprises 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 on an active market of identical asset or liability (i.e. level 1 input), 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.

4.10.2. 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 the objective of which 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 its effect 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.

4.10.3. 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 takes into account 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.

4.10.3.1. 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.

4.10.3.2. 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.

4.10.3.3. 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 segment within the credit portfolio in accordance with the asset features and the risk characteristics applied to segmentation. The LGD value is defined on the basis of the actual collectability of loans by segments modelled through the moving average for a period, which examines at least 18 months of credit exposure recovery. The Company applies macro-neutral scenario when determining the LGD parameter due to the lack of loan collaterals and the lack of material statistical significance of the actual ratios and default ratios relationship and changes of the macroeconomic indicators of the country.

4.10.3.4. 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.

4.10.4. 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).

4.10.5. 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.

4.10.6. 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.

4.11. 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.

4.12. 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.

4.13. 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 non-banking financial institution. As at 31 December 2021, 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 are 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.

4.14. 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 17

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 equity, 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.

4.15. 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. 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 best 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.

Any obligation-related compensations from third parties that 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 annex 0.

4.16. 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 annex 4.18.

4.16.1. Self-developed 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 the 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 self-developed 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.

4.16.2. 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.

4.16.3. 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 principal and interest payments only and holding assets until collection of contractual cash flows classified as debt instruments measured at amortised cost. Such decision takes into consideration the current liquidity and the capital of the Company.

4.16.4. 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.

4.16.5. 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, if provided for in the 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.

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

When from a lease contract assets and liabilities occur that result in initial recognition of taxable temporary difference related to the 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.

4.17. 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.

4.17.1. 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 of 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 factor, the Company estimates the appropriate adjustments with regard to the market risk and the risk factors that are specific for individual assets.
During the reporting periods in question, the Company has not identified indications for impairment of non-current assets up to their recoverable value.

4.17.2. 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 2021, 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 so made due to the technical and moral wear and tear, mainly for software products and computer equipment.

4.17.3. 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.

4.17.4. 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.

4.17.5. 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.

4.17.6. 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 tax losses, unused input tax and tax rate correspond to the used and expected treatment that would be applied upon declaring income taxes.

EFFECT FROM CHANGE OF THE ACCOUNTING POLICY

The next table shows the changes recognised for each separate item in the financial statements.

	31 December 2020 BGN'000	Effect from change as at 31 December 2020 BGN'000	Effect from change as at 31 December 2019 BGN'000 Recalculated	31 December 2020 BGN'000 Recalculated
ASSETS				
Non-current assets	**1 416**	**-**	**-**	**1 416**
Current assets				
Receivables from granted loans	9 536	36	(580)	8 992
Other current assets	415	-	-	415
	9 951	**36**	**(580)**	**9 407**
TOTAL ASSETS	**11 367**	**36**	**(580)**	**10 823**
	31 December 2020 BGN'000	**31 December 2020 BGN'000**	**31 December 2020 BGN'000**	**31 December 2019 BGN'000**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	1 800	-	-	1 800
Statutory reserves	167	-	-	167
Retained earnings	1 322	36	(580)	778
TOTAL EQUITY	**3 298**	**36**	**(580)**	**2 745**
LIABILITIES				
Non-current liabilities				
Non-current liabilities	**6 994**	**-**	**-**	**6 994**
Current liabilities	**1 084**	**-**	**-**	**1 084**
TOTAL LIABILITIES	**8 078**	**-**	**-**	**8 078**
TOTAL EQUITY AND LIABILITIES	**11 367**	**36**	**(580)**	**10 823**

	31 December 2019 BGN'000	Effect from change 31 December 2019 BGN'000	31 December 2019 BGN'000 Recalculated
ASSETS			
Non-current assets	**1 503**	**-**	**1 503**
Current assets			
Receivables from granted loans	7 166	(580)	6 586
Other current assets	4 140	-	4 140
	11 306	**(580)**	**10 726**
TOTAL ASSETS	**12 809**	**(580)**	**12 229**
	31 December 2019 BGN'000	**31 December 2020 BGN'000**	**31 December 2019 BGN'000**
EQUITY AND LIABILITIES			

EQUITY			
Share capital	1800	-	1800
Statutory reserves	125	-	125
Retained earnings	724	(580)	144
TOTAL EQUITY	**2 649**	**(580)**	**2 069**
LIABILITIES			
Non-current liabilities	**6 551**	**-**	**6 551**
Current liabilities	**3 609**	**-**	**3 609**
TOTAL LIABILITIES	**10 160**	**-**	**10 160**
TOTAL EQUITY AND LIABILITIES	**12 809**	**(580)**	**12 229**

	2020	**Effect from change for 2020**	**2020**
	BGN'000	**BGN'000**	**BGN'000** Recalculated
Income from financial assets	6 467	-	6 467
Income from contracts with customers	3	-	3
Other income	23	-	23
Expenses on materials and hired services	(655)	-	(655)
Wages and salaries	(2 287)	-	(2 287)
Amortisation	(359)	-	(359)
Other operating expenses	(324)	-	(324)
Expected credit loss for granted loans, net	(731)	36	(695)
Net loss from sale of receivables from granted loans	(557)	-	(557)
Interest expenses and other financial expenses	(821)	-	(821)
EBT	**759**	**36**	**796**
(Loss)/ gains from income taxes	(82)	-	(82)
Profit for the year	**677**	**36**	**714**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**677**	**36**	**714**

The total effect on Company's retained earnings as at 1 January 2021 is presented as follows:

	Retained earnings BGN'000
Recognition of expected credit losses-related costs for loans and receivables as at 1st January 2021	544
Total effect – decrease of retained earnings	**544**

INCOME FROM FINANCIAL ASSETS

Income reported as at 31 December 2021 comprises interest income from granted loans, income from charges, income from default charges, income from other financial assets classified in the following groups:

	2021 ***BGN'000***	***2020*** ***BGN'000***
Interest income from borrowers	1 044	1 123
Charges	660	721
Default charges	4 211	4 560
	5 915	**6 404**

Other financial income	**108**	**63**
Income from financial assets	**6 023**	**6 467**

INCOME FROM CONTRACTS WITH CUSTOMERS

	2021 BGN'000	***2020 BGN'000***
Income recognised in the course of time		
Income from services	25	3

OTHER INCOME

	2021 BGN'000	***2020 BGN'000***
Covid-19-related rent concessions (see annex 25)	20	23

EXPENSES ON MATERIALS AND HIRED SERVICES

Expenses on materials and hired services comprise:

	2021 BGN'000	***2020 BGN'000***
Consumables and stationery	(26)	(32)
Fuel	(2)	(2)
Expense on materials	**(28)**	**(34)**
Legal and other consultancy services	(66)	(70)
Advertising expenses	(86)	(115)
Telephone and internet communication	(80)	(83)
Accounting services	(90)	(92)
Overhead maintenance	(61)	(73)
Technical maintenance	(168)	(131)
Other services	(53)	(24)
Short-term variable lease-related expenses	(20)	(21)
Audit	(11)	(11)
Expenses on hired services	**(635)**	**(620)**
Total expenses on materials and hired services	**(663)**	**(654)**

Short-term variable lease-related payments comprise:

	2021 BGN'000	***2020 BGN'000***
Rent of office equipment	(6)	(9)
Short-term rents	(13)	(12)
Expenses on materials	**(19)**	**(21)**

The fee for the independent financial audit for 2021 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.

EMPLOYEE BENEFITS

Employee benefits comprise:

	2021 BGN'000	***2020 BGN'000***
Current remunerations	(2 113)	(2 055)
Social security contributions	(230)	(232)
	(2 343)	**(2 287)**

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 continues undertaking measures to protect the health of its employees by ensuring continuity of the working process. As part of the Fintech sector in Bulgaria and with its mainly online operations, the Company does not have to significantly restructure its operations for remote work and keeps the usual rates of its operating activity.

OTHER OPERATING EXPENSES

Other operating expenses comprise:

	2021 BGN'000	***2020 BGN'000***
Peer to peer platform charges	(17)	(21)
Other hired services	(60)	(62)
Charges under other consultancy contracts	(36)	(22)
VAT related to supplies under article 84 of the Value Added Tax Act (VATA)	(57)	(58)
Other expenses	(54)	(44)
Out-of-court charges	(76)	(49)
Charges to the National Social Security Institute and BNB	(23)	(31)
Entertainment	(18)	(25)
Insurances	(10)	(9)
Municipal waste disposal charge and other taxes	(11)	(3)
Rewards	(13)	-
	(375)	**(324)**

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 431 thousand (as at 31 December 2020 recalculated: BGN 695 thousand) are recognised, being impairment of receivables under granted loans in arrears, in accordance with the adopted corporate policy.

	2021 BGN'000	***2020 BGN'000*** *Recalculated*
Charged for the period	(431)	(820)
Derecognised for the period	-	125
Net	**(431)**	**(695)**

INTEREST EXPENSES AND OTHER FINANCIAL EXPENSES

	2021 BGN'000	***2020 BGN'000***
Bank charges and fees	(50)	(47)
Interest expenses	(742)	(762)
Expenses for foreign currency transaction	(5)	(12)
	(797)	**(821)**

INCOME TAX (EXPENSES)/ REVENUE

	2021 BGN'000	***2020 BGN'000***
Tax (loss)/ profit for the year	(289)	(805)
Current income tax expense for the year	**-**	**(81)**
Change of deferred tax related to occurrence and reversal of temporary differences	30	(1)
Total income tax revenue/ (expense)	**30**	**(82)**

Reconciliation of income tax expenses towards accounting result

	31 December 2021 BGN'000	***31 December 2020 BGN'000***
Accounting profit for the year	205	759
Income tax expense - 10% (2020: 10%)	(20)	(76)
Expenses for tax from amounts not recognised in the tax return:		
• increases	47	50
• decreases	(97)	(45)
• change of deferred tax asset	30	
Tax income/ (expenses) comprise:		
• current tax	-	(81)
• deferred tax expenses/ income from occurrence and reversal of temporary differences	30	(1)
Total saving / (expense) for income tax stated in the statement of comprehensive income	30	(82)

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 2021						
At the beginning of the period	1 564	8	125	43	150	1 891
Acquisitions during the period		-	5		186	191
Gross value as at 31 December **2021**	**1 564**	**8**	**130**	**43**	**336**	**2 082**
Amortisations						
Amortisation amount as at 01 January 2021	619	8	113	35	-	775
Accruals for the period	140		7	3	-	151
Amortisation amount as at 31 December 2021	**759**	**8**	**120**	**38**	**-**	**926**
Carrying amount at the end of the period	**805**	**-**	**10**	**5**	**336**	**1 156**

	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 January 2019	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**

Company's Software comprises the following self-developed software products:

Self-developed 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***	***BGN'000***
Gross value as at 01 January 2021	680	160	100	90	**5**	**1030**
Acquisitions during the period						
Gross value as at 31 December 2021	680	160	100	90	**5**	**1 035**
Amortisations						
Amortisation amount as at 01 January 2021	85	23	14	13	**1**	**136**
Accruals for the period	68	23	14	13	1	119
Amortisation amount as at 31 December 2021	**153**	46	28	26	**2**	**255**
Carrying amount at the end of the period	**527**	**114**	**72**	**64**	**3**	**780**

Self-developed 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***	***BGN'000***
Gross value as at 01 January 2020	680	160	100	90		**1 030**
Acquisitions during the period					5	5
Gross value as at 31 December 2020	680	160	100	90	**5**	**1 035**
Amortisations						
Amortisation amount as at 01 January 2020	17	-	-	-		**17**
Accruals for the period	68	23	14	13	1	119
Amortisation amount as at 31 December 2020	**85**	23	14	13	**1**	**136**
Carrying amount at the end of the period	**595**	**137**	**86**	**77**	**4**	**899**

In addition to self-developed software products, the company reports other non-current software products with carrying amount of BGN 16 thousand as at 31 December 2021. The total carrying amount of software is BGN 7965 thousand.

The value of fully amortised *intangible assets, plant and equipment* as at 31 December 2021 is BGN 602 thousand (as at 31 December 2020: BGN 596 thousand).
The company does not have significant contractual obligations to acquire fixed tangible assets as at 31 December 2021.
As at 31 December 2021, there are no encumbrances established on fixed tangible and intangible assets of the company.

RIGHT-OF-USE ASSETS

Right-of-use assets comprise:

Right-of-use assets	**Buildings** *BGN'000*	**Vehicles** *BGN'000*	**Total** *BGN'000*
Gross value as at 01.01.2021	637	54	691
Acquisitions during the period	551	-	551
Disposals during the period	(247)	-	(247)
Gross value as at 31.12.2021	**941**	**54**	**995**
Amortisations			
Amortisation amount as at 01.01.2021	385	15	400
Accruals for the period	170	10	180
Disposals for the period	(247)	-	(247)
Amortisation amount as at 31.12.2021	**305**	**25**	**333**
	633	**29**	**662**

Right-of-use assets	**Buildings** *BGN'000*	**Vehicles** *BGN'000*	**Total** *BGN'000*
Gross value as at 01.01.2020	554	54	608
Acquisitions during the period	84		84
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**

All significant fixed tangible and intangible assets were reviewed as at 31 December 2021 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.

DEFERRED TAX ASSETS

Recognised deferred taxes as at 31 December:

	Tax base	***tax***	***Tax base***	***tax***
	31 December 2021 BGN'000	***31 December 2021 BGN'000***	***31 December 2020 BGN'000***	***31 December 2020 BGN'000***
Charged unused annual leave	70	7	79	8
Recognition of unrecognised costs for unused annual leave	(79)	(8)	(81)	(8)
Recognition of unrecognised costs being residents' income	(7)	(1)	(25)	(2)
Costs being residents' income	27	3	7	-
Costs recognised for accounting purposes with regard to operating lease contracts in accordance with IFRS 16	201	20	210	21
Costs applied to operating lease contracts in accordance with IFRS 16	(193)	(19)	(204)	(20)
Tax loss	289	28		

Income/ expense for temporary taxes	**308**	**30**	**(14)**	**(1)**
Balance as at the end of the period		**39**		**9**

RECEIVABLES FROM GRANTED LOANS

	31 December 2021 BGN'000	***31 December 2020 BGN'000 Recalculated***	***31 December 2020 BGN'000 Recalculated***
Receivables from customers, gross, before impairment	11 216	9 637	7 382
Recognised impairments for expected credit loss	(706)	(825)	(860)
Receivables from customers, net	**10 510**	**8 812**	**6 522**
Judicially awarded receivables from granted loans	912	733	507
Recognised impairments for expected credit loss	(833)	(553)	(443)
Judicially awarded receivables, net	**79**	**180**	**64**
	10 589	**8 992**	**6 586**

As at 31 December 2021, the expected credit loss of granted loans is determined as follows:

			Total impairment of financial assets stated at amortised cost
	2021 BGN'000	***2020 BGN'000 Recalculated***	***2019 BGN'000 Recalculated***
Balance as at 1 January 2021	(1 378)	(1 303)	(2 314)
Recognised expected credit loss for the current period	(431)	(820)	(1 253)
Derecognised impairment of sold loans	270	745	2 264
As at 31 December 2021	**(1 539)**	**(1 378)**	**(1 303)**

Quality of credit portfolio

31 December 2021	**Stage 1** ***BGN'000***	**Stage 2** ***BGN'000***	**Stage 3** ***BGN'000***	**Total** ***BGN'000***
Gross carrying amount	3 029	2 923	5 264	11 216
Impairment loss	(20)	(20)	(666)	(706)
Net amount	**3 009**	**2 903**	**4 598**	**10 510**

31 December 2020	**Stage 1** ***BGN'000***	**Stage 2** ***BGN'000***	**Stage 3** ***BGN'000***	**Total** ***BGN'000***
Gross carrying amount	2 254	4 023	3 360	9 637
Impairment loss	(40)	(71)	(714)	(825)
Net amount	**2 214**	**3 952**	**2 646**	**8 812**

Quality of the credit portfolio for judicially awarded receivables

31 December 2021	**Stage 1** *BGN'000*	**Stage 2** *BGN'000*	**Stage 3** *BGN'000*	**Total** *BGN'000*
Gross carrying amount	-	-	912	912
Impairment loss	-	-	(833)	(833)
Net amount	**-**	**-**	**79**	**79**

31 December 2020	**Stage 1** *BGN'000*	**Stage 2** *BGN'000*	**Stage 3** *BGN'000*	**Total** *BGN'000*
Gross carrying amount	-	-	733	733
Impairment loss	-	-	(553)	(553)
Net amount	**-**	**-**	**180**	**180**

Change of credit portfolio by stages

Gross carrying amount

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross balance as at 01.01.2021	2 232	3 582	4 651	10 465
Increases due to occurrence and acquisition	2 342	1 810	28	4 180
Decreases due to discontinued recognition	(1 272)	(417)	(1 239)	(2 928)
Charged interests on uncovered exposures	1	91	319	411
Changes due to change in credit risk (net)	(274)	(2 143)	2 417	-
Gross balance as at 31.12.2021	**3 029**	**2 923**	**6 176**	**12 128**

Amount of expected credit losses

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross balance as at 01.01.2021	(36)	(60)	(1 261)	(1 357)
Increases due to occurrence and acquisition	(13)	(10)	(25)	(48)
Decreases due to discontinued recognition	23	8	245	276
Changes due to change in credit risk (net)	6	42	(458)	(410)
Gross balance as at 31.12.2021	**(20)**	**(20)**	**(1 499)**	**(1 539)**

During the third quarter of 2021 a sale of receivables was realised. The effect of the sale on the receivables portfolio is as follows:

	2021 *BGN'000*
Gross value of sold receivables from granted loans	1 356
Total amount of derecognised impairment of receivables	(270)
Net value of sold receivables from granted loans	1 086
Income from sale of receivables	163
Net loss from sale of receivables from granted loans	(923)

In 2021, the Company follows its receivables portfolio management policy and minimization of the liquidity risk and has realised a sale of portfolio of loan receivables in arrears. Such sale comprises a sale of exposures with increased credit risk and considerable reported losses and does not breach the business management model of such assets, but is used as a tool to limit further losses with regard to such portfolio. Despite the few similar transactions on the market of bad loans, the Company realised the transaction at good percentage levels. Upon entering into similar transactions, the company's management makes careful judgement for the exposures to be included in the sold package of receivables, whereas the packages are determined on the basis of days in arrears and already accumulated impairment losses from the respective receivables.

ACCOUNTS RECEIVABLE

	31 December 2021 BGN'000	*31 December 2020 BGN'000*
Prepaid expenses	256	9
	256	**9**

OTHER CURRENT ASSETS

	31 December 2021 BGN'000	*31 December 2020 BGN'000*
Loans granted to third legal entities	10	10
Expected credit loss	(1)	(1)
Carrying amount of loans granted to third legal entities	9	9
Interests for granted loans	15	13
Other short-term receivables	14	3
	38	**25**

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

Loan agreement Stefan G.	BGN 10 thousand
Purpose of loans:	Working capital
Date of signing the agreement:	17/12/2019
Maturity date:	31/12/2022
Date of signing – above	
Interest rate:	15%
Balance as at 31.12.2020	principal – BGN 10 thousand;
Balance as at 31.12.2020	principal – BGN 10 thousand;

ISSUED GUARANTEES

As at 31 December 2021, guarantees in relation to office lease agreements in total amount of BGN 67 thousand (as at 31 December 2020 – BGN 42 thousand) have been issued.

CASH AND CASH EQUIVALENTS

As at 31 December 2021, 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 2021 BGN'000	***31 December 2020 BGN'000***
Cash on hand – BGN	129	80
Current accounts – BGN	301	214
Blocked cash for bank guarantee	88	
Total	**518**	**294**

The Company reports blocked cash for issued performance bank guarantee under office lease agreement.

The Company has assessed the expected credit losses on cash and cash equivalents. The assessed amount is 0,4% of the gross amount of cash and cash equivalents due to the good credit rating of the financial institutions where cash is deposited. The amount is determined as minor and is not stated in the Company's financial statements.

EQUITY

1.6. Share capital

By virtue of Resolution of the General Meeting of Shareholders of 30.09.2020, 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 30.09.2020, the Articles of Association of the Company were amended.

Shareholders

As at 31 December 2021, 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 2021 BGN'000	***31 December 2020 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.

1.7. Statutory reserves

As at 31 December 2021, the **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 2021 BGN'000	*31 December 2020 BGN'000*
Statutory reserves	180	167
Total	**180**	**167**

1.8. Retained earnings

As at 31 December, retained earnings comprise:

	31 December 2021 BGN'000	*31 December 2020 BGN'000 Recalculated*
Retained earnings	778	144
Allocation of statutory reserve	(13)	(42)
Allocation of dividend to preferred shares		(38)
Net profit for the period	235	714
	1 000	**778**

BOND ISSUE LIABILITIES

The bond issue is stated in the category of financial liabilities measured at amortised cost.

	31 December 2021 BGN'000	*31 December 2020 BGN'000*
Principal	5 000	5 000
Interest	63	63
Non-amortised costs	(60)	(72)
Total	**5 003**	**4 991**

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

	2021		*2020*	
	BGN'000 Current portion	*BGN'000* Non-current portion	*BGN'000* Current portion	*BGN'000* Non-current portion
Book value	1 063	4 000	63	5 000
Loan non-amortised costs	-	(60)		(72)
Amortised cost	**1 063**	**3 940**	**63**	**4 928**

Amount of bond issue	BGN 5 000 000 (five million Bulgarian levs);
Currency of bond issue	BGN (Bulgarian levs)
Number of corporate bonds	5 000 (five thousand);
Nominal value per bond	BGN 1 000 (one thousand Bulgarian levs);
Issue value per 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 2021, a pledge of receivables from loans granted to borrowers is registered in favour of the bond issue trustee Elana Trading AD pursuant to the Special Pledges Act in the amount of BGN 4 641 thousand (2020: BGN 5 293 thousand.). Pledged receivables represent 44% of the company's gross portfolio (2020: 52%)

Contractual mortgage of real estate – ownership of a shareholder, in the amount of BGN 1 546 thousand, and contractual mortgage of real estate – ownership of a third payer, in the amount of BGN 485 thousand, are established in favour of the bond issue trustee Elana Trading AD.

First ranking pledge over all existing and future receivables to payment accounts of the Company at Easypay AD and receivables to 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 bond issue 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 was 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 2021, the value of the Interest Coverage Ratio is 299.74% (for 2020 – 299.74%).
As at 31 December 2021, the value of liabilities to assets ratio is 78.03% (for 2020 – 71.07%).
As at 31 December 2021, the value of the Minimum Collateral Amount is 74.93% (for 2020 – 69.06%).
As at 31 December 2021, the pledged aggregate receivables from granted loans are in the amount of BGN 4 641 thousand (for 2020 – BGN 5,293 thousand).

PAYABLES UNDER LEASE CONTRACTS

	2021 *BGN'000*	*2020* *BGN'000*
Payables under lease contracts – non-current portion	492	147
Payables under lease contracts – current portion	181	155
Payables under lease contracts	**673**	**302**

	Minimum lease payments due					
	Less than 1 year BGN'000	**1-2 years BGN'000**	**2-3 years BGN'000**	**3-4 years BGN'000**	**4-5 years BGN'000**	**Total BGN'000**
31 December 2021						
Lease payments	215	176	152	123	93	759
Financial expenses	(34)	(25)	(16)	(9)	(2)	(86)
Net present value	**181**	**151**	**136**	**114**	**91**	**673**
31 December 2020						
Lease payments	167	90	39	25	-	321
Financial expenses	(12)	(5)	(2)	-	-	(19)
Net present value	**155**	**85**	**37**	**25**	**-**	**302**

With regard to the disclosure of the impact of the Covid-19 pandemic, the company states income from concession under operating lease contracts being payments for rented offices in the amount of BGN 20 thousand (2020 – 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 16).

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 2021, 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 in. Their amount is presented in annex 9, including payments for lease of office equipment of BGN 6 thousand (2020 – BGN 9 thousand) and parking lot lease and short-term office lease in the amount of BGN 13 thousand (for 2020 – BGN 12 thousand)

Detailed information about the types of right-of-use assets is presented in annex 16.

NON-CURRENT LIABILITIES FOR BORROWINGS

	31 December 2021 BGN'000	***31 December 2020 BGN'000***
Liabilities to third parties for borrowings	1 623	1 623
	1 623	**1 623**

Loan agreement
Ox Company EOOD
UIC 202624623

Agreed amount:	BGN 89 thousand
Date of signing the agreement:	04/04/2019
Purpose of loans:	Working capital
Maturity date:	30/11/2026
Interest rate:	3%
Balance as at 31.12.2020:	principal – BGN 89 thousand;
Balance as at 31.12.2021:	principal – BGN 89 thousand

Loan agreement
Danson-BG OOD
UIC 203612570

Agreed amount:	BGN 111 thousand
Date of signing the agreement:	02/11/2020
Purpose of loans:	Working capital
Maturity date:	30/11/2026
Interest rate:	10%
Balance as at 31.12.2020:	principal – BGN 111 thousand
Balance as at 31.12.2021:	principal – BGN 111 thousand

Loan agreement
Danson-BG OOD
UIC 203612570

Agreed amount:	BGN 470 thousand
Date of signing the agreement:	02/11/2020
Purpose of loans:	Working capital
Maturity date:	06/01/2025
Interest rate:	10%
Balance as at 31.12.2020:	principal – BGN 470- thousand;
Balance as at 31.12.2021:	principal – BGN 470 thousand

Loan agreement
Ox Company EOOD
UIC 202624623

Agreed amount:	BGN 600 thousand
Date of signing the agreement:	24/04/2018
Purpose of loans:	Working capital
Maturity date:	2/12/2026
Interest rate:	3%
Balance as at 31.12.2020:	principal – BGN 400 thousand;
Balance as at 31.12.2021:	principal – BGN 400 thousand

Loan agreement
Botyo B.

Agreed amount:	BGN 200 thousand
Date of signing the agreement:	29/06/2015
Purpose of loans:	Working capital
Maturity date:	30/10/2024
Interest rate:	11%
Balance as at 31.12.2020:	principal – BGN 200 thousand;
Balance as at 31.12.2021:	principal – BGN 200 thousand;

Loan agreement
Georgi D.

Agreed amount:	BGN 100 thousand
Date of signing the agreement:	09/02/2016
Purpose of loans:	Working capital
Maturity date:	09/02/2025
Interest rate:	10%
Balance as at 31.12.2020:	principal – BGN 60 thousand;
Balance as at 31.12.2021:	principal – BGN 60 thousand

Loan agreement
Toma T.

Agreed amount:	BGN 293 thousand
Date of signing the agreement:	04/01/2016
Purpose of loans:	Working capital
Maturity date:	01/11/2024
Interest rate:	10%
Balance as at 31.12.2020:	principal – BGN 293 thousand;
Balance as at 31.12.2021:	principal – BGN 293 thousand

The borrowing received by the Company is not secured.

ACCOUNTS PAYABLE

	31 December 2021 BGN'000	***31 December 2020 BGN'000***
Current payables to suppliers	125	102
Charged expenses related to the current period as per documents received during the next period		16

	125	**118**

TAX LIABILITIES

	31 December 2021 BGN'000	***31 December 2020 BGN'000***
Income tax liabilities	-	32
	-	**32**

EMPLOYEE BENEFITS AND PAYABLES TO SOCIAL SECURITY INSTITUTIONS

	31 December 2021 BGN'000	***31 December 2020 BGN'000***
Employee benefits	33	29
Payables for charged leaves subject to compensation	99	108
Payables for individual income tax	48	36
Payables for state social security scheme and health insurance	90	82
	270	**255**

LIABILITY FOR CONTINUING INTEREST IN FINANCIAL ASSETS

A liability for participation in Peer to Peer platform as at 31 December 2021 in the amount of BGN 842 thousand (BGN 117 thousand as at 31 *December* 2020).

LIABILITIES FOR SHORT-TERM BORROWINGS

	31 December 2021 BGN'000	***31 December 2020 BGN'000***
Liabilities for borrowings to third parties	1 372	196
Interest liabilities for funding granted by non-related parties	66	64
	1 438	**260**

Loan agreement
Valentin T.

Agreed amount:	BGN 196 thousand
Date of signing the agreement:	14/02/2019
Purpose of loans:	Working capital
Maturity date:	14/02/2022
Interest rate:	10%
Balance as at 31.12.2020:	principal – BGN 196 thousand;
Balance as at 31.12.2021:	principal – BGN 196 thousand;

Loan agreement
Ox Company EOOD

UIC 202624623

Agreed amount:	BGN 1 300 thousand
Date of signing the agreement:	04/01/2021
Purpose of loans:	Working capital
Maturity date:	31/12/2022
Interest rate:	3%
Balance as at 31.12.2021:	principal – BGN 1 176 thousand

OTHER LIABILITIES

	31 December 2021 BGN'000	***31 December 2020 BGN'000***
Current liability for corporate credit card	26	25
Other	9	9
	35	**34**

RECONCILIATION OF CASH FLOWS RELATED TO FINANCING ACTIVITY

	31 *December* 2020	**Cash flows**	**Changes of non-monetary nature**	**31 *December* 2021**
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***
Received loans	7 339	1 291	692	**9 322**
Lease	302	(165)	536	**673**
Total liability from financing activity	**7 641**	**1 126**	**1 228**	**9 995**

	31 *December* 2019	**Cash flows**	**Changes of non-monetary nature**	**31 *December* 2020**
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***
Received loans	9 276	(2 640)	703	**7 339**
Lease	432	(270)	140	**302**
Total liability from financing activity	**9 708**	**(2 910)**	**843**	**7 641**

RELATED PARTIES

The company's related parties are as follows:

Owners:

ABI CAPITAL EOOD	203269374	75%
Filip Georgiev Dobrinov		21,38%
Emil Borisov Galabov		3,62%

Companies under common control:

SEM HOLD EOOD	200445721
CREMAX AUTO EOOD	202524683

Companies **under common control**	DELTA COM GROUP KDA	202035774
	DELTA COM HOLDING GROUP OOD	831671674
	A INVESTMENT EOOD	203704022
	THE CASE EOOD	204699553
	SV INVESTMENT OOD	204092165
	SANLEX 2012 EOOD	202160322
	B WORKS EOOD	11248077
	ABI CAPITAL EOOD	203269374
	FASTCOLLECT OOD	206338142
	GETCASH.BG OOD	202946574
	SMILE CREDIT OOD	202946528
	THE CASE 2019 EOOD	205576062
	THE CASE COMPANY EOOD	205661242
	THE CASE PROJECT EOOD	205661139
	THE CASE ART EOOD	205931766
	DELTA COM TRADING EOOD	130572691
	DELTA S – 2 EOOD	121416309
	DELTA-A EOOD	201892650

Companies in the **management of** which **persons managing the Company** or **owners** of the capital are involved	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
	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
	ABI CAPITAL EOOD	203269374	Svetoslav Yuriy Angelov is a manager
	THE CASE EOOD	204699553	Svetoslav Yuriy Angelov is a manager
	THE CASE ART EOOD	205931766	Svetoslav Yuriy Angelov is a manager
	SANLEX 2012	202160322	Svetoslav Yuriy Angelov is a 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	203269399	Donka Angelova – Manager
	GETCASH.BG OOD	202946574	Filip Dobrinov is a manager
	SMILE CREDIT OOD	202946528	Filip Dobrinov is a manager
	MGRID OOD	206560602	Filip Dobrinov is a manager
	CROSSING POINT EOOD	206485466	Filip Dobrinov is a manager
	DF PROPERTIES EOOD	206613777	Filip Dobrinov is a manager
	BRIGHT SERVICES EOOD	201289570	Emil Borisov Galabov is a manager
	BRIGHT TECHNOLOGIES EOOD	200087473	Emil Borisov Galabov is a manager
	AXID LAB OOD	205949287	Emil Borisov Galabov is a manager
	TRYJET OOD	204630710	Emil Borisov Galabov is a manager
	INTRACALL INVESTMENTS OOD	205856064	Emil Borisov Galabov is a manager
	TECHNOINVEST GROUP EAD	203790683	Emil Borisov Galabov is a BoD member
	INTRACOL TECHNOLOGIES EAD	203312224	Emil Borisov Galabov is a BoD member

Companies in the capital of which **persons managing the Company** or **owners** of the capital hold interest	ART MEDIA OOD	104693439	8,60%	Svetoslav Angelov – partner
	SEM HOLD EOOD	200445721	100%	Svetoslav Angelov – sole owner of the capital
	SIMBALI GROUP OOD	175043714	50,00%	Svetoslav Angelov – partner
	A INVESTMENT EOOD	203704022	100%	Svetoslav Angelov – sole owner of the capital
	B WORKS EOOD	131248077	100%	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	100%	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	100%	Svetoslav Angelov – sole owner of the capital
	SV INVESTMENT OOD	204092165	50,00%	Svetoslav Angelov – partner
	DELTA – U EOOD	201892611	100%	Yuriy Angelov – sole owner of the capital
	FATBOY OOD	205318927	33.33%	Filip Dobrinov – partner
	SVS INVESTMENT AD	204829192	33.33%	Svetoslav Angelov – shareholder
	TERRA ALTERA EOOD	203269399	100%	Donka Angelova – sole owner of the capital
	SANLEX 2012 EOOD	202160322	100%	Svetoslav Angelov – sole owner of the capital
	ABI CAPITAL EOOD	203269374	100%	Svetoslav Angelov – sole owner of the capital
	THE CASE EOOD	204699553	100%	Svetoslav Angelov – sole owner of the capital
	FASTCOLLECT OOD	206338142	75% 25%	Filip Dobrinov is a partner – BGN 1 250; 25% Svetoslav Angelov, indirectly 25%
	REPUBLICA HOLDING AD	121676036	9,47%	Yuriy Angelov is a shareholder
	DELTA ENTERTAINMENT EOOD	131273507	100%	Donka Angelova is the sole owner of the capital
	BRIGADA AND CO OOD	206182202	25%	Svetoslav Yuriy Angelov is a partner
	MGRID OOD	206560602	50%	Filip Dobrinov is a partner
	CROSSING POINT EOOD	206485466	100%	Filip Dobrinov is the sole owner of the capital
	DF PROPERTIES EOOD	121676036	100%	Filip Dobrinov – indirectly
	GETCASH.BG OOD	202946574	25% 75%	Filip Dobrinov is a partner with 25%, Svetoslav Angelov – indirectly 75%
	SMILE CREDIT OOD	202946528	25% 75%	Filip Dobrinov is a partner with 25%, Svetoslav Angelov – indirectly 75%
	DELTA COM TRADING EOOD	130572691	95,24% 4,76%	Svetoslav Yuriy Angelov Yuriy Angelov Angelov 4,76%
	DELTA S – 2 EOOD	121416309	95,24% 4,76%	Svetoslav Yuriy Angelov Yuriy Angelov Angelov
	THE CASE 2019 EOOD	205576062	100%	Svetoslav Yuriy Angelov
	THE CASE ART EOOD	205931766	100%	Svetoslav Yuriy Angelov
	THE CASE COMPANY EOOD	205661242	100%	Svetoslav Yuriy Angelov
	THE CASE PROJECT EOOD	205661139	100%	Svetoslav Yuriy Angelov
	BRIGHT SERVICES EOOD	201289570	100%	Emil Borisov Galabov is the sole owner of the capital
	BRIGHT TECHNOLOGIES EOOD	200087473	100%	Emil Borisov Galabov is the sole owner of the capital
	AXID LAB OOD	205949287	33,33%	Emil Borisov Galabov is a partner, indirectly
	INTRACALL INVESTMENTS OOD	205856064	27,9%	Emil Borisov Galabov is a partner
	TRYJET OOD	204630710	33,33%	Emil Borisov Galabov is a partner, indirectly

- **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
Republica Holding AD	Minority ownership of a shareholder, key management staff
Devaware AD	Shareholder's ownership, key management staff
Fastcollect OOD	Shareholder's ownership, key management staff
Brigada and Co OOD	Shareholder's ownership, key management staff
Other related parties	Employees under employment contract

1.9. Receivables from related parties as at 31 December 2021

	31 December 2021 BGN'000	***31 December 2020 BGN'000***
Receivables related to other related parties		
Receivables from accountable persons – current	54	45

1.10. Payables to related parties as at 31 December 2021

	2021 BGN'000	***2020 BGN'000***
Payables to owners		
Distributed dividend	23	23
Payables to companies under common control		
Long-term:	***296***	***296***
Borrowings	296	296
Short-term:	***75***	***30***
Interest liabilities for funding of related party	36	27
Payables to related suppliers	39	3
Total	**394**	**349**

Loan agreement
A Investment OOD
UIC 203704022

Agreed amounts:	BGN 296 thousand
Date of signing the agreement:	18/09/2015
Purpose of loans:	Working capital
Maturity date:	31/12/2026
Interest rate:	3%
Balance as at 31.12.2021:	principal – BGN 296 thousand;

Balance as at 31.12.2020: principal – BGN 296 thousand;

1.11. Related party transactions as at 31 December 2021

	2021 BGN'000	*2020 BGN'000*
Accounts with companies under common control		
Service expenses	137	59
Interest expenses	9	15
Brigada and Co OOD – advertising services	13	
Republica Holdign AD – lease agreement	31	
Republica Holdign AD – services and overhead expenses under lease agreement	30	
Fastcollect OOD – out-of-court charges	5	
Devaware AD – technical maintenance	58	59
Accounts related to key management staff		
Remunerations of the members of the BoD and executive directors	508	480

FINANCIAL RISK MANAGEMENT

***Structure of financial assets and liabilities as at 31 December 2021 by categories*:**

	31 December 2021 BGN'000		*31 December 2020 BGN'000*
Loans and receivables, including	**11 004**		**9 113**
Granted loans	10 589	18	8 992
Receivables from loans granted to related parties	54	34	45
Other receivables	361	19.20.21	76
Cash and cash equivalents	**518**	22	**294**
Total	**11 522**		**9 407**
Financial liabilities, including	**9 252**		**7 640**
Payables for bond issue	5 003	24	4 991
Payables to non-related parties	3 061	26, 31	1 883
Payables to relate parties	390	34	346
Lease	673	25	302
Trade payables	125	27	118
Other financial liabilities	**877**	30, 31	**151**
	10 129		**7 791**

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.

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 to salary, loan by instalments).

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

	31 December 2021 BGN'000	***31 December 2020 BGN'000***
Cash and cash equivalents	518	294
Granted loans to customers	10 589	8 992
Other current assets	415	121
	11 522	**9 407**

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 implements additional measures to mitigate the credit risk and to minimize the possible adverse impacts on business as a whole.
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 risk of 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 on daily basis and maintains reasonable levels of cash enabling it to cover its operating liabilities on ongoing basis.

The Company has designed appropriate procedures for collection of receivables and monitors early indicators allowing the precise forecast 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 2021, the maturities of the Company's contractual obligations (comprising interest payments, if applicable), are summarised as follows:

31 December 2021	***Less than 6 months BGN'000***	***From 6 to 12 months BGN'000***	***From 1 to 5 months BGN'000***
Related parties	94		296

Borrowing payables	-	2 280	1 623
Lease payables	90	91	492
Bond issue payables	563	500	3 940
Accounts payable	125	-	-
Tax and social security payables	147	-	
Other payables	26		
Employee benefits	33	99	
TOTAL	**1 078**	**2 970**	**6 351**

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 2021 BGN'000	***31 December 2020 BGN'000***
Total debt capital	10 129	7 791
Less cash and cash equivalents	(518)	(294)
Net debt capital	9 611	7 497
Total equity	2 980	2 745
Debt ratio	**3.22**	**2.72**

FAIR VALUES

The financial assets held by the company are mainly short-term loan receivables and cash in current bank accounts; therefore; 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.

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 (see annex 24).
The Company is a guarantor under the office lease agreement with Republica Holding AD for a period of five years and reports blocked cash for issued performance bank guarantee under office lease agreement. Unicredit Bulbank AD is a guarantor under the bank guarantee. The bank guarantee is valid until 07.08.2022 (see annex 22).

During the year, minor legal claims in the amount of BGN 15 thousand 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.

EVENTS AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENTS

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:

Military conflict between the Russian Federation and the Republic of Ukraine started on 24 February 2022. As a result of such conflict various economic sanctions against the Russian Federation and its related natural persons and legal entities were imposed at global level. The Company does not have relationships with persons who are subject to sanctions, and the initial judgement of the management is that the conflict will not cause negative impacts on the company's development. The possible escalation of the conflict at global level, however, makes the assessment and measurement of the potential long-term impact on the economy of the country and the impact on the company's development impossible

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The financial statements as at 31 December 2021 (including the comparative information thereto) are approved for publication by the Board of Directors on 28 March 2022.

ITF GROUP AD

MANAGEMENT REPORT

ANNUAL MANAGEMENT REPORT
2021

This annual management report of ITF Group AD ("**the Company**" or "**ITF**") presents comments and analysis to the financial statements and other material information about the Company's financial position and performance for the period ending 31 December 2021.

This report is prepared in accordance with the requirements of article 39 of the Accounting Act, article 187A of the Commerce Act, article 247 of the Commerce Act, article 100н, paragraphs 4, 7 and 8 of the Public Offering of Securities Act, and Annex No 2 to Ordinance No 2 of 09.11.2021 on the initial and subsequent disclosure of information upon public offering of securities and admitting securities for trade on regulated market (promulgated in SG no. 97 of 19.11.2021, effective from 01.01.2022, adopted by Decision No 231-H of 09.11.2021 of the Financial Supervision Commission.

1. CORPORATE INFORMATION ABOUT THE COMPANY

ITF Group AD is a joint stock company with seat and registered address is in the Republic of Bulgaria, Sofia 1164, Lozenets region, 16 Srebarna St., Park Lane Office Building.

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 is recorded in the Commercial Register at the Registry Agency on 16 December 2012. The change refers to the entry of the current seat and registered address.

ITF Group AD does not have registered branches.

On the territory of the country, the Company has offices in Sofia, Plovdiv, Asenovgrad, Shumen, Gabrovo, Ruse and Burgas.

1.1. Ownership and management

The capital of the Company is in the amount of BGN 1,800,000 and is divided into 1,800,000 shares with nominal value of BGN 1 (one Bulgarian lev) each. All shares are materialized, registered voting shares. The registered capital is fully paid-in.

The Company has not redeemed its own shares and does not have any redeemed treasury shares.

The major shareholders of the Company are:

- Abi Capital EOOD – 75%
- Filip Dobrinov – 21,38%
- Emil Galabov – 3.62%.

The Company has one-tier management system. The management body of the Company is the Board of Directors. As at 31 December 2021, the Board of Directors is composed as follows:

1. Svetoslav Yuriy Angelov – executive director and member of the Board of Directors;
2. Filip Georgiev Dobrinov – executive director and member of the Board of Directors;
3. Yuriy Angelov Angelov – member of the Board of Directors;
4. Donka Ivanova Angelova – member of the Board of Directors.

The Company is represented by the two executive directors jointly and severally.

The Company has an Audit Committee composed of:

- Violeta Vasileva
- Anna Ivanova
- Daniela Mihaylova

The Audit Committee supports the BoD in its work and has 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 2021, the company has 55 employees under employment contracts (2020: 55 employees).

There is no information about arrangements as a result of which changes in the relative shareholdings of the existing shareholders might occur in future.

The Company is not aware of arrangements that might result in change of the control at a subsequent date.

1.2. Company's scope of business

ITF Group AD is a non-banking financial institution licensed by BNB in accordance with article 3, paragraph 2 of the Credit Institutions Act (promulgated in State Gazette no. 59 of 21 July 2006, as further amended). The Company is registered with reg. No BGR 00298 in the BNB Register. The Company's principal activity comprises granting loans with funds not raised through public raising of deposits or other refundable money.

ITF Group AD is an innovative fintech company focused on ensuring quick and easy access to financial resources with the use of high technologies, automation and optimisation of all operational processes.

Company's customers are capable natural persons with permanent income and good credit history, who permanently reside on the territory of the Republic of Bulgaria.

ITF Group AD has developed and has been successfully operating two separate brands in the field of consumer loans that have different customer target groups and are structured as different business models, and namely:

- Smile Credit – online crediting platform;
- GetGash – sales network of 10 offices – 4 in Sofia and 6 in big cities across Bulgaria.

Under the Smile Credit brand, the Company grants loans within the following products:

1. Loan to salary with maximum repayment period of up to 30 days and amounts from BGN 50 to BGN 500;
2. Loan by instalments with maximum repayment period of up to 24 months and amounts from BGN 200 to BGN 5,000.

Under the Get Cash brand loan products by instalments for the amounts of BGN 200 to BGN 5,000 are granted for maximum repayment period of 12 months as follows:

1. Weekly instalments;
2. 15-day instalment;
3. Monthly loan;
4. Retirement loan.

2. REVIEW OF THE COMPANY'S BUSINESS FOR THE YEAR ENDING 31 DECEMBER 2021

In 2021 the business of ITF is well positioned. The Company successfully overcomes the effects of the pandemic and thanks to the technological capacities of its business and the adapted risk policies, the Company improves the quality of its portfolio and maintains stable market share. In general, during the reporting period the Company focuses on the improvement and further automation of its operational processes and the maintenance of good customer base of loyal customers. The Company develops and starts implementing loyalty programs, new product characteristics aimed at better meeting the needs of a wider target group of customers.

2.1. Operational highlights for the period and COVID-19

Although the last several reporting periods have been strongly affected by the economic changes and processes due to the global Covid-19 coronavirus pandemic, as a whole the Fintech sector is among those that managed to recover from the initial stagnation quickly.

ITF Group AD starts 2021 with conservative approach due to the Covid-19 pandemic-related economic uncertainty and with clearly expressed trend of incremental increase of the amounts of granted loans.

The Company's risk policy and scoring models are subject to regular review for the purposes of minimising the potential adverse effects related to the economic changes caused by the pandemic.

In 2019 ITF Group AD successfully realised the issue of corporate bonds, which gave the opportunity for

increased market share in the consumer loans segment.
The Company starts 2020 at high rate with designed growth program. Due to the Covid-19 coronavirus pandemic since March 2020, the Company has adapted its development program. The good liquidity positions allow to apply new risk policy that is adequate to the economic situation in order to ensure the keeping of good turnovers in crediting, despite the temporary decrease in the collectability of receivables and the lost profits due to additional charges for delay, which are part of the governmental measures imposed to limit the negative consequences for the population. ITF Group AD undertakes further measures and significantly limits its costs. The company shifts to entirely distant work in remote environment.
The overall policy of the management and the cash flow control enable ITF Group AD to start recovering its business turnovers quickly, yet in the mid-2020.
The Company closes 2020 with revenue of BGN 6,493 thousand, which is 26% increase in comparison to 2019.
The effects of the pandemic still have influence in 2021. Despite the increased demand of remote financial services, both the business and consumers adapt their behaviour due to the existing uncertainties in the economic expectations.
Although the Company does not record revenue growth in 2021, the management's analysis shows that the customer base is good, some of the operational indicators related to various products improve. The Company uses this period as strategic to improve the service and product quality and to maintain its customer base.
At the end of the period, turnovers start increasing gradually. The management's plan is to increase revenue by at least 60% in 2022.

BGN'000	**2021**	**2020**	**2019**
Revenue	6,068	6,493	5,136

Currently, the global pandemic of the new coronavirus Covid-19 has spread across almost all regions worldwide. Despite the trend of limited spread, the pandemic may still have significant adverse effect on the Company's business. The return of most employees back to the office at global levels, may cause the appearance of new local foci resulting to new, even if local measures, by the governments. This logically results to negative trends on the economy both at global level and in the country in general – increased unemployment, inflation processes, intercompany indebtedness. The consequences for the Company would comprise customers' inability to repay their loans in timely manner and/or in full.
Irrespective of the above, the possible impact on the sector and the business in general, and the subsequent worsening of the pandemic situation, the Company is ready and able to undertake immediate measures to mitigate any possible adverse consequences.
ITF Group AD is able to quickly adapt to work under new, mainly virtual, conditions.
As at the date of preparation of report, 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.

2.2. Strategic highlights

Despite the temporary uncertainty in the economic expectations arising from the pandemic, the Fintech sector takes the advantage of quicker adaptation and new opportunities for business development thanks to the high technologies and the lack of need of personal contacts with customers. The online transactions become more preferred and demanded by customers and contributes to the development of new products and services. The Company's long-term objective is to take bigger share on the Bulgarian market.

2.3. Major risks

The Company's management has identified the major risks that are typical for the business and the business environment in which ITF Group AD operates. Each risk is assessed on regular basis by judging to what extent it has had financial or another impact on the Company's business.

The Company may fail to pay its liabilities. In case of adverse situation related to decreased payments by customers or due to increased expenses, the Company may not be able to smoothly meet all its liabilities on their maturity date or may not be able to do it against drastically increased expenses. Due to deterioration of economic conditions and/or lack of liquidity in the financial system, the Company may possibly fail to renew and service its loans in timely manner. At worst, this could result in breach of the terms and conditions of these loans, including those that provide for the observance of specific financial ratios and cross default.

The company may fail to collect its receivables from customers in full and on time. One of the major risks for the Company is that its customers are not able to pay their amounts due in full and in due time (credit risk). Such deterioration of creditworthiness of Company's customers may be determined for example by socioeconomic and customer-specific factors relevant to the current economic situation. Thus, in case of economy delay or recession, the percentage of regular loan repayments would decrease, and the impairment levels would considerably increase. The creditworthiness decrease and impairment level increase have impact on the return, the number of customers who meet the requirements for taking new loans, and the engagement of employees and agents, and eventually might have significant adverse effect on the Company's business, income and financial position.

The Company's business is concentrated in one sector and depends on its performance. The Company's business is almost entirely focused in non-banking financial sector, and in particular, in the field of quick loans. This allows the accumulation of significant expertise and efficiency through economies of scale, however, restricts the flexibility in case of adverse performance of the sector. The adverse performance of the non-banking financial sector might have significant adverse effect on the business and the future financial results of ITF Group.

Competition environment-related risks. The Company pursues its business in a sector featured by intensive competition both by local companies and of international companies as well, both offline and online. In addition to independent companies, banking and leasing companies also establish consumer loan divisions. If some of these competitors work at lower operating or financial expenses, they might offer more favourable terms and conditions for customers and/or more appropriate products for customers, thus forcing the Company to review its terms and conditions, which would result in deterioration of its performance. The competition increase might decrease the market share, cause increase of customer gaining and maintenance costs, decrease of granted loans, higher pressure on the Company's employee benefits, lower income and lower return.

Applied methods for analysis of customers might turn to be ineffective. The proper assessment of creditworthiness of Company's customers is of key importance for its return and solvency. Despite the plenty of ex-ante tests and assessments and despite the many-years' experience of the Company, the methods and analyses used might turn to be ineffective and the customers' creditworthiness assessment might be inappropriate. This can significantly and adversely affect the operation performance and financial position of the Company.

Intensive regulations. The non-banking financial sector, in particular its quick consumer loans division, is strongly regulated both at national and at European level. On one hand, this ensures better protection of the end user of this kind of products. On the other hand, excessive regulations decrease the competitive power of the participants in this sector in terms of emerging and less regulated or unregulated business models and organisations. The total annual percentage rate (APR) in terms of consumer loans granted by the Company is higher than in terms of loans granted by commercial banks, which reflects the higher risk while granting such loans. Nevertheless, due to the pressure caused by various political, lobbyist and social groups, new or additional limitations of the amount of interests rates, total cost of credit, APR or other types of cost of credit limitations might be possibly imposed by law or other legal regulations. This might result in serious dropdown of income of sector participants and thus in worse financial results.

Risk of disruption in the technologies used by the Company. The Company's ability to research and monitor the current status of its customers and their receivables, to maintain internal financial and operating control, to monitor and manage its risk exposures and to ensure high quality service for its customers, depends on the continuous and efficient work of its information and communication systems and their smooth operation, including in emergency situations. A disruption in the operation of these systems is possible as a result of inadequate internal controls and security systems, human error, fraud or external events that interrupt normal business operations. The possible interruption or failure of the Company's information and other systems might breach its ability to effectively provide services, damage its reputation, including its ability to collect the installments payable by the customers, to attract new customers and to keep existing customers. Furthermore, the possible loss of customer database would result in significant spending of time and funds for its recovery, which would have significant adverse impact on the Company's business and financial position.

Attracting and keeping qualified staff is a challenge. The loss of key staff or significant number of talented employees, as well as the inability to attract, keep and motivate agents, operation managers and employees necessary for the continuous and expanded business of the Company might have significant adverse effect on its business, growth perspectives, operation performance and financial position.

Operational risk. The Company is exposed to a risk of losses or extraordinary expenses related to improper or failed internal processes, human errors, external circumstances, administrative or registry errors, business disruption, frauds, unauthorized transactions and damages caused to assets. Each failure to identify or correct an operational risk within the risk management system might have significant adverse effect on the Issuer's business and reputation, and thus on its performance.

Effects of the Covid-19 pandemic and the related economic crisis.

The Company's business will be adversely affected by the wider macroeconomic impact in case of continuing Covid-19 pandemic. The deterioration of the economic conditions worldwide and in Bulgaria will probably result in decrease in business and consumers' trust, much higher unemployment, dropdown of available income of households, decrease of the value of actual and financial assets and increase of non-payments and intracompany debts.

Financial risk

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.

	31 December 2021 *BGN'000*	*31 December 2020* *BGN'000*
Loans and receivables, including	**11 004**	**9 113**
Granted loans	10 589	8 992
Receivables from loans granted to related parties	54	45
Other receivables	361	76
Cash and cash equivalents	**518**	**294**
Total	**11 522**	**9 407**
Financial liabilities, including	**9 252**	**7 640**
Payables for bond issue	5 003	4 991
Payables to non-related parties	3 061	1 883
Payables to relate parties	390	346
Lease	673	302
Trade payables	125	118
Other financial liabilities	**877**	**151**
	10 129	**7 791**

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.

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 to salary, loan by instalments).

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

	31 December 2021 BGN'000	*31 December 2020 BGN'000*
Cash and cash equivalents	518	294
Granted loans to customers	10 589	8 992
Other current assets	415	121
	11 522	**9 407**

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. The quality of credit portfolio is subject to regular monitoring and loans in arrears are classified in stages based on the number of days in arrears.

31 December 2021	**Stage 1** *BGN'000*	**Stage 2** *BGN'000*	**Stage 3** *BGN'000*	**Total** *BGN'000*
Gross carrying amount	3 029	2 923	5 264	11 216
Impairment loss	(20)	(20)	(666)	(706)
Net amount	**3 009**	**2 903**	**4 598**	**10 510**

31 December 2020	Stage 1 BGN'000	Stage 2 BGN'000	Stage 3 BGN'000	Total BGN'000
Gross carrying amount	2 254	4 023	3 360	9 637
Impairment loss	(40)	(71)	(714)	(825)
Net amount	**2 214**	**3 952**	**2 646**	**8 812**

Quality of the credit portfolio for judicially awarded receivables

31 December 2021	Stage 1 BGN'000	Stage 2 BGN'000	Stage 3 BGN'000	Total BGN'000
Gross carrying amount	-	-	912	912
Impairment loss	-	-	(833)	(833)
Net amount	**-**	**-**	**79**	**79**

31 December 2020	Stage 1 BGN'000	Stage 2 BGN'000	Stage 3 BGN'000	Total BGN'000
Gross carrying amount	-	-	733	733
Impairment loss	-	-	(553)	(553)
Net amount	**-**	**-**	**180**	**180**

Change of credit portfolio by stages

	Stage 1	Stage 2	Stage 3	Total
Gross balance as at 01.01.2021	2 232	3 582	4 651	10 465
Increases due to occurrence and acquisition	2 342	1 810	28	4 180
Decreases due to discontinued recognition	(1 272)	(417)	(1 239)	(2 928)
Charged interests on uncovered exposures	1	91	319	411
Changes due to change in credit risk (net)	(274)	(2 143)	2 417	-
Gross balance as at 31.12.2021	**3 029**	**2 923**	**6 176**	**12 128**

Amount of expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Gross balance as at 01.01.2021	(36)	(60)	(1 261)	(1 357)
Increases due to occurrence and acquisition	(13)	(10)	(25)	(48)
Decreases due to discontinued recognition	23	8	245	276
Changes due to change in credit risk (net)	6	42	(458)	(410)
Gross balance as at 31.12.2021	**(20)**	**(20)**	**(1 499)**	**(1 539)**

In the context of the Covid-19 pandemic, the Company implements additional measures to mitigate the credit risk and to minimize the possible adverse impacts on business as a whole.

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.

The above table summarises the credit risk exposure of the Company as at 31 December 2021 and 31 December 2020. In terms of balance sheet assets, the credit risk exposure presented in the table is based on the net carrying amount as stated in the statement of financial position for the respective period.

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 risk of 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 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. 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 forecast 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 2021, the maturities of the Company's contractual obligations (comprising interest payments, if applicable), are summarised as follows:

31 December 2021	***Less than 6 months BGN'000***	***From 6 to 12 months BGN'000***	***From 1 to 5 months BGN'000***
Related parties	94		296
Borrowing payables	-	2 280	1 623
Lease payables	90	91	492
Bond issue payables	563	500	3 940
Accounts payable	125	-	-
Tax and social security payables	147	-	
Other payables	26		
Employee benefits	33	99	
TOTAL	**1 078**	**2 970**	**6 351**

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 2021 BGN'000	***31 December 2020 BGN'000***
Total debt capital	10 129	7 791
Less cash and cash equivalents	(518)	(294)
Net debt capital	9 611	7 497
Total equity	2 980	2 745
Debt ratio	**3.22**	**2.72**

3. FINANCIAL DATA AND INDICATORS

3.1. Income

With view of the Company's business, its operating income are gained from received interests, charges for granted loans and penalties, as well as reintegrated impairment provisions.

	2021 BGN'000	**Share %**	**2020 BGN'000**	**Share %**
Interest income	1,044	17%	1,123	17%
Default charges for delay	660	11%	721	11%
Penalties	4,211	69%	4,560	70%
Other	153	3%	89	1%
Total operating income	**6,068**	**100%**	**6,493**	**100%**

There is no change in the structure of income in 2021. Company's income is entirely formed from its lending operations. The Company operates only on the Bulgarian market.

3.2. Operating expenses

	2021 BGN'000	**Share %**	**2020 BGN'000**	**Share %**
Expense on materials	28	1%	34	1%
Expense on hired services	635	13%	620	13%
Amortisation	331	7%	359	7%
Wages and salaries	2,113	42%	2,055	42%
Social security contributions	230	5%	232	5%
Other expenses	375	7%	324	7%
Impairment of assets	431	9%	695	14%
Effect from sale of assets	923	18%	557	11%
Total operating expenses	**5,066**	**100%**	**4,786**	**100%**

Financial expenses				
Interest expenses	742	93%	762	93%
Other expenses for financial operations	55	7%	59	7%
Total operating expenses	**797**	**100%**	**821**	**100%**

Expenses for wages and salaries and social security contributions of the employees represent about 46% of the total operating expenses of the Company.

3.3. Performance for the current period

For the period ending 31 December 2021, the Company reports profit in the amount of BGN 235 thousand. The financial performance of the Company achieved in 2021 shows that ITF Group AD manages to keep good levels of granted loans, despite the negative effects of the Covid-19 pandemic. The economic situation requires to determine the granted loan amounts on the basis of more conservative risk policy. The Company continues to restructure the ratio of its products in favour of the products by installments. Furthermore, it presented new more flexible terms and conditions for some of its products.

	2021 BGN'000	**2020 BGN'000**
Interest income	1,044	1,123
Interest expenses	(742)	(762)
Net interest income	**302**	**361**
Other operating income	5,024	5,370
Impairment loss and effect from sale of receivables	(1,354)	(1,252)
Other operating expenses	(3,767)	(3,683)
Profit for the period	205	759
Taxes	30	(82)
EBITDA	1,278	1,917

3.4. Structure of assets and liabilities

Structure of assets

Non-current assets	**2020 BGN'000**	**Share %**	**2020 BGN'000**	**Share %**
Software	805	43%	945	67%
Fixtures and fittings	5	0%	8	1%
Computer equipment	10	1%	12	1%
Acquisition costs for fixed intangible assets	336	18%	150	11%
Right-of-use assets	662	36%	292	21%
Deferred tax assets	39	2%	9	1%
Total non-current assets	**1,857**	**100%**	**1,416**	**100%**
Current assets				
Loan receivables	10,589	92%	8,992	96%
Receivables from related parties	54	0%	45	0%
Trade receivables	256	2%	9	0%
Other current assets	38	0%	25	0%
Issued guarantees	67	1%	42	0%
Cash and cash equivalents	518	4%	294	3%
Total current assets	**11,522**	**100%**	**9,407**	**100%**
TOTAL ASSETS	**13,379**		**10,823**	

The change of assets in comparison to previous period is presented in the following table:

	2021 BGN'000	2020 BGN'000	Change BGN'000	% change
Intangible assets	805	945	(140)	-15%
Fixtures and fittings and computer equipment	15	20	(5)	-25%
Acquisition costs for fixed intangible assets	336	150	186	124%
Right-of-use assets	662	292	370	127%
Deferred tax assets	39	9	30	333%
Total long-term assets	**1,857**	**1,416**	**441**	**31%**
Current assets				
Loan receivables	10,589	8,992	1,597	15%
Other receivables	415	121	294	243%
Cash and cash equivalents	518	294	224	76%
Total current assets	**11,522**	**9,407**	**2,115**	**22%**

Structure of equity

Structure of capital	2021 BGN'000	Share %	2020 BGN'000	Share %
Equity				
Share capital	1,800	60%	1,800	66%
Statutory reserves	180	6%	167	6%
Retained earnings	1,000	34%	778	28%
Total equity	**2,980**	**100%**	**2,745**	**100%**
Non-current liabilities	6,351	61%	6,994	87%
Current liabilities	4,048	39%	1,084	13%
Total liabilities	**10,399**	**100%**	**8,078**	**100%**
Total equity and liabilities	**13,379**		**10,823**	

The change in the structure of equity and liabilities is presented in the following table:

	2021 BGN'000	2020 BGN'000	Change BGN'000	% change
Share capital	1,800	1,800	-	0%
Statutory reserves	180	167	13	8%
Retained earnings	1,00	778	222	29%
Total equity	**2,980**	**2,745**	**235**	**9%**
Long-term financial liabilities	6,351	6,994	(643)	-9%
Short-term financial liabilities	2,575	790	1,785	226%
Other short-term liabilities	1,473	294	1,179	401%
Total liabilities	**10,399**	**8,078**	**2,321**	**29%**

ITF regularly serves all its financial loan liabilities. No threats of failure to serve its liabilities and need of undertaking any remedy measures existed during the period.

The key financial indicators the Company monitors are:

Return ratios	2021	2020
ROR	4%	11%
ROA	2%	7%

Liquidity ratios	2021	2020
Overall liquidity	2.85	8.68
Quick liquidity	2.74	8.57

ITF reports increased levels of granted loan products during the last quarter of 2021. Income related to increased turnovers will have their impact during the next reporting period due to the specificities of loan products, and namely, their repayment in installments.
No off-balance transactions are stated by the Company during the period.
During the period in question, the Company has not issued securities.

4. RELATED PARTIES AND KEY MANAGEMENT STAFF

The key management staff of the company as at 31 December 2021 composes of:

1. Svetoslav Yuriy Angelov – executive director and member of the Board of Directors;
2. Filip Georgiev Dobrinov – executive director and member of the Board of Directors;
3. Yuriy Angelov Angelov – member of the Board of Directors;
4. Donka Ivanova Angelova – member of the Board of Directors.

Expenses for remunerations and social security contributions of key management staff for the period ending 31 December 2021 are in the amount of BGN 508 thousand.
The members of the Board of Directors and executive directors have not received any remunerations in kind.

The company's related parties are as follows:

The owners of the company are as follows:

Owner	BULSTAT ID	Shareholding
ABI CAPITAL EOOD	203269374	75%
Filip Georgiev Dobrinov		21,38%
Emil Borisov Galabov		3,62%

Companies under common control:

Company	BULSTAT ID
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
SANLEX 2012 EOOD	202160322
B WORKS EOOD	11248077
ABI CAPITAL EOOD	203269374
FASTCOLLECT OOD	206338142
GETCASH.BG OOD	202946574
SMILE CREDIT OOD	202946528
THE CASE 2019 EOOD	205576062
THE CASE COMPANY EOOD	205661242
THE CASE PROJECT EOOD	205661139

THE CASE ART EOOD	205931766
DELTA COM TRADING EOOD	130572691
DELTA S – 2 EOOD	121416309
DELTA-A EOOD	201892650

Companies in the management of which persons managing the Company or owners of the capital are involved

Company	BULSTAT ID	Person
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
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
ABI CAPITAL EOOD	203269374	Svetoslav Yuriy Angelov is a manager
THE CASE EOOD	204699553	Svetoslav Yuriy Angelov is a manager
THE CASE ART EOOD	205931766	Svetoslav Yuriy Angelov is a manager
SANLEX 2012	202160322	Svetoslav Yuriy Angelov is a 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	203269399	Donka Angelova – Manager
GETCASH.BG OOD	202946574	Filip Dobrinov is a manager
SMILE CREDIT OOD	202946528	Filip Dobrinov is a manager
MGRID OOD	206560602	Filip Dobrinov is a manager
CROSSING POINT EOOD	206485466	Filip Dobrinov is a manager
DF PROPERTIES EOOD	206613777	Filip Dobrinov is a manager
BRIGHT SERVICES EOOD	201289570	Emil Borisov Galabov is a manager
BRIGHT TECHNOLOGIES EOOD	200087473	Emil Borisov Galabov is a manager
AXID LAB OOD	205949287	Emil Borisov Galabov is a manager
TRYJET OOD	204630710	Emil Borisov Galabov is a manager
INTRACALL INVESTMENTS OOD	205856064	Emil Borisov Galabov is a manager
TECHNOINVEST GROUP EAD	203790683	Emil Borisov Galabov is a BoD member
INTRACOL TECHNOLOGIES EAD	203312224	Emil Borisov Galabov is a BoD member

Companies in the capital of which persons managing the Company or owners of the capital hold interest

Company	BULSTAT ID	% Share	Person
ART MEDIA OOD	104693439	8,60%	Svetoslav Angelov – partner
SEM HOLD EOOD	200445721	100%	Svetoslav Angelov – sole owner of the capital
SIMBALI GROUP OOD	175043714	50,00%	Svetoslav Angelov – partner
A INVESTMENT EOOD	203704022	100%	Svetoslav Angelov – sole owner of the capital
B WORKS EOOD	131248077	100%	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	100%	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	100%	Svetoslav Angelov – sole owner of the capital
SV INVESTMENT OOD	204092165	50,00%	Svetoslav Angelov – partner
DELTA – U EOOD	201892611	100%	Yuriy Angelov – sole owner of the capital
FATBOY OOD	205318927	33.33%	Filip Dobrinov – partner
SVS INVESTMENT AD	204829192	33.33%	Svetoslav Angelov – shareholder
TERRA ALTERA EOOD	203269399	100%	Donka Angelova – sole owner of the capital
SANLEX 2012 EOOD	202160322	100%	Svetoslav Angelov – sole owner of the capital
ABI CAPITAL EOOD	203269374	100%	Svetoslav Angelov – sole owner of the capital
THE CASE EOOD	204699553	100%	Svetoslav Angelov – sole owner of the capital
FASTCOLLECT OOD	206338142	75% 25%	Filip Dobrinov is a partner – BGN 1 250; 25% Svetoslav Angelov, indirectly 25%
REPUBLICA HOLDING AD	121676036	9,47%	Yuriy Angelov is a shareholder
DELTA ENTERTAINMENT EOOD	131273507	100%	Donka Angelova is the sole owner of the capital
BRIGADA AND CO OOD	206182202	25%	Svetoslav Yuriy Angelov is a partner
MGRID OOD	206560602	50%	Filip Dobrinov is a partner
CROSSING POINT EOOD	206485466	100%	Filip Dobrinov is the sole owner of the capital
DF PROPERTIES EOOD	121676036	100%	Filip Dobrinov – indirectly
GETCASH.BG OOD	202946574	25% 75%	Filip Dobrinov is a partner with 25%, Svetoslav Angelov – indirectly 75%
SMILE CREDIT OOD	202946528	25% 75%	Filip Dobrinov is a partner with 25%, Svetoslav Angelov – indirectly 75%
DELTA COM TRADING EOOD	130572691	95,24% 4,76%	Svetoslav Yuriy Angelov Yuriy Angelov Angelov 4,76%
DELTA S – 2 EOOD	121416309	95,24% 4,76%	Svetoslav Yuriy Angelov Yuriy Angelov Angelov
THE CASE 2019 EOOD	205576062	100%	Svetoslav Yuriy Angelov
THE CASE ART EOOD	205931766	100%	Svetoslav Yuriy Angelov
THE CASE COMPANY EOOD	205661242	100%	Svetoslav Yuriy Angelov
THE CASE PROJECT EOOD	205661139	100%	Svetoslav Yuriy Angelov
BRIGHT SERVICES EOOD	201289570	100%	Emil Borisov Galabov is the sole owner of the capital
BRIGHT TECHNOLOGIES EOOD	200087473	100%	Emil Borisov Galabov is the sole owner of the capital
AXID LAB OOD	205949287	33,33%	Emil Borisov Galabov is a partner, indirectly
INTRACALL INVESTMENTS OOD	205856064	27,9%	Emil Borisov Galabov is a partner
TRYJET OOD	204630710	33,33%	Emil Borisov Galabov is a partner, indirectly

- **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

5. IMPORTANT EVENTS AFTER THE DATE OF THE ANNUAL FINANCIAL STATEMENTS

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:
Military conflict between the Russian Federation and the Republic of Ukraine started on 24 February 2022. As a result of such conflict various economic sanctions against the Russian Federation and its related natural persons and legal entities were imposed at global level. The Company does not have relationships with persons who are subject to sanctions, and the initial judgement of the management is that the conflict will not cause negative impacts on the company's development. The possible escalation of the conflict at global level, however, makes the assessment and measurement of the potential long-term impact on the economy of the country and the impact on the company's development impossible.

6. FUTURE DEVELOPMENT OF THE COMPANY
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 high technologies and the expectations for increasing demand of flexible financial products properly adapted to different groups of customers.
In 2022 the Company foresees growth of the credit portfolio and the market share of its online brand – Smile Credit, in Bulgaria. The sales network of GetCash has stable positions on the market and will continue maintaining good operations rate.
According to the forecasts made, in 2022 the management expects:
- Increase of income by more than 60%
- Increase of the average amount of granted loans
- Gaining new customers
- Sustainable growth rate of loan amounts that will continue during the next reporting periods
- About 3 times profit increase.

7. RESEARCH AND DEVELOPMENT
The Company's scope of business does not suggest research and development activities.
During the previous reporting periods, the Company has implemented and then introduced further optimisations, totally new self-developed software system for administration of its operating processes and lending activities. The Company has established a special IT team for the development, construction and optimisation of the platform.
In 2021, it continues its work for the improvement of the platform's operational efficiency, its integration with external service providers and development of new modules that ensure quick and high-quality services.

8. MANAGEMENT'S RESPONSIBILITY
The management confirms that adequate accounting policies were consistently applied for the preparation of the annual financial statement as at 31 December 2021 and that it has made reasonable and cautious judgements, assumptions and estimates.

The management is responsible for the proper keeping of accounting books, for the expedient management of assets and for undertaking the necessary measures to avoid and disclose any possible misuses and other irregularities.

The management confirms that the financial statements are prepared on the basis of the going concern principle of accounting and that while preparing this management report it has truly and fairly presented the company's development and performance for the previous year, as well as its position and major risks it is exposed to.

9. Information about acquisition of treasury shares required under article 39, paragraph 6 of the Accounting Act (AA) and article 187_A of the Commerce Act (CA)
In 2021, the Company has not acquired and has not transferred treasury shares.
As at 31 December 2021, the Company does not hold treasury shares.

10. Information under article 247 of CA
Information about the course of business and the position of the Company is presented in paragraphs 1 to 3 of this report.
The remunerations of each member of the Board of Directors are described in paragraph 11.17 of this report.
During 2021, the members of the Board of Directors have not acquired additional shares.

Shares held by the members of the Board of Directors as at 31 December 2021 are as follows:

BoD member	Shares held (number)	Shares held (BGN)
Svetoslav Angelov, through Abi Capital EOOD	1,350,000	1,350,000
Filip Dobrinov	385,000	385,000

In 2021, the members of the Board of Directors have not transferred shares.
The members of the Board of Directors do not hold bonds of the Company.
The Company's Articles of Association do not provide for special rights or any kind of preferences for the members of the Board of Directors with regard to the acquisition of shares or bonds of the Company.
Information about the interest of the members of the Board of Directors as general partners is disclosed in paragraph 4 of this report.
Information about shareholding in excess of 25 percent of the capital of another company is disclosed in paragraph 4 of this report.
Information about the interest of the members of the Board of Directors in the management of other companies or cooperative societies as procurators, managers or board members is disclosed in paragraph 4 of this report.
The management is not aware of any BoD members to have entered into contracts under article 240б of the CA in 2021.

11. Additional information in accordance with the requirements of article 100н, paragraph 7 of the Public Offering of Securities Act (POSA) and Annex No 2 to Ordinance No 2 of 09.11.2021 on the initial and subsequent disclosure of information upon public offering of securities and admitting securities for trade on regulated market, effective from 01.01.2022.

11.1. Information about the values and quantities in terms of the main categories of goods, products, and/or offered services, by stating their share in the sales revenue of the issuer or the entity under § 1д of the supplementary provisions of POSA, respectively, as a whole, and the changes that have occurred during the reporting financial year.

Provided services	Share in sales revenue
Granting loans with funds not raised through public raising of deposits or other refundable money	100%

11.2. Information about income divided by categories of activities, domestic and foreign markets, as well as information about the sources of material supply necessary for the production of goods or provision of services, by stating the level of dependence in terms of each individual seller or buyer/ user; in case the relative share of any of them exceeds 10 percent of the costs or sales revenue, information about each entity individually should be provided, including about its share in sales or purchases and its relations with the issuer, or the entity under § 1д of the supplementary provisions of POSA, respectively

Income by categories of activities	BGN'000	Share %
Income from interests and charges for granted loans	6,023	99%
Other income	45	1%
	6,068	**100%**

There are no suppliers whose relative share exceeds 10% of the total costs for provided services and materials for 2021.

11.3. Information about concluded material transactions

In 2021, the Company follows its receivables portfolio management policy and minimization of the liquidity risk and has realised a sale of portfolio of loan receivables in arrears. Such sale comprises a sale of exposures with increased credit risk and considerable reported losses and does not breach the business management model of such assets, but is used as a tool to limit further losses with regard to such portfolio. Despite the few similar transactions on the market of bad loans, the Company realised the transaction at good percentage levels. Upon entering into similar transactions, the company's management makes careful judgement for the exposures to be included in the sold package of receivables, whereas the packages are determined on the basis of days in arrears and already accumulated impairment losses from the respective receivables.

11.4. Information about the transactions between the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, and related parties concluded ***during the reporting period, offerings for conclusion of such transactions and transactions that are outside its usual course of business or are not arm's length transactions, to which the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, or its subsidiary is a party, by stating the value of such transaction, the type of relationship and any kind of other information whatsoever necessary for the assessment of the impact on the financial position of the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively.***

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
Republica Holding AD	Minority ownership of a shareholder, key management staff
Devaware AD	Shareholder's ownership, key management staff
Fastcollect OOD	Shareholder's ownership, key management staff
Brigada and Co OOD	Shareholder's ownership, key management staff
Other related parties	Employees under employment contract

Related party transactions as at 31 December 2021

	2021 BGN'000	***2020 BGN'000***
Accounts with companies under common control		
	76	104
Service expenses	137	59
Interest expenses	9	15
Brigada and Co OOD – advertising services	13	
Republica Holdign AD – lease agreement	31	
Republica Holdign AD – services and overhead expenses under lease agreement	30	
Fastcollect OOD – out-of-court charges	5	
Devaware AD – technical maintenance	58	59
Remunerations of the members of the BoD and executive directors	508	480

There are no transactions that are outside the Company's usual course of business or are not arm's length transactions.

11.5. Information about events and indicators of unusual nature in terms of the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, that have material impact on its business, and the revenue gained and costs incurred thereby; assessment of their impact on the performance during the current year

No events of unusual nature that have impact on the business of the Company have occurred during the year, other than the disclosures of the impact of the Covid-19 pandemic on the business.

11.6. Information about off-balance transactions – nature and business objective, by specifying the financial impact of the transaction on the business, if the risk and benefits of these transactions are material for the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, and if the disclosure of such information is material for the assessment of the financial position of the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively

No off-balance transactions have been stated by the Company during the reporting period.

11.7. Information about shareholdings of the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, about its underlying investments in the country and abroad (in securities, financial instruments, intangible assets and real estates), as well as investments in shares outside its group entities within the meaning of the Accounting Act, and the sources/ methods of funding

The Company does not have investments in subsidiaries and investments in shares.

11.8. Information about loan agreements concluded by the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, its subsidiary in the capacity of borrowers, by stating the terms and conditions thereof, including the deadlines for repayment, and information about issued guarantees and undertaking of obligations.

In 2021, the Company is a party to loan agreements in its capacity of borrower under the following terms and conditions:

Loan agreement Ox Company EOOD UIC 202624623	**Key parameters**
Agreed amount:	BGN 89 thousand
Date of signing the agreement:	04/04/2019
Purpose of loans:	Working capital
Maturity date:	30/11/2026
Interest rate:	3%
Balance as at 31.12.2020:	principal – BGN 89 thousand;
Balance as at 31.12.2021:	principal – BGN 89 thousand

Loan agreement Danson-BG OOD UIC 203612570	
Agreed amount:	BGN 111 thousand
Date of signing the agreement:	02/11/2020
Purpose of loans:	Working capital
Maturity date:	30/11/2026
Interest rate:	10%
Balance as at 31.12.2020:	principal – BGN 111 thousand
Balance as at 31.12.2021:	principal – BGN 111 thousand

Loan agreement Danson-BG OOD UIC 203612570	
Agreed amount:	BGN 470 thousand
Date of signing the agreement:	02/11/2020
Purpose of loans:	Working capital

Maturity date:	06/01/2025
Interest rate:	10%
Balance as at 31.12.2020:	principal – BGN 470- thousand;
Balance as at 31.12.2021:	principal – BGN 470 thousand

Loan agreement
Ox Company EOOD
UIC 202624623

Agreed amount:	BGN 600 thousand
Date of signing the agreement:	24/04/2018
Purpose of loans:	Working capital
Maturity date:	2/12/2026
Interest rate:	3%
Balance as at 31.12.2020:	principal – BGN 400 thousand;
Balance as at 31.12.2021:	principal – BGN 400 thousand

Loan agreement
Botyo B.

Agreed amount:	BGN 200 thousand
Date of signing the agreement:	29/06/2015
Purpose of loans:	Working capital
Maturity date:	30/10/2024
Interest rate:	11%
Balance as at 31.12.2020:	principal – BGN 200 thousand;
Balance as at 31.12.2021:	principal – BGN 200 thousand;

Loan agreement
Georgi D.

Agreed amount:	BGN 100 thousand
Date of signing the agreement:	09/02/2016
Purpose of loans:	Working capital
Maturity date:	09/02/2025
Interest rate:	10%
Balance as at 31.12.2020:	principal – BGN 60 thousand;
Balance as at 31.12.2021:	principal – BGN 60 thousand

Loan agreement
Toma T.

Agreed amount:	BGN 293 thousand
Date of signing the agreement:	04/01/2016
Purpose of loans:	Working capital
Maturity date:	01/11/2024
Interest rate:	10%
Balance as at 31.12.2020:	principal – BGN 293 thousand;
Balance as at 31.12.2021:	principal – BGN 293 thousand

Loan agreement
Valentin T.

Agreed amount:	BGN 196 thousand
Date of signing the agreement:	14/02/2019

Purpose of loans:	Working capital
Maturity date:	14/02/2022
Interest rate:	10%
Balance as at 31.12.2020:	principal – BGN 196 thousand;
Balance as at 31.12.2021:	principal – BGN 196 thousand;

Loan agreement
Ox Company EOOD
UIC 202624623

Agreed amount:	BGN 1 300 thousand
Date of signing the agreement:	04/01/2021
Purpose of loans:	Working capital
Maturity date:	31/12/2022
Interest rate:	3%
Balance as at 31.12.2021:	principal – BGN 1 176 thousand

Loan agreement – related party
A Investment OOD
UIC 203704022

Agreed amounts:	BGN 296 thousand
Date of signing the agreement:	18/09/2015
Purpose of loans:	Working capital
Maturity date:	31/12/2026
Interest rate:	3%
Balance as at 31.12.2021:	principal – BGN 296 thousand;
Balance as at 31.12.2020:	principal – BGN 296 thousand;

11.9. Information about the loans granted by the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, or by their subsidiaries, issue of guarantees or undertaking obligations to an entity or its subsidiary as a whole, including to related parties, by stating the names or trade name and UIC of the entity, the nature of relationships between the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, or their subsidiaries and the borrower, amount of outstanding principal, interest rate, date of signing the agreement, deadline for repayment, amount of undertaken obligation, specific conditions, other than those specified in this provision, as well as the purpose such loans have been granted for, provided the loan agreements have been concluded as targeted loan agreements.

In accordance with its scope of business, in 2021 the Company is a party to loan agreements with numerous non-related natural persons in its capacity of lender. The terms and conditions under all loan agreements are standard and comply with the general terms and conditions and rates officially published on the company's website: All receivables stated in the company's balance sheet on line "Receivables from granted loans" are formed on the basis of loan transactions in the course of usual business of ITF Group AD in its capacity of lender. The total number of receivables from loans exceeds 11 thousand. Due to the huge amount of active borrowers and the technical unfeasibility to provide detailed information about each borrower individually in this report, the information is presented as a summary.

The Company is a guarantor under the office lease agreement with Republica Holding AD for a period of five years and reports blocked cash for issued performance bank guarantee under office lease agreement in the amount of BGN 88 thousand. Unicredit Bulbank AD is a guarantor under the bank guarantee. The bank guarantee is valid until 07.08.2022.

11.10. Information about the use of funds from new issue of securities made during the reporting

period.

There are no new issues of securities during the reporting period.

11.11. Analysis of the ratio between achieved financial results stated in the financial statements for the financial year and forecasts of these results published earlier.

The Company has published interim financial statements as at 31 December 2021 on 31 January 2022. In accordance with the interim financial statements so published, the EBT is in the amount of BGN 205 thousand as at 31 December 2021. The financial result as stated in the annual financial statements for the year ending 31 December 2021 has not changed.

11.12. Analysis and assessment of the financial resources management policy by stating the abilities for settlement of liabilities, possible threats and measures that the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, has undertaken or is to undertake for the purposes of remedying thereof.

As stated hereinabove, in 2021, ITF Group AD has settled all of its liabilities in timely manner, there have been no threats or inability to settle any liabilities and no measures for remedying thereof have been undertaken.

11.13. Assessment of the opportunities for realization of investment intentions, by stating the amount of available funds and the possible changes in the funding structure of this activity.

For the time being, the Company does not have any investment intentions.

11.14. Information about changes occurred during the reporting period in terms of the key management principles of the ***issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, and of its group of entities within the meaning of the Accounting Act.***

In 2021, there have been no changes in the key management principles of ITF Group AD, and namely, transparent governance and protection of shareholders' interests by actions aimed at increasing the operating income.

11.15. Information about the key features of the internal control system and risk management system implemented by the issuer or the entity under § 1A of the supplementary provisions of POSA, respectively, in the process of preparation of the annual financial statements.

Information about the key features of the internal control system and risk management system implemented by the Company in the process of preparation of the annual financial statements is presented in paragraph 2 of the Corporate Governance Statement.

11.16. Information about the changes in the management and supervisory bodies during the reporting financial year.

No changes in the BoD members have been made in 2021.

11.17. Information about the amount of remunerations, rewards and/or benefits of each member of the management or supervisory bodies during the reporting financial year paid by the issuer, which is not a public company, or the entity under § 1A of the supplementary provisions of POSA, respectively, and its subsidiaries, whether they have been included in the expenses of the issuer, which is not a public company, or the entity under § 1A of the supplementary provisions of POSA, respectively, or arise from profit distribution, including:
a) received amounts and remunerations in kind;
b) contingent or deferred remunerations occurred during the year, even if such remuneration is

payable at later time;
c) amount payable by the issuer, which is not a public company, or the entity under § 1A of the supplementary provisions of POSA, respectively, or its subsidiaries for pensions, retirement benefits or other similar compensations.

The gross remunerations that have been charged and paid to the members of the Board of Directors in 2021 are in total amount of BGN 508 thousand (gross), as follows:
Svetoslav Angelov – BGN 202 thousand
Filip Georgiev – BGN 125 thousand
Yuriy Angelov – BGN 145 thousand
Donka Angelova – BGN 36 thousand.

11.18. For public companies – information about issuer's shares held by the members of management and supervisory boards and by procurators, including the shares held by each of them separately and as a percentage of shares of each class, and the options granted thereto by the issuer on its securities – type and amount of securities on which options have been established, option exercising price, purchase price, if any, term of validity of the options.

Information about the shares held by the members of the Board of Directors and the executive director of the company individually and as a percentage of the company's total capital is provided in paragraph 10 of this report.
There are no options granted and established on securities of ITF Group AD.
ITF Group AD is an issuer of publicly traded securities only.

11.19. Information about arrangements (including after the end of the financial year) known to the company as a result of which changes in the relative share of stocks or bonds held by existing shareholders or bondholders may occur in future period.

The management is not aware of any arrangements as a result of which changes in the relative share of stocks or bonds held may occur in future period.

11.20. Information of pending court, administrative or arbitration proceedings relevant to liabilities or obligations of the issuer, or the entity under § 1A of the supplementary provisions of POSA, respectively, in an amount of at least 10 percent of its equity; if the total amount of liabilities or payables of the issuer, or the entity under § 1A of the supplementary provisions of POSA, respectively, under all initiated proceedings exceeds 10 percent of its equity, information about each proceeding individually should be provided.

The company's principal scope of business – granting loans to natural persons with funds not raised through public raising of deposits or other refundable money, suggests the initiation of court proceedings as part of the debt collection policy and system. As at 31 December, the Company, in its capacity of claimant, is a party to 663 cases and the defendants under these cases are only natural persons. The total amount of the claims brought by the Company is in the amount of BGN 912 thousand. Due to the great number of active court proceedings and the technical unfeasibility to provide detailed information about each court proceeding individually in this report, the information is presented as a summary.
The average amount of claim per case is about BGN 1 300.
The Company is a defendant under court cases in total amount of BGN 15 thousand.

11.21. For public companies – names of investor relations director, including telephone number, email and mailing address.

ITF Group AD is an issuer of publicly traded securities only.

11.22. Non-financial statement under article 41 of the Accounting Act – for stand-alone financial statements, and under article 51 of the Accounting Act, respectively – for consolidated financial

statements, whenever applicable.

The Company does not fall in the Big Enterprises category as defined in article 19 of the Accounting Act and does not submit non-financial statement under article 41 of the Accounting Act, respectively.

11.23. Other information at company's discretion.

There is no other material information the disclosure of which would be relevant for the proper understanding of the financial data of ITF Group AD for the year ending 31 December 2021.

28 March 2022

Executive Director:
Svetoslav Angelov
Electronic signature

ITF GROUP AD

CORPORATE GOVERNANCE STATEMENT

Corporate Governance STATEMENT

of ITF GROUP AD
under article 100н, paragraph 8 of POSA

1. Information under article 100н, paragraph 8, item 1 and item 2 of the Public Offering of Securities Act (POSA)

ITF GROUP AD considers good corporate governance a part of the modern business practice, a set of balanced relationships between the Company's management bodies, its shareholders and all stakeholders – employees, business partners, company's creditors, potential and future investors, and the society in general.

In its business ITF GROUP AD is led by the national principles of corporate governance recommended by the National Committee on Corporate Governance.

Along with the principles of advisable nature, ITF GROUP AD has established a specific set of corporate governance requirements that must be always observed by the Company's management bodies, and for this purpose it adopts the National Corporate Governance Code /information under article 100н, paragraph 8, item 1a of POSA/, as approved by the National Committee on Corporate Governance, as amended in April 2016.

ITF GROUP AD observes the adopted Code and believes that the efficient application of good corporate governance practices contributes to the achievement of sustainable growth and long-term objectives of the Company, and to the establishment of transparent and fair relationships with all stakeholders.

ITF GROUP AD applies a corporate social strategy and policy /information under article 100н, paragraph 8, item 1в of POSA/:

- Adopts and implements corporate Social Code;
- Adopts and implements corporate Code of Ethics.

The requirements under chapter six of the National Corporate Governance Code with regard to institutional investors do not apply to ITF GROUP AD, as there are no institutional investors among the company's shareholders /information under article 100н, paragraph 8, item 2 of POSA/. The rules on the two-tier management system under Chapter I of the National Corporate Governance Code do not apply to ITF GROUP AD too.

ITF GROUP AD hereby declares its commitment to:

1. Definition of policies and principles to be adhered by the management bodies of the Company in order to establish the necessary conditions and to give shareholders the opportunity to exercise their rights in full scope.

2. Application of the principles of transparency, independence and responsibility by the management bodies of the Company /Board of Directors/ in accordance with the established vision, objectives and strategies of the company and the interests of the shareholders.

The Company is an issuer of securities other than shares only.

2. Description of the main characteristics of the internal control and risk management systems with regard to the financial reporting process /information under article 100н, paragraph 8, item 3

of POSA/.

2.1. ITF GROUP AD has implemented an internal control system aimed at ensuring the efficient functioning of the company's operating processes, observance of implemented working procedures and rules, proper allocation of responsibilities, reliability of financial reporting, true and fair disclosure of information. The internal control system is further aimed at preventing frauds and monitoring the observance of all legal requirements relevant to the Company's business.

2.2. The Company's internal control system is implemented for the purposes of achieving strategic objectives, improving the operational efficiency, mitigating the risks, ensuring accounting reliability and authenticity and compliance.

2.3. Those involved in the internal control system who implement controls at different levels are the Company's management, represented by the executive directors, the head of Internal Control Department, the preparer of the annual financial statements and the heads of individual departments and units in the Company.

2.4. The control functions of those involved in the internal control system are individually defined in their job descriptions.

Each person has specific access to the operational systems, depending on their specific responsibilities.

The internal control system related to the financial reporting of ITF GROUP AD is a complex of rules, procedures and controls that are especially designed and adapted to the specificity of the company, its business and reporting system.

The financial and accounting system of the company is outsourced to a service provider with established information exchange system and additional security levels.

Since the company runs two separate business models, and namely, the brands Smile Credit and Get Cash, rules and procedures are in place that apply to the relevant brand only and are developed in accordance with the specificity of its business model.

The key components of the internal control system are as follows:
- control environment;
- risk assessment;
- control activities;
- information and communication system;
- monitoring and corrective actions.

Control environment

The control environment is determined by the management's attitude and actions with regard to the importance of the internal control within the company. The control environment ensures the necessary discipline and structure for achievement of the internal control system's main objectives. The control environment comprises the following elements:

- **Communication and establishment of integrity and ethical principles.**

The ethical principles introduced by the management the observance of which by all people who are directly or indirectly involved in the accounting operations and the financial reporting-related processes is continuously monitored, are as follows: objectiveness, equity, independence, conservativeness, transparency, methodological justification, consistency and use of independent experts.

These principles apply at all levels of financial reporting, and namely: choice of accounting policy; accounting closure; preparation and application of accounting estimates and preparation of public and management financial statements, other public reports and documents that contain financial information.

- **Competence**

The management has developed and approved job descriptions that are aimed at ensuring staff that meets specific requirements to appropriate education, professional experience and qualification, to carry out the financial reporting-related activities.

- **Philosophy and operational style of the management**

The philosophy and the operational style of the management cover a wide range of characteristics. The management's attitudes and actions with regard to financial reporting are based on the conservative choice among the available alternative accounting principles.

- **Organizational structure**

The organizational structure is designed in accordance with the size and nature of the Company's business. The establishment of appropriate organizational structure takes into account the main fields of powers and responsibilities and the appropriate hierarchy levels of accounting and reporting. When determining the organizational structure, the specificities of the two business models run by the company – and namely, online platform for consumer loans and a network of stores for consumer loans, are also taken into account.

- **Delegation of powers and responsibilities**

The delegation of powers and responsibilities among the other employees of the company takes into account the business practices applicable in the sector, the knowledge and experience of the employees and the company's available resources.

- **Human resources-related policy and practice**

The company has established policies and rules relevant to the management of human resources involved in the financial reporting process and its related procedures. These are policies and procedures established and implemented in the process of recruitment and appointment of specialists and focused on education and professional experience, computer literacy.

Financial reporting-related risk assessment

The Board of Directors, the executive directors, the chief financial officer and the chief operation officer play a key role in the process of permanent identification, monitoring and control of business risks, including of identification and control of the effects of those of them that have direct impact on separate processes and items of accounting, financial reporting and accountancy of the company. In aggregate, they ensure the overall monitoring of the risk management process.

Risk factors that are relevant to the reliable financial reporting comprise internal and external events, transactions and circumstances that might occur and have adverse effect on the company's ability to create, maintain and process accounting and operational data in a way that ensures authentic financial reporting, statements and reports. The company defines the following factors as underlying:

a) the following are defined as external risks: change of business environment and market environment of the company, including the current pandemic situation; competitors' business; change of legal and regulatory framework; changes of key suppliers; willful or malicious actions of external persons.

b) the following belong to internal risks: new accounting policies and IFRS; changes of key staff responsible for the financial reporting; changes of information systems; errors in work and/or insufficient knowledge or skills of the staff, application of plenty of estimates.

Risk factors of reiterating nature and/or related to the application of accounting policies and estimates are monitored by the chief accountant and the chief financial officer on ongoing basis. They suggest solutions for the management and proper reflection of their impacts in the financial statements. Whenever necessary, consultancy advice is sought from independent consultants, including for the application of new IFRS.

Information system and its related business processes that are material for the financial reporting and communication

The information system of ITF GROUP AD comprises infrastructure (physical and hardware components), software, people, procedures and data. The information about all transactions is processed through specialised external information system for granting, management and administration of loans, including various applications with partial automatic interfaces among them. The quality of the information generated by the system ensures significant capabilities for the management to make adequate, justified and timely decision during the management and control of the activities related to the preparation of different financial and management reports, as well as other public documents with financial information.

The information system relevant to the objectives and process of financial reporting covers methods and documentation, which:

- Identify and reflect all valid transactions and operations;
- Describe the transactions and operations in timely manner with sufficient level of detail that allow their appropriate classification for the purposes of the financial reporting;
- Assess the value of transactions and operations in a way that allows to reflect their appropriate cash amount in the financial statements;
- Define the time period in which transactions and operations have occurred in order to enable their recording in the appropriate accounting period;
- Represent the transactions and operations and their related disclosures in the financial statements in appropriate manner, in accordance with the requirements of the reporting framework;
- Integration with external service providers that enables the automation of most of the processes and their subsequent accounting and financial reporting, thus limiting the opportunity for technical errors in reporting.

As part of the information system, the management has put in place rules and procedures that ensure appropriate and timely communication between the employees at all hierarchy levels for the purposes of timely and proper registration of transactions and operations in the used applied systems.

Control activities

Control activities established in the designed and implemented internal controls by processes comprise: automated controls, implementation and performance review; information processing; physical controls and allocation of obligations and responsibilities.

The company relies more on the introduction of automated controls at all stages of its operational processes. The business of ITF Group AD gives the opportunity for introduction of efficient technical controls while carrying out ex-post reporting of transactions.

General controls relevant to the financial reporting may be classified as procedures related to ongoing and periodic reviews and analysis of financial indicators and their inputs through which the company's performance is presented in the financial statements.

Control activities comprise control on information processing as well. Access rights to various modules and programs are set for users. The access controls ensure data protection within the system against unaurthorised actions, inadvertent entry, change or deletion of data, excess of rights, use of confidential information. Developed control procedures in terms of the information system of ITF GROUP AD ensure correct functioning of the system – on monthly basis, on annual basis and in case of suspicions for data irregularities, and comprise audit trace, general automatic controls, automatic accounting records, monthly controls before closure, data archive.

As part of the control activities, the management has put in place a system for division of obligations and responsibilities. The division of obligations ensures that an employee is not responsible for all stages of a transaction. The stages of granting and collecting loans are defined in a way that does not allow the mixing of responsibilities and ensures independent follow-up control of operations. An employee with physical access to assets is not responsible for the accounting records related to such asset.

Internal documents relevant to the document management, underlying loan granting and collection processes are developed with defined key operations, issued and received documents, responsible persons. The division of obligations among responsible persons takes into account the mitigation and elimination of the possibility to make or conceal intentional or inadvertent errors and/or frauds in the working process.

Monitoring

Monitoring makes the management of ITF GROUP AD sure that the internal control system facilitates the achievement of the company's objectives. Monitoring activities comprise review of financial statements and comparison of the activities during the current and previous months or years; review of accounting books and their related reconciliations with the accounting entries; review of payments; trend evaluations; analysis of the financial performance of individual offices of the company, comparison between forecasts and actual data, etc.

Risk management system

The Company's management is committed to develop active risk management and to this end it has put in place a risk management system and makes efforts for its improvement in accordance with the international best practices.

The risk management system defines the powers and responsibilities with the Company's structural units, the organization and order of interaction while managing the risks, analysing and assessing the risks-related information.

The risk management in ITF GROUP AD is performed by employees at all levels of management and is integral party of the corporate governance activity and system within the Company.

In ITF GROUP AD the risks are managed on the basis of intracompany planning and forecast, which allows early indication of a possible risk event and gives the opportunity for efficient and timely remedy of risk events.

ITF GROUP AD declares that the strategic decisions it has made are based on the results from the analysis of existing and future risks and it believes that such approach is a tool for increase of the Company's value and financial stability.

3. Information about the existence of takeover bids – information under article 100нq paragraph 8, item 4 of POSA – under article 10, paragraph 1, letters "c", "d", "e", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, respectively

No bids for takeover and/or merger, and/or fusion into another company were made to ITF GROUP AD as at 31 December 2021.

3.1. Information under article 10, paragraph 1, letter "c" of Directive 2004/25/EC on takeover bids – significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of article 85 of Directive 2001/34/EC

As at 31.12.2021, the significant shareholdings in the capital of ITF GROUP AD are as follows:
ABI CAPITAL EOOD – 75%
Filip Georgiev Dobrinov – 21.38%

3.2. Information under article 10, paragraph 1, letter "d" of Directive 2004/25/EC on takeover bids – the holders of any securities with special control rights and a description of those rights

ITF GROUP AD does not have any shares with special control rights issued.

3.3. Information under article 10, paragraph 1, letter "f" of Directive 2004/25/EC on takeover bids – any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities

There are no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities, in terms of the shares of ITF GROUP AD.

The company issues only materialized registered shares with the right of 1 vote. The voting right at the general meeting occurs upon full payment of the issue value of each share and upon the entry of the company and the increase of its capital, respectively, in the commercial register.

Special conditions for transfer of their shares are defined in terms of shareholders, and namely that the shares among shareholders may be transferred at discretion of the transferor, freely and without restrictions, except for the restrictions under article 15, paragraph 4 of the Articles of Association. Shares may be transferred to persons who are not shareholders only if the shareholder who wants to transfer the shares shall inform the Board of Directors to this effect and shall obtain the written consent of the Board of Directors for the transfer of shares. The Board of Directors shall give consent for the transfer of shares by resolution adopted unanimously by all members of the Board of Directors. In this case the shareholder who wants to transfer their shares shall be obliged to serve, through the Board of Directors, a prior written invitation for purchase of their shares by the other shareholders. The Board of Directors shall place the invitation on an accessible location at the seat of the company for a period of one month and shall also send the invitation to all shareholders registered in the book of shareholders. The invitation under the preceding sentence should contain: the numbers of the share and their sales price. Within one month of receiving the invitation, shareholders shall have the right to buy the offered shares at their sales price. If none of the shareholders shall wish to buy the shares within one month of the invitation, and with the Board of Director's consent for transfer of the shares adopted unanimously by all members of the Board of Directors, the shareholder may transfer their share to a third person.

A shareholder shall not be entitled, without the explicit resolution of the company's General Meeting of Shareholders adopted with majority of 85% (eighty five percent) of the votes of all shareholders having the right to vote, to directly or indirectly (through other related parties thereof) acquire shares increasing their participation in the company's capital in an amount exceeding 50% (fifty percent) of all ordinary registered shares with voting right in the company's capital, irrespective of the way of increasing the shareholding in the company's capital. Upon capital increase with funds of the company pursuant to article 197 of the Commerce Act, the restriction under the preceding sentence shall be calculated in proportion to the amount of the company's capital after the increase.

3.4. Information under article 10, paragraph 1, letter "h" of Directive 2004/25/EC on takeover bids – the rules governing the appointment or replacement of board members and the amendment of the articles of association.

The general meeting of shareholders of ITF GROUP AD appoints and dismisses the members of the Board of Directors and determines their remunerations and their management guarantee in accordance with the statutory requirements, whereas the resolution is adopted by 85% majority of the votes of all shareholders being entitled to vote at the general meeting.

The general meeting of shareholders of ITF GROUP AD releases the members of the Board of Directors from liability, whereas the resolution is adopted by 85% majority of the votes of all shareholders being entitled to vote at the general meeting.

The general meeting of shareholders of ITF GROUP AD amends and supplements the articles of association of the Company, whereas the resolution is adopted by 85% majority of the votes of all shareholders being entitled to vote at the general meeting.

3.4. Information under article 10, paragraph 1, letter "i" of Directive 2004/25/EC on takeover bids – the powers of board members, and in particular the power to issue or buy back shares.

The Company's capital may be increased by resolution of the general meeting adopted by 85% majority of the votes of represented shareholders who are entitled to vote, by the issue of new shares in return of monetary contributions or by increase of the nominal value of already issued shares in return of monetary contributions or conversion of convertible bonds into shares, in strict observance of the provisions of CA and POSA, and with Company's own funds in accordance with article 197 of CA. For the time being, the Company has not issued convertible bonds.

The Company's capital may be decreased by resolution of the general meeting of shareholders adopted by 85% majority of the votes of represented shareholders who are entitled to vote. The resolution of the general meeting of shareholders should specify the purpose of the decrease and the way it will be performed.

In any case of capital decrease, the resolution of the general meeting of shareholders should specify how the relationships with the Company's creditors whose claims have occurred before the promulgation of the capital decrease resolution will be settled.

The powers of the members of the Board of Directors with regard to the buyback of shares are in compliance with the provisions of the Commerce Act.

4. Information under article 100н, paragraph 8, item 5 of POSA – composition and functioning of the administrative, management and supervisory authorities and their committees.

The Company has one-tier management system.

4.1. The Board of Directors of ITF GROUP AD comprises of four members elected by the general meeting of shareholders.

4.2. The Board of directors carries out its activity in accordance with the Articles of Association of Joint Stock Company ITF GROUP AD.

4.3. When performing its obligations, the Board of Directors observes the legislation, the regulations of the company and the fitness and propriety standards.

4.4. The Board of Directors:

- directs and supervises the company's business independently and responsibly in accordance with the established company's vision, objectives and strategies and the shareholders' interests;
- monitors the performance of the company and, if necessary, initiates changes to the business management;
- treats all shareholders equally, acts in their interest and with the care of good trader;
- ensures and controls the establishment and functioning of a risk management system, including internal control and internal audit;
- gives guidance, approves and controls the material transactions, as well as other activities as set out in its constituent deeds;
- adopts resolutions for increase of the Company's capital in accordance with the provisions of the Company's Articles of Association;
- adopts and submits the annual financial statements and the management report of the Company for approval by the general meeting of shareholders;
- based on the company's financial performance at the end of the accounting year, makes proposals for profit distribution;
- reports for its work before the general meeting of shareholders.

4.5. In their work, the members of the Board of Directors are led by the generally accepted principles of integrity and management and professional competence and observe the corporate Business Code of Ethics.

4.6. In their work, the members of the Board of Directors apply the principle for avoiding and preventing actual or potential conflicts of interest. The procedure for avoiding and disclosing of conflicts and interest is set out in the corporate Business Code of Ethics. Each conflict of interest should be disclosed to the shareholders. The members of the Board of Directors should inform the shareholders about whether they have – directly, indirectly or on behalf of third parties, any material interest in any kind of transactions or matters whatsoever that have direct impact on the Company.

4.7. The general meeting of shareholders elects and dismisses the members of the Board of Directors in accordance with the law and the constituent deeds of the company, and in compliance with the principles of consistency and sustainability of the work of the Board of Directors.

4.8. In case of proposals for election of new members of the Board of Directors, the principles for candidates' fitness and propriety with regard to the Company's business are observed.

4.9. The management contracts signed with the members of the Board of Directors define their obligations and duties, the criteria for the amount of their remuneration, their obligations for loyalty to the company and the grounds for dismissal.

4.10. The Board of Directors holds regular meetings to discuss the status and development of the company.

4.11. The meeting of the Board of Directors is convened by the chairperson at their own initiative, and in their absence – by their deputy.

4.12. For each meeting the Board of Directors appoints a secretary to keep minutes, which are signed by them and by all attending members. Each member is entitled to a copy of the meeting minutes, unless the Board has decided to the contrary.

4.13. The members of the Board of Directors may be re-elected without restrictions.

The members of the management bodies may be capable natural persons or legal entities only, without restrictions in terms of age, sex, nationality, education, ethnic or other background.

- Fitness and propriety and management skills, depending on the complexity and specificity of the Company's business
- Maintaining a balance between experience, professionalism, use for the business, independence and objectivity in giving opinions and making decisions.

Protection of shareholders' rights

5.1. ITF GROUP AD ensures equal treatment of all shareholders and protection of their rights.

5.2. In order to satisfy the needs of shareholders and investors in terms of obtaining full, updated and authentic information about the business, the Company implements corporate information policy and presents the necessary information in accordance with the statutory requirements of the Republic of Bulgaria in the relevant fields.

5.3. ITF GROUP AD is led by the applicable requirements of the Bulgarian legislation in terms of the compulsory disclosure of information within the specified scope, terms and conditions and time periods – details about the Company; details about the shareholder structure, constituent deeds of the Company; details of the management bodies, annual financial statements, materials for forthcoming general meetings of shareholders of the Company and information of public interest.

Stakeholders

6.1. ITF GROUP AD takes into account that the efficient interaction with stakeholders has direct impact on the corporate governance. Therefore, the Company identifies who are the stakeholders interested in its business based on their degree and fields of influence, role and attitude to its sustainable development, who, in their turn, may influence its business, including owners /shareholders, government and local authorities, suppliers, customers, employees, creditors, public groups, etc.

6.2. Bearing in mind the public importance of its performance, ITF GROUP AD adheres to the principle of openness of information about its business, is committed to establish and maintains sustainable, constructive relationships with the government and local authorities. The Company pursues its business in strict compliance with the laws and other legal regulations of the Republic of Bulgaria. The relationships of the Company with the government and local authorities are based on the principles of responsibility, diligence, professionalism, partnership, mutual trust, respect and fulfilment of undertakings.
The company is an issuer of securities other than shares only.

7. Description of the diversity policy implemented in terms of the administrative, management and supervisory bodies of the issuer with regard to age, sex or education and professional experience, the objectives of such diversity policy, the methods for its implementation and results during the reporting period – information under article 100н, paragraph 8, item 4 of POSA

In accordance with the provisions of article 100н, paragraph 12 of POSA, the requirements of article 100н, paragraph 8, item 6 on the description of the diversity policy implemented in terms of the administrative, management and supervisory bodies of the issuer with regard to age, sex or education and professional experience, the objectives of such diversity policy, the methods for its implementation and results during the reporting period, do not apply to small and medium-sized enterprises.

As the Company falls in the category of small and medium-sized enterprises in accordance with article 19, paragraph 3 of the Accounting Act, it does not implement diversity policy.

For the purposes of disclosing information in accordance with article 100н, paragraph 7 and paragraph 8 of the Public Offering of Securities Act, ITF GROUP AD publishes this Corporate Governance Statement on the website of the Company.

This Corporate Governance Statement is an integral part of the management report of ITF GROUP AD for 2021.

28 March 2022

Svetoslav Angelov
Executive Director
ITF GROUP AD

Electronic signature

ITF GROUP AD

DECLARATIONS under article 100н, paragraph 4, item 4 of POSA

DECLARATION

under article 100н, paragraph 4, item 4 of POSA
by Svetoslav Angelov
Executive Director of ITF Group AD

To the best of my knowledge, I hereby declare that:

A/ The annual financial statements of ITF Group AD for 2021 are prepared in accordance with the International Financial Reporting Standards and truly and fairly reflects the information about the assets and liabilities, the financial position and the financial performance of the company.

B/ The annual management report of ITF Group AD for 2021 contains fair review of the company's development, information about important events that have occurred during the period and their impact on the results in the financial statements, as well as description of the underlying risks and uncertainties faced by the issuer.

28 March 2022 Declarant: Svetoslav Angelov
Electronic signature

DECLARATION

under article 100н, paragraph 4, item 4 of POSA
by Zornitsa Staynova
Preparer of the financial statements

To the best of my knowledge, I hereby declare that:

A/ The annual financial statements of ITF Group AD for 2021 are prepared in accordance with the International Financial Reporting Standards and truly and fairly reflects the information about the assets and liabilities, the financial position and the financial performance of the company.

B/ The annual management report of ITF Group AD for 2021 contains fair review of the company's development, information about important events that have occurred during the period and their impact on the results in the financial statements, as well as description of the underlying risks and uncertainties faced by the issuer.

28 March 2022 Declarant: Zornitsa Staynova
Electronic signature

The undersigned, Desislava Georgieva Teodosieva, duly sworn translator, certify herewith that my translation of the attached document – Annual Financial Statements, Management Report, Corporate Governance Statement of ITF Group AD, from Bulgarian to English language is true and accurate. This translation consists of eighty eight pages.
Sworn translator: Desislava Georgieva Teodosieva