stikcredit

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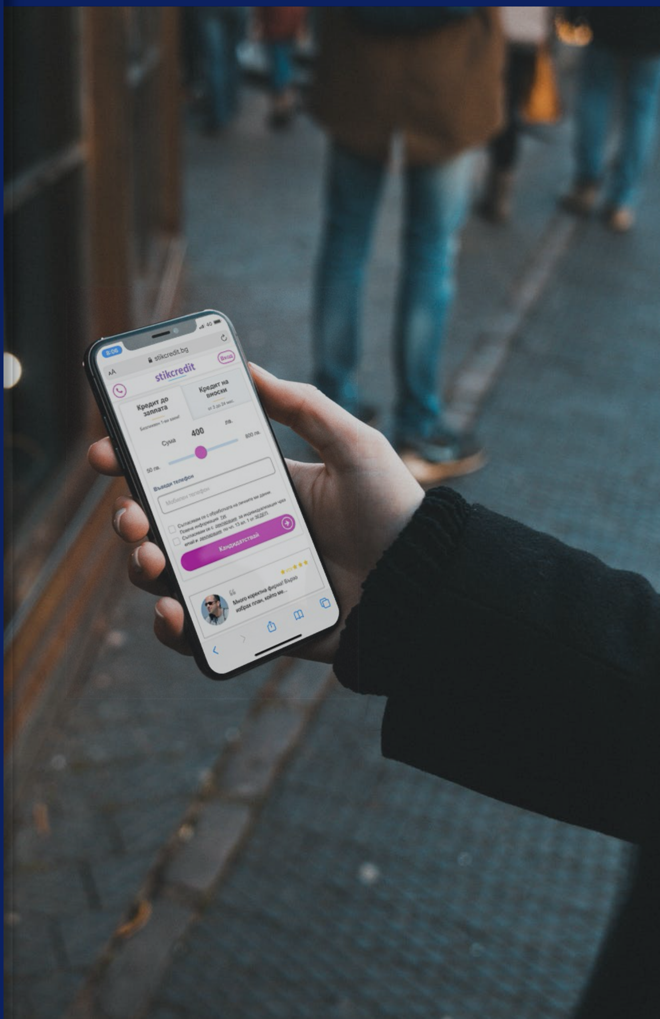
Annual

Financial Report

2019

This report is prepared in accordance with the International Financial Reporting Standards as adopted by the European Union



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General Information

Company name	Stik Credit
Brand name	stikcredit
Company legal status	Joint stock company
Registration number	202557159
Incorporation date	14 May 2013
Company website	www.stikcredit.com
Registered office	Oborishte sq. 13B Shumen, Bulgaria
Major shareholders	Stefan Topuzakov - 47% Kristiyan Kostadinov - 47%
Board Members	Stefan Topuzakov Kristiyan Kostadinov Hristina Todorova
Financial year	1 January - 31 December 2019
Currency exchange rate	The BGN is fixed to the EUR at an exchange rate of 1.95583 BGN/EUR. There is no FX risk converting BGN to EUR.

Financial statements:
Statement of comprehensive income

	Notes	2019	2018
		BGN (thousand)	BGN (thousand)
Income from interest and charges	14	6 801	2 572
Interest expense	15	(223)	(22)
Expenses for other loan operations	16	(64)	
Net income from interest and charges		**6 514**	**2 550**
Losses from impairment of loans	21	(546)	(3)
Income from interest and charges after impairment		**5 968**	**2 547**
Administrative expenses	18	(2 442)	(584)
Other income	17	117	24
Profit before tax		**3 643**	**1 987**
Corporate income tax	19	(367)	(200)
Profit for the year		**3 276**	**1 787**
Other comprehensive income			
Total comprehensive income		**3 276**	**1 787**

This financial statement is approved by the Board of Director on June 30, 2020.

The accompanying notes form an integral part of the financial statements.

Hristina Todorova

Executive Director

Financial statements:

Statement of financial position

	Notes	31/12/2019 BGN (thousand)	31/12/2018 BGN (thousand)
Assets			
Cash and cash equivalents	20	1 498	804
Loans to customers	21	8 613	3 179
Receivables from related parties	36	528	423
Other current assets	22	311	82
Land, machinery and equipment	23	207	13
TOTAL ASSETS		**11 157**	**4 501**
EQUITY AND LIABILITIES			
Liabilities			
Short-term loans	25	3 087	334
Trade and other payables	26	169	45
Short-term lease	27	23	-
Current tax liabilities	26	351	78
Other current liabilities	26	129	33
Long-term lease	27	111	-
Total liabilities		**3 870**	**490**
Equity			
Share capital	28	1 008	1 008
Reserves	29	51	51
Retained income	30	2 952	1 165
Profit for the financial year		3 276	1 787
Total equity		**7 287**	**4 011**
TOTAL EQUITY AND LIABILITIES		**11 157**	**4 501**

This financial statement is approved by the Board of Director on June 30, 2020.

The accompanying notes form an integral part of the financial statements.

Hristina Todorova

Executive Director

Financial statements:

Statement of changes in equity

BGN (thousand)	Share capital	Reserves	Retained earnings	Profit for the year	Total
Balance as at 1 January 2018	**1 008**	**51**	**231**	**934**	**2 224**
Profit for the reporting year	-	-	-	1 787	-
Other comprehensive income	-	-	-	-	-
Retained earnings	-	-	934	(934)	-
Balance as at 31 December 2018	**1 008**	**51**	**1 165**	**1 787**	**4 011**
Balance as at 1 January 2019	**1 008**	**51**	**1 165**	**1 787**	**4 011**
Profit for the reporting year	-	-	-	3 276	3 276
Other comprehensive income	-	-	-	-	-
Retained earnings	-	-	1 787	(1 787)	-
Balance as at 31 December 2019	**1 008**	**51**	**2 952**	**3 276**	**7 287**

This financial statement is approved by the Board of Director on June 30, 2020.

The accompanying notes form an integral part of the financial statements.

Hristina Todorova

Executive Director

Financial statements:
Statement of cash flow

	2019 BGN (thousand)	2018 BGN (thousand)
Cash flows from operating activities		
Interest paid	5 868	2 596
Other payments, net	94	33
Payments to employees	(856)	(201)
Payments to suppliers	(1 416)	(319)
Corporate tax paid	(96)	(234)
Cash flows from operating activities before changes in operating assets and liabilities	**3 594**	**1 875**
Changes in operating assets and liabilities		
Net increase of loans granted	(5 205)	(1 919)
Net cash flows from operating activities	**(1 611)**	**(44)**
Cash flows from investing activities		
Purchase of long-term assets	(74)	(8)
Changes in loans provided to related parties	(105)	110
Net cash flows from investment activities	**(179)**	**102**
Cash flows from financing activities		
Received loans	2 563	
Interest paid	(222)	(21)
Net foreign exchange difference	(6)	(1)
Lease payments	(19)	
Other payments from financing activities, net	168	303
Net cash flows from financing activities	**2 484**	**281**
Net increase/decrease in cash	**694**	**339**
Cash at the beginning of period	804	465
Cash at the end of the period	**1 498**	**804**

This financial statement is approved by the Board of Director on June 30, 2020.

The accompanying notes form an integral part of the financial statements.

Hristina Todorova

Executive Director

Notes to the financial statements

I. Information about the company

1. Company name and registered address

Stik-Credit JSC is incorporated in the Republic of Bulgaria, registered in the Commercial Register operated by the Registry Agency under company number 202557159 and with registered address at 16 Vasil Levski Str., Novi Pazar, Bulgaria. The company is registered without a term or termination condition.

2. Business activity

The company's business activity in the 2019 year includes the following operations and transactions:
- granting loans with funds which are not raised through attracting public deposits or through other repayable funds, and
- collection of loans granted to physical persons.

3. Owner licenses, trademarks and certificates

The company is registered with the Bulgarian National Bank with order No. BGR00370 / 2017.

4. Ownership and management structure

Stik Credit JSC operates in the form of a joint stock company. The company has no publicly traded debt or equity securities and it is not a publicly registered company. The shares of the company are ordinary.

As at 31 December 2019 the distribution of the share company is the following:
share capital of 1,008,000 BGN divided in 10,080 shares each with a par value of 100 BGN.

Shareholders holding over 5% of company shares:
- Stefan Nikolaev Topuzakov - 4,738 shares - 47%
- Kristiyan Georgiev Kostadinov - 4,738 shares - 47%
- Ivaylo Lazarov Todorov - 604 shares - 6%

The company is governed by a Board of Directors consisting of the following elected members:
- Stefan Nikolaev Topuzakov
- Kristiyan Georgiev Kostadinov
- Hristina Mitkova Todorova

The company is represented by Hristina Mitkova Todorova.

5. Financial statements

These financial statements are an individual report of the company. The company is obligated to report its business activity on an ongoing basis and in accordance with the requirements of the Bulgarian accounting legislation.

The company keeps its accounting records in Bulgarian lev (BGN), which it accepts as its reporting currency for the basis of presentation. The information in this report and its appendices are presented in thousands of BGN.

6. Company structure

As at 31 December 2019 Stik Credit JSC has registered branches in the cities of Sofia and Smolyan. The company has no registered branches abroad.

The structure clearly regulates and distinguishes the rights and responsibilities of each level and the respective organisational units. Written procedures are created and approved in relation to the functional and administrative relations between the individual units. As at 31 December 2019 the average employee number is 45 employees and 23 employees as at 31 December 2018.

II. Basis of preparation of the financial statements and significant accounting policies

1. Declaration of compliance

These financial statements of Stick Credit JSC are prepared in accordance with the International Financial Reporting Standards (IFRS), which consist of: financial reporting standards and interpretations of the IFRS Interpretations Committee (IFRIC) approved by the Council on International Accounting Standards (IASB) and International Accounting Standards and Interpretations of the Standing Interpretations Committee (IAS), approved by the International Accounting Standards Committee (IASB), adopted by the Commission of the European Union, which are effectively in force on 1 January 2019. IFRS, adopted in the European Union, is the common name of the general-purpose framework - accounting base, equivalent to the framework introduced by the definition according to §1 item 8 of the Additional Provisions of the Accounting Act under the name "International Accounting Standards". The Company has complied with all standards and interpretations that have been relevant to its business.

a. Standards and interpretations that have entered into force during the current reporting period

IFRS 16 Leases

Effective for annual period beginning on or after 1 January 2019. The standard sets out new principles for recognition, measurement, presentation and disclosure of leases by introducing a new model in order to ensure a reliable and adequate representation of these transactions, primarily regarding the lessee. The standard supersedes IAS 17 Leases. For lessees, the leading principle of the new standard is the introduction of a single model of accounting balance sheet treatment of the lease - all leases with a duration of more than 12 months are recognised as an asset in the form of "right of use" and are depreciated over the duration of the contract and, respectively, are reported as a financial obligation. This is a significant change compared to the reporting practice until 2018. For short-term or low-value leases, an exception and retention of the current practice is allowed. The management has conducted a study and determined that the changes to the new standard have an impact on the accounting policy and on the values and classification of the assets, liabilities, operations and results of the company.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

In force for annual period beginning on or after 1 January 2019, adopted by the EC. The Interpretation addresses the accounting treatment and reporting of income taxes within the scope of IAS 12 when there are uncertainties about tax treatment. The Interpretation does not affect taxes or other government receivables and fees, other than IAS 12, nor does it include special interest requirements and other sanctions associated with uncertainty about tax treatment. The Interpretation covers the following issues: whether the entity assesses each uncertainty about tax treatment separately or in combination with others, depending on which approach better anticipates the resolution of the relevant uncertainty; the assumptions which the entity makes to assess how the tax authorities would investigate and verify a given uncertainty of tax treatment on the basis that the tax authorities have all available information; the way in which the company determines tax gains or losses, tax bases, unused tax losses, tax rates and unused tax credits in the presence of uncertainties; the requirement to assess the effects of uncertainty on reported income taxes, provided that the tax authorities are unlikely to accept the tax treatment of the enterprise; the measurement of the effect can be done by the more appropriate of the two approaches - the *most probable amount* or the *expected value*; the way in which the company assesses and treats changes in facts and circumstances.

Amendments to IFRS 9: Prepayment features with negative compensation

The amendment addresses cases of negative compensation for early repayment and modifications of financial liabilities - in force for annual period from 1 January 2019. The amendment:
(a) amends the current requirements of IFRS 9 by allowing certain financial assets (loans and other debt instruments) to be classified as amortized cost and to pass the “principal and interest payments only” test, regardless of the conditions for prepayment. Negative compensation occurs when the terms of the contract allow the debtor to repay the instrument ahead of its schedule before its maturity and the amount paid in advance may be different from the remaining unpaid principal and interest. An important condition is that this negative compensation is reasonable and applicable to the early termination of the contract. Prepayment in itself is not a sufficient indicator for assessment, it is necessary to assess against the currently prevailing interest rate and other market circumstances, and against them - the amount of prepayment and the benefit to the counterparty that initiated it. It is important that the calculation of compensation is consistent as an approach, both in the case of an early repayment penalty and in the case of the benefit of an earlier repayment. The relevant asset should be in the category "held for collection of cash flows" in the structure of the business model of the enterprise;
(b) confirms that when a financial liability carried at amortized cost is modified without being written off, the effect of that modification must be recognized in profit or loss. The effect is measured as the difference between the original agreed cash flows and those, after the modification, discounted at the original effective interest rate.

Amendments to IAS 28: Investments in Related Companies and Joint Ventures

The Amendments relate to long-term participation in related companies and joint ventures - in force for annual period beginning on or after 1 January 2019. The amendments specify that a company shall apply IFRS 9, including its impairment requirements, to forms of long-term investments in related companies or joint ventures that are part of the net investment and to which the equity method does not apply.

Improvements in IFRS 2015-2017 Cycle

Improvements in the IAS 23, IAS 12 and IFRS 3 in connection with IFRS 11 - in force for annual period beginning 1 January 2019, adopted by the EC. The improvements introduce partial changes and revisions to the relevant standards in order to eliminate existing inconsistencies or ambiguities in the application of the rules and requirements of the individual standards, as well as, to introduce more precise terminology of the concepts. The changes are focused on the following objects or operations:
(a) clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in assets and liabilities of the joint operation at fair value;

(b) when an entity acquires joint control in a business that is a joint venture, it shall not restate previously held interests in it in application of IFRS 11;
(c) clarify that any tax consequences of taxes on dividend income should be shown in profit or loss or other comprehensive income or directly in equity, depending on where the relevant transactions and / or events that generated the relevant dividends are reported;
(c) clarify that for special purpose loans to finance a qualifying asset they remain outstanding once the asset is ready for its intended use, those loans are treated as part of general purpose financing for the purpose of calculating the rate and capitalization amounts in accordance with IAS 23.

IAS 19 Employee Benefits

The amendments specify that in case of changes in the defined contribution plans, curtailment or settlement of the plan, for determining the current service cost and net interest for the remainder of the annual reporting period the company applies assumptions set out in IAS 19. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

b. Standards and interpretations issued but not yet effective and not early adopted

As at the date of approval of these financial statements new standards and interpretations have been issued but have not become effective (and/or have not been adopted by the EC) for the annual period beginning on 1 January 2019 and have not been early adopted by the company. The management has determined that the following standards and interpretations shall have a potential effect on future amendments of the accounting policies and classification of reporting items in the financial statement of the company:

Conceptual Framework in IFRS Standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The amendments include revised definitions of asset and liability as well as new guidelines for their measurement, write-off, presentation and disclosure. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

IFRS 3 Business Combinations

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has made an assessment of the effect of the standard and considers that there is no material effect recognised.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has made an assessment of the effect of the standard and considers that there is no material effect recognised.

2. Changes in accounting policies

These financial statements are the first to be prepared in accordance with the IFRS. The financial statements are prepared in accordance with every applicable IFRS standards which has entered into force as at 31 December 2019.

The transition from the National Accounting Standards to the IFRS is performed in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards.

The comparison figures presented in these financial statements are for the year ended 31 December 2018 and the introductory balance sheet under the IFRS is as at 1 January 2018 / the date of transitioning to the IFRS/. In the preparation of the opening balance sheet the company has adjusted the values previously reported in the financial statements prepared in accordance with the Bulgarian National Accounting Standards (BNAS). Disclosure about how the transitioning from the BNAS to the IFRS has affected the financial position, the financial results and the cash flows of the company is set out in Note 36.

The lack of significant adjustments is related to the fact that the basic principles and requirements for the preparation of financial statements in accordance with the BNAS are consistent with the recommended approaches adopted by the International Financial Reporting Standards.

These financial statements have been prepared under the historical cost convention and modified in certain instances by the revaluation of certain assets and/or liabilities at fair value.

3. Going concern

The going concern assumption is a fundamental principle in the preparation of the financial statements. In accordance with this principle the company is considered to continue its operations for the foreseeable future without any intention to liquidate, cease the business or seek protection against creditors as a result of existing laws and regulations. Assets and liabilities are reported based on the ability of the company to sell its assets and settle its liabilities in the normal course of business.

The management assesses whether the going concern assumption is appropriate by taking into account all available information for the foreseeable future covering at least, but not limited to, the twelve months following the end of this reporting period.

As at the date of preparation of these financial statements the management the management has assessed the ability of the company to continue its normal business activity and the management believes that the entity has sufficient financial resources to continue its normal business operations for the foreseeable future.

4. Reporting currency

The reporting and functional currency of the company is the Bulgarian lev. From 1 July 1997 the BGN is fixed to the German mark in ratio of 1 BGN = 1 DEM as per the Bulgarian National Bank Act. With the introduction of the euro as the official currency of the European Union, 1 BGN = 1.95583 EUR.

Any currency which is other currency than the functional currency of the company is considered to be a foreign currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions and published by the Bulgarian National Bank. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income under items *financial income or financial expenses.*

Cash, receivables and payables denominated in foreign currency are reported in functional currency using the exchange rates published by the BNB for the last business day of the respective quarter. As at 31 December they are calculated in BGN using the final exchange rate of the BNB.

Non-monetary items in the statement of financial position which are initially denominated in foreign currency are reported in functional currency using the historical exchange rates at the date of the transaction and are subsequently not recalculated at the closing date.

Significant foreign exchange rates:

	31 December 2019	31 December 2018
	BGN	BGN
1 EUR is equal to	1.95583	1.95583

5. Accounting estimates and assumptions

The preparation of financial statements in accordance with IFRS requires from the management the exercise of judgement, to make estimates and assumptions, which influence the application of accounting principles and the reported amounts of assets, liabilities, income and expenses as well as to disclose contingent assets and liabilities as at the date of reporting. The estimates and underlying assumptions are based on knowledge available at the time when the financial statement was prepared and actual results may deviate from them. Items which involve a higher degree of subjective judgement or complexity, or where assumptions and estimates are material to the financial statement, are disclosed in Note 7.

6. Comparative information

The company provides comparative information to these financial statements for a period of one year. When necessary, the comparative information is reclassified (recalculated) to achieve comparability to the information for the current reporting period.

The effects of the initial application of the IFRS (1 January 2018) are reported in the shareholders' equity - part of the retained earnings and are presented in Note 37.

7. Definitions and valuation of the statement of financial position and the statement of comprehensive income items.

a. Long-term fixed and intangible assets

Fixed assets are measured and reported at cost less accumulated depreciation and impairment value, if any.

Initial recognition

Upon acquisition the fixed assets are measured at cost, which includes the purchase price, custom duties and any and all other direct costs incurred for bringing the asset to working condition. The direct costs are: costs for preparation, delivery and processing costs, installation costs, fees for personnel related to the project, non-refundable taxes and others.

The company has set a threshold of BGN 700.00 below which the acquired assets, irrespective of having characteristics of tangible or intangible fixed assets, are reported as current expense.

Subsequent measurement

Following the initial recognition, the long-term assets are measured at cost less accumulated depreciation value.

Subsequent expenses

Subsequent costs arising from replacing a component of a tangible asset are capitalised following the write-off of the replaced component. Other subsequent costs are capitalised only in case they lead to an increase of the economic benefit of using the respective asset above the one initially determined. All other subsequent costs related to the maintenance of the asset are reported as current in the statement of comprehensive income.

Depreciation

Depreciation is calculated in the financial statement of comprehensive income on a straight-line basis over the estimated useful life of the asset as follows:

Computers and software	-	2 years
Transportation vehicles	-	4 years
Office equipment	-	7 years

b. **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition, classification and measurement

Upon initial recognition, financial assets are classified into three groups according to their subsequent measurement: at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss.

The Company initially measures the financial assets at fair value, and in the case of financial assets that are not reported at fair value through profit or loss, the direct transaction costs are added. Exceptions are trade receivables that do not contain a significant component of financing - they are measured on the basis of the transaction price determined using IFRS 15.

Purchases or sales of financial assets whose terms require delivery of the assets within a given period of time, usually established by law or current practice in the relevant market (regular purchases), are recognised on the trade date (transaction), i.e. on the date the company commits to purchase or sell the asset.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For the purposes of subsequent measurement of financial assets, the company has classified its financial assets in the category *Financial assets at amortized cost*.

Financial assets at amortized cost (debt instruments)

The company measures its financial assets at amortized cost when both of the following conditions are met:

- The financial asset is held and used within a business model with objective to hold financial assets to collect contractual cash flows
- 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

After initial measurement, financial assets measured at amortised cost are measured at amortised cost using the EIR, less allowance for impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired. The company's financial assets at amortised cost includes trade receivables, accrued income and loan to parent and other related companies.

Derecognition

A financial asset (where applicable part of a financial asset or part of a group of similar financial assets) is derecognised from the statement of financial position of the company when:

- The rights to receive cash flows from the asset have expired, or
- The rights to receive cash flows from the asset have been transferred or the company has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Upon transferring the rights to receive cash flows from the asset or entering into an agreement for transfer, the company performs an evaluation of the extent to which it has transferred the risks and rewards of the ownership of the asset. In case the company has neither transferred, nor retained substantially all the risks and rewards of ownership of the financial asset, nor has it transferred control of it, the company continues to recognise the asset to the extent of its participation in it. In this case the company recognises the related liability. The transferred asset and the related liability are measured on the basis of the rights and obligations retained by the company.

The remaining participation, which takes the form of a guarantee over the transferred asset, is measured as the higher of: initial balance sheet value of the asset and the maximum amount of the payment which the company may be subject to pay.

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms, if relevant.

The expected credit losses are calculated in a manner reflecting:

- An objective amount taking into account probability of default
- Time value of money
- Information regarding past events, current conditions and forecasted economic conditions

Impairment of loans to customers

The company calculates the expected credit losses for loans granted to customers and other receivables, including cash and bank deposits, using the general approach for measuring impairments of loans defined in IFRS 9. The company applies a three-stage model for calculating the expected credit loss taking into account changes in the risk of the financial instrument since its initial recognition. The ECLs are measured at several stages:

- Financial assets which have not been impaired upon their initial creation/acquisition and are classified as "current" according to the internal classification framework, are presented in Phase 1. Those represent receivables from borrowers with a low probability of default and stable outlook, with on-time payments and without outstanding overdue amounts. Their credit risk and quality are subject to constant monitoring and analysis from the date of recognition. The ECLs of financial assets classified as Phase 1 are determined based on possible credit losses arising from default events that are possible within the next 12 months (a 12-month ECL).

- Financial assets for which there has been a significant increase in the credit risk of the borrower and as a result there has been a decrease in the quality of the financial asset are classified as overdue and are presented in Phase 2. The ECL for those financial assets is calculated over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The management has developed a policy and a set of criteria for analysis and determining cases where there has been a significant increase in the credit risk.

In cases where the credit risk of the financial asset has increased to a level which indicates an event of default, the financial asset is considered to be impaired and it is classified as "in default" in Phase 3. The company calculates the endured credit losses for the remaining life of the asset.

The management of the company has developed a set of criteria to determine events of default. One such criteria is when contractual payments are past due more than 90 days. In certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full, taking into account any collateral and guarantees held by the company.

The management of the company has adopted a conservative approach when evaluating the ECLs. All loans with payments past due more than 90 days are considered to be in default. The ECLs are determined individually for every credit exposure falling within classification Phase 3.

The company makes adjustments to the ECLs, calculated on the basis of historical data, taking into account macroeconomic forecasts for which it has determined to have a correlation to the expected credit losses.

Impairment of trade receivables and customers/contract assets

For trade receivables and customers/contract assets, the company applies a simplified approach in calculation ECLs based on provision matrix and the company does not track subsequent changes in their credit risk.

Write-off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition, classification and measurement

The financial liabilities of the company include trade and other payables, loans and other borrowings, including bank loans and lease liabilities. Financial liabilities are initially recognised at amortised cost.

All financial liabilities are recognised at amortised cost except for loans and borrowings, trade and other payables, where direct transaction costs are deducted.

Subsequent measurement

Subsequent measurement of financial assets is determined by their classification. Generally, they are classified and measured at amortised cost.

Classification group - loans and borrowings

After initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are reported in the statement of comprehensive income when the respective financial asset is written-off as well as through amortisation base on the EIR.

Amortisation cost takes into account any discounts/premiums upon acquiring the asset as well as any taxes or expenses which represent an inseparable part of the EIR. Amortisation is included as a financial expense in the statement of comprehensive income.

Derecognition

The financial liabilities are derecognised when the payable is paid in full, cancelled or expires. When an existing financial liability is replaced with another financial liability from the same lender under substantially different terms, or the terms of an existing financial liability are substantially modified, then this change or modification is treated as a derecognition of the initial liability and the recognition of a new one. The difference in the respective balances is recognised in the statement of comprehensive income.

Compensation (off-set) of financial instruments

Financial assets and liabilities are off-set, and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

This requirement arises from the business relationship with a given counterparty and that upon simultaneous existence of assets and liabilities the actual expected future cash flow and gains from these accounts is the net cash flow, i.e. the net amount reflects the right or obligation of these financial instruments - to pay or to receive solely the net amount.

The criteria applied to determine the existence of a current and legal right to off-set are:

- not to depend on a future event
- to be exercisable and defendable with legal methods in the course of normal business activity in event of non-performance or insolvency.

c. Share capital and equity reserves

Stik Credit is a joint stock company and as such the company is obligated to register with the Commercial Register a certain minimum amount of shareholder capital serving as a collateral against the creditors of the company. The shareholders are liable for the obligations of the company up to the amount of their participation in the capital of the company and may claim return of this participation only in a liquidation or bankruptcy proceedings.

The company's capital consists of:

- Share capital represented at nominal value according to a decision for entry in the Commercial Register. The share capital is fully paid.
- Reserve Fund formed in accordance with the requirements of the Commerce Act and the Articles of Association of the company.

- The financial result which includes as at the date of preparation of the financial statements the retained earnings from previous reporting periods and the profit for the current year.

Dividends for the year ending 31 December 2019

Dividends are recognised as a decrease of the net assets of the company and as a current liability to the owners of the share capital for period in which their right to receive them has arisen. During the year no decision to distribute dividends to shareholders has been made.

d. Income

The company applies a five-step model to account for revenues:

- Identification of the client's contract
- Identification of the performance obligations
- Determining the cost to fulfil the contract
- Distributing the cost to fulfil the contract to the performance obligations
- Recognition of the revenue subject to fulfilment of the performance obligations
- Revenue is recognised in full or incrementally when and until the company fulfils its obligations transferring the contracted goods or services to its customers.

The company recognises as contractional obligations revenue received in respect of outstanding performance obligations and presents them as other liabilities in the statement of financial position. When the company fulfils a performance obligation prior to receiving the remuneration it recognises the contract as an asset.

Interest income

Interest income is recognised on accrual basis using the effective interest rate method.

e. Expenses

Expenses are recognised at the date of their occurrence on the basis of accrual principles and comparability between income and expenses. They are measured at a fair value if the paid or pending payment.

Expenses are recognised for the current period when their corresponding income is accrued. An expense is recognised instantly in the statement for comprehensive income when the expense does not create a future economic benefit or up to the amount to which the future economic benefit does not satisfy the requirements or ceases to satisfy the requirements for recognising an asset in the statement of financial position. Interest accrued on existing company loans is recognised as a current expense.

Negative foreign exchange transactions, bank commissions, fees and others are recognised as a financial expense.

f. Employee benefits

Employee benefits include all forms of remuneration for past service including its corresponding social security contributions. The company also includes, in accordance with the IFRS 19, accrued short-term employee benefits originating from unused staff leave and the accrued social security contributions.

The social security contributions are approved by the Budget Act for the respective year. The contributions are divided between the employer and the employee in ratio determined by the Insurance

Code. The total amount of the social security contribution for 2019 is 33.2% and the amount of the contribution for the pension fund is 7.9% for the employee and 9.9% for the employer. For the other social funds the contribution is distributed in a ratio of 60:40 for the employer against the employee. The amount of contributions remains unchanged in 2020.

Subject to requirements of the Labour Code, the company is obligated to pay to the employee the following benefits upon termination of the employment contract:

- for non-compliance with the termination notice period - up to one gross salary
- for winding down of the company, part of it, layoffs, reduction of the load or suspension of work for more than 15 days - up to one gross salary
- upon retirement - from 2 to 6 gross salaries depending on the length of the service in the company
- for unused paid annual leave - compensation for the unused days

The employer is not subject to any other employee compensations. Short-term employee benefits (due within 12 months following the reporting period in which the employee has provided its service) are recognised as an expense in the statement of comprehensive income and as current liability net of any amount paid.

As at the date of preparation of the financial statements the company estimates the expected costs of accumulated non-used paid annual leave. The estimate includes employee benefits and expenses for mandatory social security insurance. No obligations for unused paid annual leave are included in these financial statements.

<u>Other long-term benefits</u>

As per art. 222 para. 3 of the Labour Code, the personnel have a right to be compensated with between 2 to 6 gross salaries depending on the length of service for the company. The payment of such benefits is subject to financial variables and assumptions about certain demographic factors. The company prepares an estimate of the potential compensations at each reporting date.

g. Leases

The company assesses whether a contract represents or contains a lease. A lease is defined as "a contract or part thereof that gives the right-of-use asset for a specified period of time in exchange for a remuneration". The company applies three general checks to ensure compliance with this definition:

- does the contract refer to an identified asset which is explicitly named in the contract or it is specified by default at the time the asset is made available for use
- the company has the right to receive all economic benefits from using the asset during the entire period of use within the defined scope of its right to use the asset under the contract
- the company has the right to manage the use of the specified asset through the entire duration of the period of use

<u>Measurement and recognition of a lease</u>

The company recognises the right-of-use asset and the liability of the lease at the commencement date of the lease in the statement of financial position. The right-of-use asset is measured at cost which includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease period.

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. After the commencement date the amount of lease liabilities is reduced for the lease payments made and increased to reflect the accretion of interest. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or change in the lease payments. When lease liabilities are remeasured the correction is reflected in the right-of-use asset or recognised in the statement of comprehensive income if the value of the right-of-use asset is zero. The company applies a practical expedient for short-term lease contracts with a term of 12 months or less and with a value of 5,000.00 USD. Payments for such leases are expensed using linear approach instead of being recognised as a right-of-use asset.

h. Income taxes

Tax recovery

Tax for recovery does not arise from contractual relationships and it is not classified as a financial asset. Tax paid for the current and previous periods which exceeds the amount due in the respective periods is recognised as an asset. Current tax assets for the current and previous periods are measured at the amount which is expected to be recovered from tax authorities using the tax rates and tax laws which have been enacted, or substantively enacted, by the date of preparation of the statement for financial position. Tax refunds are reported in item *other receivables* in the statement of financial position.

Tax liabilities

Current tax liabilities of the company do not arise from contractual relationships and they are not classified as financial assets. Current tax is recognised as a liability up to the amount which has not been paid. Current tax liabilities are measured at the amount which is expected to be paid to the tax authorities using tax rates and tax laws which have been enacted, or substantively enacted, at the date of preparation of the statement of financial position.

Deferred tax assets and liabilities

The deferred tax assets and liabilities are recognised in the financial statements for temporary differences arising between tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are measured at the sum of all tax amounts due for future periods arising from temporary differences. Deferred tax assets are measured at the sum of all future tax amounts to be recovered arising from temporary differences, carry-over of unused tax losses and tax credits, to the extent that it is probable that future taxable profit will be available against which the temporary tax differences can be utilised.

As at the date of preparation of the statement of financial position, the company remeasures unrecognised deferred tax assets. The company recognises the unrecognised deferred tax assets in a previous period to the extent that it is probable that future taxable profit will be available against which the temporary tax differences can be utilised.

The carrying value of deferred tax assets is remeasured at the date of preparation of the statement of financial position. The company reduces the carrying value of the deferred tax assets to the extent that it is no longer probable to generate sufficient taxable profit against which the deferred tax asset can be utilised. Any such reduction is rolled back to the extent to which it has become probable for the company to realise the deferred tax asset.

Deferred tax assets and liabilities are measured at the amount expected to be paid to/from taxation authorities using the tax rates and laws that have been enacted, or substantively enacted, by the date of preparation of the statement of financial position. Current and deferred taxes are recognised as income or expense and are reported in the profit or loss for the period except for the extent to which the tax has arisen from a transaction or event which has been recognised in the same period or different period in the shareholders' equity.

Net profit or loss

All income and expenses, recognised during the reporting period, are included in the profit or loss, except if an IFRS standard stipulates otherwise.

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares.

Fair value measurement principles

Some assets and liabilities of the company are measured and reported at fair value. They include:

- On a recurring basis (annually) - financial assets, granted and received bank loans and loans to third parties, certain trade and other receivables and payables;
- On a non-recurring basis (periodically) - non-financial assets such as equipment and machinery;

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of non-financial assets is measured based on the ability of the participants to generate economic benefit from the asset or by selling it to another market participant which will use the asset in the best possible and efficient manner.

The company applies valuation techniques that are appropriate to the circumstances and for which there exists sufficient data for determining the fair value of the asset. The company maximises the use of observable inputs and minimises the use of unobservable inputs

The assets and liabilities for which a fair value measurement is used are classified into three groups based on the assumptions and methods used for valuing them:
Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques where the inputs used for determining the fair value can be observed directly or indirectly;
Level 3 - Valuation techniques where the inputs used for determining the fair value cannot be observed directly or indirectly.

The company performs an analysis of changes in the fair value of assets and liabilities as at the date of reporting and reflects any changes in the financial statements following the accepted accounting policy. The company assesses whether there have been changes in the group classification of the assets and liabilities arising from changes in the assumptions and valuation methods. The company uses the help of certified appraisers when necessary. The management checks any changes in the valuation parameters of the assets and liabilities to confirm such changes are reasonable.

i. Critical judgements in applying the accounting policy. Key estimates and assumptions with high uncertainty.

<u>Calculating ECLs on granted loans, trade receivables and cash at bank</u>

Calculating the expected credit loss for financial assets measured at amortised cost (loan receivables, trade receivables, cash and cash equivalents) requires the use of complex models and significant assumptions for future economic conditions and payment behaviour of clients and debtors.

Loan receivables

The company uses a matrix approach for calculating the expected credit losses from loan receivables. The outstanding loans are grouped based on delay days which have similar loss models with each group having a defined loan loss allowance percentage. Every group within the provision matrix is based on detailed historical observations regarding the percentage of recovery of the receivables and the movement between delinquency buckets. The company uses historical data for the three years preceding the date of the financial statements. As at every reporting date the observed historical delinquency percentages are updated and changes in the forecasted conditions are included. Determining the correlation between the observed historical delinquency percentages, the forecasted economic conditions and the expected credit losses is a significant accounting task. The level of expected credit losses is sensitive to changes in the circumstances and the forecasted conditions. Historical credit losses of the company and the forecasted economic conditions can deviate from the actual delinquency levels in the future. Information about the accumulated expected credit losses is presented in Note 21.

Cash and cash equivalents

The management has made an analysis and has determined that the cash and cash equivalents have an expected credit loss approaching zero.

<u>Lease contracts</u>
The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration; determining the term of the contract and determining the incremental borrowing rate.

The management has performed an assessment of the concluded rent agreements and has concluded that three agreements represent lease agreements which transfer the right of control over the assets over the term of the respective contracts. The identified assets are premises used for company offices.

8. Restatement of errors

Errors from previous periods can arise from errors of omission, inaccurate reporting of the financial statements of the company, from non-use or misuse of reliable information that has been available at the date of preparation of the financial statements for the respective period(s).

Such errors include the effects of calculation errors, errors in the application of the accounting policy, negligence or inaccurate presentation of facts.

Errors may arise in relation to the recognition, measurement, reporting and disclosure of items of the financial statements. Errors relevant to the current period and discovered within the current period are corrected before publishing the financial statements. Despite the best effort, errors may be determined in subsequent periods and such errors related to previous periods are corrected.

Errors from a previous period are corrected by a retroactive remeasurement unless doing so is practically impossible and the specific or cumulative effects from the error cannot be calculated.

9. Subsequent events

Post-year-end events are such events which arise between the balance sheet date and the date at which the financial statements are approved for publishing.

There are two types of post-year-end events:

- events which prove conditions existed as at the balance sheet data (adjusting events)
- events which indicative for conditions that have occurred after the balance sheet data (non-adjusting events)

The company adjusts the carrying values, reported in the financial statements, to reflect the adjusting events. When the non-adjusting events have a significant impact and their non-disclosure would affect the ability of the readers to make accurate decisions, the company discloses such events for every significant category of non-adjusting events after the balance sheet date:

- the nature of the event
- an estimate on its financial impact or statement that such estimate cannot be made

10. Related parties

For the purposes of these financial statements the company presents the shareholders, their daughter companies, key management personnel, close family members, including companies, controlled by the

For the purposes of these financial statements the company presents as related parties' shareholders, their subsidiaries and associates, key management personnel, close family members, including companies controlled by all of the above, are considered and threated as related parties.

11. Contingent assets and liabilities

Contingent liability is such that:

- a possible liability which arises from past events and whose existence will be confirmed upon the occurrence or non-occurrence of one or more uncertain future events which cannot be entirely controlled by the company; or
- current liability which arises from past events but is not recognised because its outflow is uncertain and the amount of the liability cannot be determined with sufficient accuracy.

Contingent asset is a possible asset which arises from past events and whose existence can be confirmed upon the occurrence or non-occurrence of one or more uncertain future events which cannot be fully controlled by the company.

Contingent assets and liabilities are not recognised.

12. Statement of cash flows

The company has adopted the direct method for measuring and reporting cash flows in the statement of cash flows. Cash flows from customers and cash payments to suppliers are reported gross inclusive of VAT (20%). The paid VAT for purchases of long-term assets is reported in line "payments to suppliers" insofar as it participates in the operating cash flows of the company for the respective period/month.

Cash flows are classified as cash flows from:

- Operating activities
- Investing activities
- Financing activities

13. Statement of changes in equity

The company prepares a statement of changes in equity showing:

- profit or loss for the period
- any profit or loss for the period which, in accordance with the requirements of an accounting standard, is recognised directly in the equity capital
- the effects of changes in the accounting policy or restatement of errors in accordance with IFRS 8
- transactions related to the shareholders capital, acting in their capacity as owners of the share capital, reported individually for each shareholder
- the balance of the retained earnings/losses in the beginning of the period and at the end of the `period
- in the beginning and end of the period with each change reported separately

III. Additional information to the financial statements

14. Income from interest and fees

	2019	2018
Interest income from granted loans	1 549	623
Income from additional fees to loan agreements	4 668	1 735
Income from late payment interest, collection and court fees	584	214
Total:	**6 801**	**2 572**

15. Interest expense on loans received

	2019	2018
Crowdfunding platforms	221	21
Interest for lease payments	2	-
Total:	**223**	**22**

16. Expenses for other loan operations

	2019	2018
Loan fees	57	-
Negative foreign exchange differences	7	-
Total:	**64**	**-**

17. Other income

	2019	2018
Payment transaction fees	29	24
Commissions	38	-
Other service fees	50	-
Total:	**117**	**24**

18. Administrative and other general expenses

		2019	2018
Client acquisition costs		767	166
Personnel related expenses		759	223
Office rent*		186	52
External services		143	36
Taxes		108	32
Long-term assets below materiality threshold		64	11
Fuels		39	-
Depreciation		34	6
Office stationery and consumables		33	-
Repairs and maintenance		12	8
Other expenses		297	50
	Total:	**2 442**	**584**

*Office rent expenses include:

		2019	2018
Rent payments to short-term leases		186	52
	Total:	**186**	**52**

19. Tax expenses

Tax expenses include the current corporate income tax and the deferred corporate income taxes in accordance with IFRS 12. According to the current tax law, corporate income is taxed at a rate of 10%. For calculating the amount of deferred corporate income taxes, the management has applied a 10% tax rate.

		2019	2018
Corporate income before tax		4 218	2 000
Current corporate income tax		367	200
Tax effect from temporary differences			
	Total:	**367**	**200**

The effective corporate income tax rate is 11.23% for 2019 and 10.06% for 2018.

The comparison between the corporate income before tax and the current corporate income tax as well as the calculations for the effective tax rate as at 31 December 2019 and 2018 is as follows:

	2019	2018
Accounting income/loss	3 643	1 987
Applicable tax rate	10%	10%
Corporate income tax	364	199
Tax effect from permanent differences	3	1
Tax effect from temporary differences	-	-
Recognised deferred tax assets/liabilities	-	-
Total tax expense:	**367**	**200**

20. Cash and cash equivalents

	2019	2018
Cash	666	640
Cash at banks	832	164
Tax effect from temporary differences		
Total:	**1 498**	**804**

21. Loans granted

	2019	2018
Loans granted	8 093	2 926
Accrued interest and fees	933	202
Payables awarded by court	135	54
Gross outstanding loans	9 161	3 182
less provisions	(548)	(3)
Total:	**8 613**	**3 179**

The measured value of loans pledged as a collateral to loans received as at 31.12.2019 amounts to 407 thousand BGN.

As at 31.12.2019 the loan loss provisions are as follow:

	2019	2018
In the beginning of the year	**3**	**-**
Accrued for the year	546	3
Reduced for the year	-	-
Written off	-	-
At the end of the year:	**549**	**3**

The distribution of the gross loan receivables and the provision as at 31 December 2019 is:

	2019	2018
Loans not past due	5 224	4
Loans past due up to 90 days	1 952	19
Loans past due over 90 days	1 987	527
Total:	**9 163**	**550**

22. Other current assets

	2019	2018
Receivables from customers	74	29
Advance payments to suppliers	53	46
Prepaid expenses	6	2
Receivables from employees	136	-
VAT refund	2	5
Other receivables	40	-
Total:	**311**	**82**

23. Land, machinery and equipment

	Buildings	Transportation Vehicles	Other assets	Fixed assets	**Total**
Carrying amount					
Balance as at 01.01.2018			16		**16**
Additions			8		**8**
Balance as at 31.12.2018			24		**24**
Additions	149	45	29	5	**228**
Balance as at 31.12.2019	149	45	53	5	**253**
Depreciation					
Balance as at 01.01.2018			6		**6**
Additions			5		**5**
Balance as at 31.12.2018			11		**11**
Additions	17	9	8		**34**
Disposals					
Balance as at 31.12.2019	17	9	19	-	**45**
Carrying amount as at					
01.01.2018			10		**10**
31.12.2018			13		**13**
31.12.2019	132	36	34	5	**207**

Right-of-use assets included in buildings

Balance on January 1	
Additions	149
Balance on 31.12.2019	149
Accumulated depreciation	
Balance on January 1	
Depreciation accrued for the year	17
Balance on 31 December	17
Balance as at December 31	132

24. Short-term loans received

	2019	2018
Crowdfunding platforms	3 087	334
Total:	3 087	334

25. Other liabilities

	2019	2018
Tax	351	71
Social contributions	25	7
Salary payables	65	19
Unused paid annual leave	2	4
Suppliers	169	45
Other payables	37	10
Total:	**649**	**156**

26. Lease liabilities

As at 31 December 2019 the lease liabilities included in the statement of financial position amount to 134 thousand BGN arising from agreements for rent of offices. The liabilities are reported net of interest as follows:

Period	2019	2018
Up to one year	23	-
Over one year	111	-
Total:	**134**	**-**

27. Share capital

The share capital is reported at nominal value as at 31.12.2019 and is fully paid. The share capital is divided into 10,080 shares each representing a nominal value of 100 BGN.

The ownership of the share capital as at 31.12.2019 is as follows:

Shareholder	No. shares	Subscribed capital	Paid capital	% of capital
Stefan Nikolaev Topuzakov	4 738	474	474	47%
Kristiyan Georgiev Kostadinov	4 738	474	474	47%
Ivaylo Lazarov Todorov	604	60	60	6%

28. Reserves

Reserves include mandatory reserves as per art. 246 of the Commercial Act and they are formed with a decision of the General meeting of the shareholders.

29. Financial results

Financial result	
Profit as at 31.12.2017	1 165
Profit/loss for 2018	1 787
Profit as at 31.12.2018	2 952
Profit for 2019	3 276
Profit as at 31.12.2019	6 228

30. Liabilities from financing activities

The table below shows changes in liabilities from financing activities. Liabilities arising from financing activities are liabilities whose related cash flows will be reported in the statement of cash flows as cash flows from financing activities.

	Carrying value as at 01.01.2019	Cash flows		Non-cash flows		Carrying value as at 31.12.2019
		(+)	(-)			
Loans	322	4 412	1 647	-	-	3 087
Loans interest	-	-	213	-	-	-

31. Credit risk

The table below shows the maximum credit exposure in view of the financial assets.

	31.12.2019		31.12.2018	
	Carrying value	Max. exposure	Carrying value	Max. exposure
Cash and cash equivalents	1 498	1 498	804	804
Granted loans	8 613	8 613	3 197	3 197
Other assets	839	839	659	136
Total	**10 950**	**10 950**	**4 660**	**4 660**

32. Foreign exchange exposure

The table below shows a summary of foreign exchange exposure as at 31.12.2019. The table shows all assets and liabilities of the company at their carrying value translated into thousand BGN.

Net position as at 31.12.2019	EUR	USD	BGN	Total
Financial assets				
Cash and cash equivalents	51	-	1 447	1 498
Granted loans, net	-	-	9 141	9 141
Other assets	-	-	311	311
Total financial assets	**51**	**-**	**10 950**	**11 001**
Financial liabilities				
Loan obligations	3 087	-	-	3 087
Other liabilities	-	-	838	838
Total financial liabilities	**3 087**	**-**	**838**	**3 925**
Total foreign exchange risk	**(3 036)**	**-**	**10 112**	**7 076**

33. Maturity matrix

The table below analyses the assets and liabilities of the company per maturity term. The assets and liabilities are group based on the outstanding term to maturity as at the date of preparation of the statement of financial position.

Liquidity risk arises from the company's inability to pay all liabilities on their maturity date. The company generates and maintains a sufficient amount of liquid funds. Internal source of liquid funds for the company is its core business activity generating sufficient cash flows from operations. External sources of liquidity for the company are investors and other partnering counterparties.

To mitigate the liquidity risk, the company maintains adequate level of cash to ensure its capability to finance its normal business activities. This is supported by an ongoing monitoring of the maturity of assets and liabilities and by controlling the cash outflows.

The liquidity of the various balance sheet items as at 31.12.2019 is as follows:

	on demand	up to 3 mos.	3 to 6 mos.	6 to 12 mos.	without term	Total
Current assets						
Cash and cash equivalents	1 498	7 186	663	1 468	135	10 950
Granted loans, net	-	6 875	663	940	135	8 613
Other assets	-	311	-	528	-	839
Current liabilities						
Loan liabilities	-	787	-	3 087	-	3 874
Other creditors	-	727	-	-	-	727
Maturity mismatch	1 498	6 399	663	(1 619)	135	7 076
Cumulative	1 498	7 897	8 560	6 941	7 076	7 076

34. Capital management

The company is not subject to any requirements for capital adequacy in accordance with the Bulgarian legislation. Nevertheless, the company tracks the following metrics:

	31/12/2019	31/12/2018
Current assets	3 814	490
Total	**3 814**	**490**
Long-term assets	207	13
Short-term assets	10 950	4 488
Total	**11 157**	**4 501**
Financial leverage	34.18%	10.40%
Interest income	1 549	623
Interest expense	223	22
Interest coverage ratio	694.62%	2 831.80%

35. Related parties

The following parties are related to the company:

Kristiyan Georgiev Kostadinov	-	shareholder
Stefan Nikolaev Topuzakov	-	shareholder
Ivaylo Lazarov Todorov	-	shareholder
ST i K 9086 OOD	-	company under the control of shareholders
STIK i NIK OOD	-	company under the control of shareholders
ICREDIT EOOD	-	company under the control of shareholders
Casino Escape OOD	-	company under the control of shareholders

Related party transactions

Statement of comprehensive income	2019	2018
Board of Directors remuneration	-	-
Other operating expenses	22	22
Interest income	46	-

Statement of financial position	2019	2018
Granted loans	528	423
Other receivables	136	-
Other liabilities	27	-

36. Disclosures related to transitioning to the IFRS as at 01.01.2018

The following items have been reclassified in connection to the transitioning to the IFRS:

- loans and customer advances net of accrued income for future periods
- loans and advance payments are split with an additional row for loans granted to related parties
- other liabilities in trade payables, current tax liabilities
- income from commissions is reported in income from interest and fees
- net profit or loss from financial operations is reclassified as interest expense
- loan loss allowance is taken out of other administrative expenses and reported separately
- taxes from payment transactions are reported in other income

	31.12.2017 BNAS	Transition effect	31.12.2017 IFRS	31.12.2018 BNAS	Transition effect	31.12.2018 IFRS
Asset						
Cash and cash equivalents	465	-	465	804	-	804
Granted loans to customers	2 161	(878)	1 283	4 498	(1 319)	3 179

Loans to related parties	-	533	533	-	423	423
Other current assets	58	(13)	45	53	29	82
Long-term assets	12	-	12	13	-	13
Total assets	**2 696**	**(358)**	**2 338**	**5 368**	**(867)**	**4 501**
Equity						
Shareholders' capital	1 008	-	1 008	1 008	-	1 008
Reserves	51	-	51	51	-	51
Retained earnings	22	9	231	1 178	(13)	1 165
Profit/loss for the year	956	(22)	934	1 787	-	1 787
Total equity	**2 237**	**(13)**	**2 224**	**4 024**	**(13)**	**4 011**
Liabilities						
Short-term loans	-	-	-	-	334	334
Trade payables	-	1	1	-	45	45
Current tax liabilities	-	102	102	-	78	78
Other current liabilities	114	(103)	11	482	(449)	33
Accruals and income for future periods	345	(345)	-	862	(862)	-
Total assets	**459**	**(345)**	**114**	**1 344**	**(854)**	**490**

	31.12.2017 BNAS	Transition effect	31.12.2017 IFRS	31.12.2018 BNAS	Transition effect	31.12.2018 IFRS
Income						
Interest and fees income	280	927	1 207	669	1 903	2 572
Income from commissions	927	(927)	0	1 927	(1 927)	0
Interest expenses	(4)		(4)	(22)		(22)
Net income/loss from interest and fees	1 203	0	1 203	2 574		2 574
Loan loss allowance					3	(3)
Interest income after impairment	1 203		1 203	2 574	(3)	2 571
General administrative expenses	141	22	163	587	(3)	584
Other income/expenses net					24	24
Profit/loss from ordinary activity before taxes	1 062	0	1 040	1 987	0	1 987

Corporate income tax	106	106	200	200
Profit/loss for the year	**956**	**934**	**1 787**	**1 787**

37. Contingencies

Guarantees and collateral

As at 31.12.2019 the company does not have any outstanding guarantees and has not pledged any collateral.

Court proceedings

There are no court proceedings against the company as at the date of preparing the financial statements. The company has initiated court proceedings against borrowers for the amount of 135 thousand BGN.

Potential tax liabilities and contingent liabilities

Tax authorities are authorised to perform at any point in time a review of all accounting documentation and entries for the past five tax periods. The management of the company is not aware of any information for any circumstances that could potentially lead to tax liabilities of a considerable amount as well as contingent liabilities which should be disclosed.

38. Events after balance sheet date

At the end of 2019 news from China about covid-19 (coronavirus) have emerged. In the first few months of 2020 the virus spread worldwide causing disruptions to the business activity of a number of companies and whole economic sectors. On 11.03.2020 the World health organisation announced a pandemic. On 13.03.2020 the government of the Republic of Bulgaria announced a state of emergency in the country and on 13.05.2020 an emergency epidemiological situation. The management considers the current situation to be a non-adjusting event occurred after the reporting period. As at the date of preparation of the financial statements the situation is still in its early stages and has a limited impact on the company's activity.

As at the date of approval of the financial statements, the management has performed a detailed overview of its loan portfolio exposure, the company follows the public updates and announcements on a daily basis and has readiness to continue with the application of the mandatory measures.

Stik Credit JSC has not provided any relief to its clients under their loan agreements related to the covid-19 situation. The management of the company carefully tracks and analyses all potential effects which the pandemic may cause on the operation of the company. At this stage:

- We don't foresee a significant decrease in the issuance volumes
- We don't foresee a prolonged cessation of business activity
- We don't foresee inability for the company to serve its loan obligations
- We don't foresee any significant difficulties in our operational capacity
- We have taken comprehensive health and safety measures and we do not foresee significant issues with human resources

There have been no adjusting events or other significant non-adjusting events between the date of preparation of the financial statements and their publishing.

39. Approval of the financial statements

The financial statements prepared as at 31 December 2019 is approved for publishing by the Board of Directors on 31 June 2020.

Hristina Todorova

Executive Director

Independent auditor's report

Translation from Bulgarian

Independent Auditor's Report

To
Shareholders of
Stik Credit JSC

Report regarding the financial statements' audit

Opinion

We have audited the special purpose financial statements of Stik Credit JSC (the Company), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow and the notes thereto for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EC).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), applicable to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 38 to the financial statements which discloses a significant non-adjusting event after the balance sheet date related to the coronavirus pandemic, it's impact on the economic conditions in Bulgaria, the uncertainties arising from it as well as the position of the management regarding the potential impact on the activity of the company and its results.

Other information, different from the financial statements and auditor's report

The management is responsible for other information. The other information consists of a management report prepared by the management in accordance with chapter seven of the Accounting Act and it does not include the financial statements and our auditor's report thereto.

Our opinion regarding the financial statements does not include other information and we are not providing opinion in any form about its fairness, unless it is explicitly stated so in our report.

In relation to our audit of the financial statements our responsibility is to read the other information and to provide a professional judgement whether this other information is free from material misstatement in relation to the financial statements or the knowledge we have acquired in the course of the audit. In case we arrive to the conclusion, based on the work that we have performed, that a material misstatement is evident in the other information, we are required to disclose this fact.

We have nothing to disclose in this regard.

Additional procedures arising from the Accounting Act

In addition to our responsibilities under ISAs in relation to the management report, we performed the procedures, in addition to those required under the ISAs, in accordance with the "Instructions regarding new and expanded auditor's reports and auditor's communication" of the professional organisation of the registered auditors in Bulgaria - the Institute of certified public accountants (ICPA). These procedures involve verification of existence and verification of the form and substance of this other information to provide an assessment whether this other information is in compliance with the information required by chapter seven of the Accounting Act applicable in Bulgaria.

Statement in relation of art. 37 para. 6 of the Accounting Act

On the basis of the performed procedures, our opinion is that:

- The information provided in the management report for the financial year corresponds to the information provided in the financial statements.
- The management report is prepared in compliance with the requirements of chapter seven of the Accounting Act.

Management's responsibilities for the financial statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS, as adopted by the EC, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or,

if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

30 July 2020 Registered auditor: Signature
Yordanka Yoncheva

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