

IT SMART FINANCE

GROUP OF COMPANIES

FINANCIAL RESULTS FOR 2019

REPORTING PERIOD 01.01.2019 – 31.12.2019

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Management report

2019 is a year of sustainable development and new projects. 2019 was a very important year for IT Smart Finance. 2 large projects were launched and successfully implemented - Joymoney Spain and Nibble. Joymoney Spain continues the activities of the parent company, actively developing and expanding its loan portfolio. We have big plans to maintain the growth rate of the company and to increase our market share in the Spanish market.

I would like to speak about our new project, an investment platform in a P2P format - Nibble, which was implemented in record time. The development of the platform began in October 2019 and in February 2020 the project was already launched. Nibble was created with the aim of securing funding for companies in the Russian Federation, Spain, Latin America and Asia, while providing investors with maximum reliability and transparency of their investments. The holding controls the creditor companies, is responsible for their activities and directly interested in developing a successful business. On our site you can find all information about holding companies.

Summing up the financial results of the year, we should dwell on the main factors that influenced the result of the flagship company of the group - Joymoney Russia, annual financial statements of which is presented in this report. In 2019, the Government of the Russian Federation made the following amendments to the legislative framework governing the microfinance market: the daily interest rate was reduced, a limit on the calculation of interest on loans was introduced, and the concept of "maximum debt load" was introduced for customers. By tightening the requirements of the Central Bank of the Russian Federation, it was requested to check all the companies in Russia with IFC status.

SMIRNYKH MARINA

CEO of IT Smart Finance
group of companies



As a result of inspections, 9 out of 47 microfinance organizations dropped out of the Central Bank register. Thus, as of January 1, 2020, 38 companies remained in IFC status. The audit, which was conducted in relation to Joymoney, took 3.5 months and covered all departments and divisions of the company. The operating procedure of the company's website was checked, in particular, collection and storage of personal data of customers, the issuance of loans, interest, the procedure for working with customers in case of arrears, the procedure for attracting investments. The transparency and legitimacy of the information on the site for financial services consumers was evaluated. And, of course, the most significant indicators of our activity were checked - liquidity standards, sufficiency and calculation of the company's capital, which is required to be at least 70 million rubles daily. The Central Bank of Russia verification results are positive, therefore the company continues its activities in the market.

Under the influence of these factors, the company had to adjust its development plan. It was decided not to increase the investment portfolio, which affected the company's growth rate. The growth in the portfolio of microloans to customers in 2019 amounted to about 50% compared to 2018. In 2019, its volume amounted to 1,500 billion rubles. The investment portfolio was reduced naturally by 30%. At the same time, the amount of issued funds did not decrease. For 2019, Joymoney issued 1 billion 200 million rubles with only PDL loans. Revenues for 2019 amounted to about 1 billion rubles, which is 7% lower compared to 2018 due to a decrease in interest income. It is important to note that the Company ended the year 2019 with a profit. Such indicators were achieved by optimizing costs in 2019 by 12%, which in total annual value is about 150 million rubles.

In addition, the Company was actively engaged in the development of new projects discussed above, in which it invested funds in 2019. The company feels confident in the market and has far-reaching development plans for 2020 and upcoming years. The priorities are to launch a new project in Mexico, for which the legal framework has already been developed and a CRM system for issuing loans has been created, negotiations are ongoing with partners. In addition, we have several more projects that we are actively working on. This is a cashback service and My Salary project. We have a possibility to transform such big plans into life in the shortest possible time thanks to a professional and ambitious team, which currently employs more than 200 people and consists of employees from countries such as Russia, Spain, Mexico, Estonia, the USA, Great Britain, and Germany. We exchange experiences from different countries, which allows us to focus on the most efficient and innovative way of holding development.

ITSF pays great attention to the development, motivation and career growths of its employees. The holding has an educational program for young personnel. ITSF accepts students from different countries for internships. For example, students from the USA and Great Britain are applying their experience at the headquarters of the holding in Spain. These guys are studying in the field of digital and financial technology, so at the end of their studies they could continue to work in IT Smart Finance.

Summing up, we do not stop here, and we are optimistic about the future. Below you can find the main financial results of the flagship company of the Group - Joymoney Russia for 2019.

Smirnykh Marina
CEO of IT Smart Finance
group of companies



Financial Statements

Statement of Financial Position

Line N°	Description of indicator	Notes to the lines	As of December 31, 2019 EUR'000	As of December 31, 2018 EUR'000
SECTION I. ASSETS				
1	Monetary assets	5	99	210
2	Financial assets at fair value through profit or loss		–	–
3	Financial assets at fair value through other comprehensive income		–	–
4	Financial assets at amortized cost	8	1967	2698
5	Assets (assets of disposal groups) classified as held for sale		–	–
6	Investments in the associated entities	10	1,3	1,3
7	Investments in the jointly controlled entities		–	–
8	Investments in the affiliated companies		–	–
9	Investment property		–	–
10	Intangible assets	14	0,9	1,1
11	Fixed assets	15	48	47
12	Claims for current income tax		–	1
13	Deferred tax assets		48,8	24,6
14	Other assets	17	688	117
15	Total assets		2853	3100
SECTION II. LIABILITIES				
16	Financial liabilities at fair value through profit or loss		–	–
17	Financial liabilities at amortized cost	19	921	1172
18	Liabilities of disposal groups classified as held for sale		–	–
19	Liabilities for current income tax		35	36
20	Deferred tax liabilities		4	4
21	Reserves – estimated liabilities	20	29	20
22	Other liabilities	21	63	255
23	Total liabilities		1052	1487

Line N°	Description of indicator	Notes to the lines	As of December 31, 2019 EUR'000	As of December 31, 2018 EUR'000
SECTION III. CAPITAL				
24	Authorized (joint-stock) capital		308	157
25	Added capital		555	555
26	Reserve capital		–	–
27	Own shares (stocks) redeemed from the shareholders (participants)		–	–
28	Reserves		–	–
29	Undistributed profits (outstanding loss)		938	901
30	TOTAL CAPITAL		1801	1613
31	TOTAL CAPITAL AND LIABILITIES		2853	3100

Profit and Loss Statement

Line N°	Description of indicator	Notes to the lines	For 2019 EUR'000	For 2018 EUR'000
SECTION I. NET INTEREST INCOME (NET INTEREST EXPENSES) UPON FORMATION OF THE ALLOWANCE FOR EXPECTED CREDIT LOSSES UNDER THE FINANCIAL ASSETS				
1	Interest income	25	11068	12991
2	Interest expenses	26	(135)	(227)
3	Net interest income (net interest expenses)		10933	12764
4	Gains less losses (losses less gains) for recovery (formation) of the allowance for expected credit losses under the financial assets, including:		(7129)	(7484)
5	Gains less losses (losses less gains) for recovery (formation) of the allowance for expected credit losses under the financial assets at amortized cost		(7129)	(7484)
6	Gains less losses (losses less gains) for recovery (formation) of the allowance for expected credit losses under the debt instruments at fair value through other comprehensive income		–	–
7	Net interest income (net interest expenses) upon formation of the allowance for expected credit losses under the financial assets		3803	5280

Line N°	Description of indicator	Notes to the lines	For 2019 EUR'000	For 2018 EUR'000
SECTION II. OPERATING INCOME LESS THE OPERATING EXPENSES				
8	Gains less losses (losses less gains) for transactions with the financial instruments at fair value through profit or loss		-	-
9	Gains less losses (losses less gains) for transactions with the financial assets at fair value through other comprehensive income		-	-
10	Gains less losses (losses less gains) for transactions with the financial instruments at amortized cost	31	620	83
11	Gains less losses (losses less gains) for transactions with the investment property		-	-
12	Gains less losses (losses less gains) for transactions with the foreign currency and revaluation of funds in foreign currency		(0,11)	-
13	General and administrative expenses	33	(4643)	(5071)
14	Gains less losses (losses less gains) for revaluation and disposal of assets (disposal groups) classified as held for sale		-	-
15	Other income	34	524	159
16	Other expenses	34	(69)	(13)
17	Total operating income (expenses)		(3568)	(4842)
18	Income (expenses) before tax		235	438
19	Income tax profit (loss), including:		(47)	(64)
20	Current income tax loss		(71)	(82)
21	Deferred income tax profit (loss)		24	18
22	Profit (loss) from the discontinued operations, revaluation and disposal of assets (disposal groups) classified as held for sale, representing the discontinued operations, after taxation		-	-
23	Income (expenses) after tax		188	374
SECTION III. OTHER COMPREHENSIVE INCOME				
	TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE REPORTING PERIOD		188	374

Cash Flow Statement

Line N°	Description of indicator	Notes to the lines	For 2019 EUR'000	For 2018 EUR'000
SECTION I. CASH FLOWS FROM OPERATING ACTIVITIES				
1	Received interest		6649	7303
2	Paid interest		(138)	(74)
3	Payments related to the payment of direct operating expenses		-	-
4	Payments related to the payment of general and administrative expenses		(4620)	(4507)
5	Revenues less payments (payments less revenues) due to the sale (redeem) of financial assets and placement (liquidation) of financial liabilities obligatorily classified as assessed at fair value through profit or loss		-	-
6	Receipt of dividends and other similar payments from the affiliated, jointly controlled and associated entities		-	-
7	Paid income tax		(71)	(27)
8	Other revenues from operating activities		14228	9323
9	Other payments due to operating activities		(15856)	(12593)
10	Balance of cash flows from operating activities		191	(575)
SECTION II. CASH FLOWS FROM INVESTMENT ACTIVITIES				
11	Revenues due to the sale of fixed assets and intangible assets		-	-
12	Revenues due to the sale of investment property		-	-
13	Payments related to the redeem, formation, modernization, preparation for use of the fixed assets		-	(52)
14	Payments related to the redeem, formation of the intangible assets		-	-
15	Revenues due to the sale of shares and participation interest of the affiliated, jointly controlled and associated entities		-	-
16	Payments related to the investments in the shares and participation interest of the affiliated, jointly controlled and associated entities		-	(1,26)

Line Nº	Description of indicator	Notes to the lines	For 2019 EUR'000	For 2018 EUR'000
17	Revenues due to the sale and retirement of the financial assets classified as assessed at fair value through profit or loss at the discretion of non-bank institution		-	-
18	Payments due to redeem of the financial assets classified as assessed at fair value through profit or loss at the discretion of non-bank institution		-	-
19	Revenues related to the sale and retirement of the financial assets at fair value through other comprehensive income		-	-
20	Payments related to the redeem of the financial assets at fair value through other comprehensive income		-	-
21	Revenues due to the sale of the financial assets at amortized cost		-	-
22	Payments due to the redeem of the financial assets at amortized cost		-	-
23	Revenues due to the lease of investment property		-	-
24	Other revenues from investment activities		-	-
25	Other payments due to investment activities		-	-
26	Balance of cash flows from investment activities		-	(53)
SECTION III. CASH FLOWS FROM FINANCIAL ACTIVITIES				
27	Revenues due to the attraction of credits and loans		267	1248
28	Credit and loan repayment		(578)	(272)
29	Revenues due to the issue of shares (additional contributions of the founders, additional contributions of the partners)		-	-
30	Revenues due to the sale of own shares		-	-
31	Redeem of own shares (stocks) from the shareholders (participants, partners)		-	-
32	Paid dividends and other similar payments		-	(127)
33	Revenue due to the issue of debt securities		-	-
34	Payments for repayment of debt securities		-	-
35	Other revenues from financial activities		9	19
36	Other payments due to financial activities		-	(38)
37	Balance of cash flows from financial activities		(302)	830
38	Balance of cash flows for the reporting period		(111)	202
39	Effect of exchange rate changes in relation to ruble on cash and cash equivalents		(0,1)	-

Line N°	Description of indicator	Notes to the lines	For 2019 EUR'000	For 2018 EUR'000
40	Opening balance of cash and cash equivalents		211	8
41	Closing balance of cash and cash equivalents		100	211

Statement of Changes in Shareholders' Equity

Description of indicator	Authorized (joint-stock) capital EUR'000	Added capital EUR'000	Undistributed profits (outstanding loss) EUR'000	Total capital EUR'000
Balance as of January 01, 2018	157	555	685	1396
Changes due to the changes in accounting policies	–	–	(11)	(11)
Reviewed balance as of January 01, 2018	157	555	674	1385
Profit (loss) after tax	X	X	374	374
Other comprehensive income (loss)	X	X	X	–
Additional issue of shares (additional contributions of the founders, additional contributions of the partners)	–	–	X	–
Redemption (sale) from shareholders (participants, partners) of own shares	X	–	–	–
Dividends and other similar payments for the benefit of the shareholders (participants, partners)	X	X	(146)	(146)
Balance as of December 31, 2018	157	555	901	1612
Changes due to the changes in accounting policies	–	–	–	–
Reviewed balance as of December 31, 2018	157	555	901	1612
Profit (loss) after tax	X	X	188	188
Other comprehensive income (loss)	X	X	X	–
Additional issue of shares (additional contributions of the founders, additional contributions of the partners)	151	–	X	151
Redemption (sale) from shareholders (participants, partners) of own shares	X	–	–	–
Dividends and other similar payments for the benefit of the shareholders (participants, partners)	X	X	(151)	(151)
Balance as of December 31, 2019	308	555	938	1801

Notes to the Financial Statements for 2019

To demonstrate an objective picture of the changes, all figures are given according to the exchange rate as of 31.12.2018, since this is the first of the reporting periods presented in the reports on the website.

Basics of accounting (financial) statements

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies used in the preparation of the Financial Statements have been applied consistently to all periods presented in these Statements.

Financial instruments are carried at amortized cost. Amortized cost can be calculated using the effective interest method (ESP) or the linear method.

According to the ESP method, amortized cost means the amount in which the money provided (placed) under a loan agreement is measured at initial recognition, net of payments intended to cover the principal amount of the loan, reduced or increased by the amount of the accumulated difference between the original value and amount of repayment calculated using the ESP depreciation method, as well as net of the amount of the provision for impairment.

The linear method is applied to loan agreements whose validity is less than one year at their initial recognition, if the difference between the amortized cost calculated using the ESP method and the amortized cost calculated using the linear method of recognizing interest income is not material.

A short summary of accounting policies, important estimates and professional judgments in the application of accounting policies

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities using professional judgments. Evaluations and professional judgments are constantly analyzed based on experience and other factors. Management reviews its loan portfolio for impairment on a regular basis. In determining whether a depreciation loss should be recognized in the Profit or Loss accounts, management uses professional judgment about the existence of objective evidence of a decrease in estimated future cash flows for the loan portfolio. Such signs may include evidence of a negative change in the payment status of borrowers in the Group or in local economic conditions. Management uses estimates based on historical loss data for assets with credit risk characteristics and objective evidence of impairment.

In some cases, management accounting systems do not allow to collect the necessary statistical information on the history of losses in full for some types of loans. In such cases, professional judgment and statistical information on the history of losses on loans with a similar level of credit risk are used. The methodology and professional judgment used in estimating the amounts and timing of future cash flows are reviewed regularly to reduce any discrepancy between estimated and actual losses.

The greatest impact on the items “financial assets”, “financial liabilities”, and “other assets” - had the following estimates and assumptions: an estimate of the probability of non-return of a financial asset on time, with the subsequent creation of a reserve.

The procedure for recognition and subsequent accounting of finances

Finances are carried in the Financial Statements with allowance for impairment losses. Reservation is carried out for each current account in the context of the types of currencies in accordance with internal regulatory documents.

The procedure for recognition and subsequent accounting of financial liabilities measured at amortized cost

Initial recognition of loans and bank deposits is carried at amortized cost. Subsequent accounting for financial liabilities: carried at amortized cost. Amortized cost can be calculated using the effective interest method (ESP) or the linear method.

Criteria used by the organization to distinguish between investment property and property held by a non-credit financial institution, and property held for sale in the ordinary course of business

A fixed asset is an object having a tangible form intended for use by the Company in the provision of services or for administrative purposes for more than 12 months, the subsequent resale of which is not supposed by the organization, while fulfilling the following conditions: the object is capable of bringing economic benefits to the organization in the future; the initial value of the object can be reliably determined. The Company does not have investment property, as well as property intended for sale. But there are criteria for classifying property as investment property.

The Company classifies property as investment property under the following conditions:

- the property is owned by the Company
- is not used in the process of operating activities
- is intended to receive rental payments (excluding payments under financial lease (leasing) agreements, income from the increase in the value of this property, or both)
- sale of property within 12 months from the date of classification as an investment property, is not planned. Property is classified as investment property if more than 60% of the total area is intended to receive rental payments (excluding payments under finance lease (leasing) agreements).

The procedure for recognition and subsequent accounting of reserves – the estimated liabilities

Recognition (derecognition or adjustment) of the reserve – the estimated liability is based on the professional judgment, which indicates the amount of the reserve – estimated liability, representing the best estimate of the costs required to settle an existing obligation. Reserve – the estimated liability is reviewed by the Company once a quarter at the end of the quarter.

The procedure for recognition, assessment, subsequent accounting, derecognition of a deferred tax asset and a deferred tax liability

Deferred income tax is calculated using the financial position liability method related to the deferred tax losses and temporary differences between the tax base of assets and liabilities and their book value. Deferred tax assets and liabilities are determined using tax rates, which are effective or substantially effective at the end of the reporting period and which are expected to be applied at a time when the temporary differences or the deferred tax losses are implemented.

The procedure for recognition and assessment of authorized capital, share premium, proprietary funds

The authorized capital of the Company is made up of the contributions of its participants.

The procedure for reflecting dividends

Dividends (paid) are reflected at the moment of payment to a member of the Company with a simultaneous decrease in “Capital”.



Limited Liability Company Audit. Accounting. Consulting

OGRN 1105410001234

INN 5410030953, KPP 541001001

AUDITOR'S REPORT

To the members of Limited Liability Company
MICROFINANCE COMPANY "JOY MONEY"

OPINION

We have audited the attached Annual Accounting (Financial) Statements of Limited Liability Company MICROFINANCE COMPANY "JOY MONEY" (OGRN 1145476064711, 12 Sovetskaya Street (4th floor), Novosibirsk, 630099, Novosibirsk Region, Russian Federation) consisting of the Financial Position of the microfinance organization in the form of business entity or partnership, pawnshop as of 31 December 2019, Profit and Loss statement of the microfinance organization in the form of business entity or partnership, pawnshop, appendices to the Financial Position and the Profit and Loss statement, including the Statement of Changes in Equity of the microfinance organization in the form of business entity or partnership, pawnshop and the Cash Flow statement of the microfinance organization in the form of business entity or partnership, pawnshop for 2019, notes to the Financial Position and the Profit and Loss statement.

In our opinion, the accompanying Annual Accounting (Financial) Statements accurately reflect, in all material respects, the financial position of Limited Liability Company MICROFINANCE COMPANY "JOY MONEY" as of 31 December 2019, its financial performance and its cash flows for 2019 in accordance with the accounting (financial) rules established in the Russian Federation.

BASIS FOR EXPRESSION OF OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are disclosed in the Auditor's Responsibilities for the Audit of the Annual Accounting (Financial) Statements section of this report. We are independent with respect to the audited entity in accordance with the Rules of Independence of Auditors and Auditing Organizations and the Code of Professional Ethics for Auditors, that are relevant to the International Code of Ethics for Professional Accountants developed by the International Ethics Standards Council for Professional Accountants. We have performed other duties in accordance with these requirements of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Limited Liability Company Audit. Accounting. Consulting

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RESPONSIBILITIES OF THE MANAGEMENT AND PERSONS RESPONSIBLE FOR CORPORATE MANAGEMENT, OF AUDITED ENTITY FOR THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS

The management shall be responsible for the preparation and fair presentation of the said Annual Accounting (Financial) Statements in accordance with the rules for drawing up accounting (financial) statements established in the Russian Federation, and for the internal control system that management considers necessary for the preparation of the Accounting (Financial) Statements, free of material misstatement due to fraud or error.

While preparing the Annual Accounting (Financial) Statements, the management shall be responsible for assessing the audited entity's ability to continue as a going concern, for disclosing going concern information, as appropriate, and for reporting on a going concern basis, unless the management intends to liquidate the audited entity, terminate its activities or when it has no other real alternative other than liquidation or termination of activities.

The persons responsible for the corporate management are responsible for overseeing the preparation of the Annual Accounting (Financial) Statements of the audited entity.

THE AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS

Our objective is to obtain reasonable assurance that the Annual Accounting (Financial) Statements are free of material misstatement due to fraud or error, and to draw up an audit report containing our opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit conducted in accordance with ISA shall always detect material misstatements, if any. Misstatements can arise from fraud or error and are considered material if, separately or collectively, they could reasonably be expected to influence the economic decisions of users based on the Annual Accounting (Financial) Statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. Moreover, we:

- a. Identify and assess the risks of material misstatement of the Annual Accounting (Financial) Statements due to fraud or errors; develop and conduct audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than the risk of not detecting material misstatement due to error, as fraud can include collusion, forgery, wilful omission, misrepresentation, or bypassing internal control system



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- b. Obtain an understanding of the internal control system relevant to the audit in order to develop audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the audited entity's internal control system
- c. Assess the appropriateness of the accounting policies used, the reasonableness of the estimates calculated by the management of the audited entity and the corresponding disclosures
- d. Conclude on the appropriateness of the going concern assumption by the management of the audited entity, and, based on the audit evidence obtained, conclude whether there is a material uncertainty in connection with events or conditions as a result of which significant doubts may arise with regards to the audited entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we shall draw attention in our audit report to the corresponding disclosures in the Annual Accounting (Financial) Statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our audit report. However, future events or conditions may cause the audited entity to lose its ability to continue as a going concern
- e. Assess the presentation of the Annual Accounting (Financial) Statements in general, their structure and content, including disclosure of information, as well as whether the Annual Accounting (Financial) Statements present the underlying operations and events in such a way as to ensure their reliable presentation

We carry out information interaction with the persons responsible for corporate management of the audited entity, bringing to its attention, among other things, information about the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify in the process of audit.

I.Yu. Nikolskaya,

Director of LLC "Audit. Accounting. Consulting.



Auditing organization:

Limited Liability Company "Audit. Accounting. Consulting".

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March 26, 2020