IT Smart Finance

itsmartfinance.com

IT Smart Finance

Results for 2019

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Quick loans

High tech solutions

Big Data Analytics

Smart Finance

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Introduction

Who are we?

IT Smart Finance is a fast-growing international fintech company that works at financial technology market since 2014. We currently offer a modern and convenient online lending service, including fully automated loan approval. But our experience doesn´t stop here.

Our mission

Our mission is to provide an opportunity for our customers to improve their standard of living using our services. We make access to our loans simple and reliable.

To achieve this, we are working hard to develop innovative projects in the digital financial offerings industry. Moreover, we created proprietary software solutions.

We also focus on the creation of model assessment and machine learning for our risk management systems. It guarantees reliability of our services for customers and investors.

From a concept to development, through the customer service, at IT Smart Finance we use an integrated approach to our service when creating a product. This ensures that we always provide a good service and give our customers all they need.

About us

Why IT Smart Finance?

- Experience in Eurasian market since 2014.
- 426,000 unique registered users
- Fast growth - more than 139,481 loans were provided for a total of more than 21.6 million euros.
- High yield operations
- One of the leaders in the region in alternative lending

Opportunities in Spain and Latin America

We already have successful experience in the Eurasian market and now we are focused on increasing our market share in Spain and entering to Latin American market. These two markets are promising to offer our services.

In the first half of 2019, we began operating in Spain and continue to expand our customer portfolio. In the second half of 2020, we plan to develop in Latin America.

We plan a quick and impeccable start to quickly capture market share through a successful use of our high-tech services.

Key business indicators

Excellent performance indicators leading to profit:

425 000
users as of March 2020

735 925
processed applications in 2019

61 000
Average number of applications per month

80%
customer retention rate

+30 000
Average number of new users monthly

International structure, ready for expansion:

Fully Integrated International Team:

- 200+ professionals

3 offices:

- headquarters: Barcelona
- operating Companies: Spain, Mexico 2020
- IT teams and risk assessments: Russia

Summing up the year by the head of the company

2019 is a year of sustainable development and new projects.

Smirnykh Marina Evgenievna

Chairman of the Board of Directors of IT Smart Finance Holding (Group), General Director of the Group.

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. 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 Evgenievna

Chairman of the Board of Directors of IT Smart Finance Holding (Group), General Director of the Group.

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Key economic indicators

(in thousands euros at the exchange rate of the Central Bank of the Russian Federation on the reporting date)

Balance sheet indicators

	31.12.2019	31.12.2018
Assets	3,270	3,099
Issued microloans	4,293	10,020
Reserve for doubtful debts	2,094	7,607
Financial liabilities	1,207	1,487
Capital	2,063	1,612

Explanation of portfolio decline:

In connection with the tightening of the credit policy of microfinance institutions (daily rate limit, maximum debt burden), the Company changed the focus of its search for potential customers - the required scoring average changed to values from 450 or more, and the number of active loan products available from a potential client is analyzed more carefully.

All this had made the company to search for high-quality customers more carefully and find more primary and high-quality customers who later changed their status to repeated customers.

Balance sheet

As of December 31, 2019

Annual (in thousands euros at the exchange rate of the Central Bank of the Russian Federation on the reporting date)

Line No.	Description of indicator	Notes to the lines	As of December 31, 2019	As of December 31, 2018
1	2	3	4	5
SECTION I. ASSETS				
1	Monetary assets	5	113	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	2255	2697
5	Assets (assets of disposal groups) classified as held for sale		-	-
6	Investments in the associated entities	10	1	1
7	Investments in the jointly controlled entities		-	-
8	Investments in the affiliated companies		-	-
9	Investment property		-	-
10	Intangible assets	14	1	1
11	Fixed assets	15	55	48
12	Claims for current income tax		-	1
13	Deferred tax assets		56	24
14	Other assets	17	789	117
15	**Total assets**		**3270**	**3099**

Balance sheet

SECTION II. LIABILITIES				
16	Financial liabilities at fair value through profit or loss		-	-
17	Financial liabilities at amortized cost	19	1055	1172
18	Liabilities of disposal groups classified as held for sale		-	-
19	Liabilities for current income tax		40	36
20	Deferred tax liabilities		5	4
21	Reserves – estimated liabilities	20	34	20
22	Other liabilities	21	73	255
23	**Total liabilities**		**1207**	**1487**
SECTION III. CAPITAL				
24	Authorized (joint-stock) capital		353	157
25	Added capital		635	555
26	Reserve capital		-	-
27	Own shares (stocks) redeemed from the shareholders (participants)		-	-
28	Reserves		-	-
29	Undistributed profits (outstanding loss)		1075	901
30	**TOTAL CAPITAL**		**2063**	**1612**
31	**TOTAL CAPITAL AND LIABILITIES**		**3270**	**3099**

Profit and loss statement

for 2019

Annual

(in thousands euros at the exchange rate of the Central Bank of the Russian Federation on the reporting date)

Line No.	Description of indicator	Notes to the lines	For 2019	For 2018
1	2	3	4	5
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	12683	12991
2	Interest expenses	26	(154)	(227)
3	Net interest income (net interest expenses)		12528	12764
4	Gains less losses (losses less gains) for recovery (formation) of the allowance for expected credit losses under the financial assets, including:		(8170)	(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		(8170)	(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		**4358**	**5280**

Profit and loss statement

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	710	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	-
13	General and administrative expenses	33	(5320)	(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	600	159
16	Other expenses	34	(79)	(13)
17	Total operating income (expenses)		(4089)	(4842)
18	Income (expenses) before tax		270	438
19	Income tax profit (loss), including:		(54)	(64)
20	Current income tax loss		(82)	(82)
21	Deferred income tax profit (loss)		28	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		216	374
	TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE REPORTING PERIOD		**216**	**374**

Cash flow statement

for 2019

Annual

(in thousands euros at the exchange rate of the Central Bank of the Russian Federation on the reporting date)

Line No.	Description of indicator	Notes to the lines	For 2019	For 2018
1	2	3	4	5
	Section I. Cash flows from operating activities			
1	Received interest		7619	7303
2	Paid interest			-74
3	Payments related to the payment of direct operating expenses			
4	Payments related to the payment of general and administrative expenses		-5294	-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		-81	-27
8	Other revenues from operating activities		16304	9323
9	Other payments due to operating activities		-18170	-12593
10	**Balance of cash flows from operating activities**		219	-575

Cash flow statement

Section II. Cash flows from investment activities				
11	Revenues due to the sale of fixed assets and intangible assets		0	**0**
12	Revenues due to the sale of investment property		0	**0**
13	Payments related to the redeem, formation, modernization, preparation for use of the fixed assets		0	**0**
14	Payments related to the redeem, formation of the intangible assets		0	-52
15	Revenues due to the sale of shares and participation interest of the affiliated, jointly controlled and associated entities		0	**0**
16	Payments related to the investments in the shares and participation interest of the affiliated, jointly controlled and associated entities		0	-1
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		0	**0**
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		0	**0**
19	Revenues related to the sale and retirement of the financial assets at fair value through other comprehensive income		0	**0**
20	Payments related to the redeem of the financial assets at fair value through other comprehensive income		0	**0**
21	Revenues due to the sale of the financial assets at amortized cost		0	**0**
22	Payments due to the redeem of the financial assets at amortized cost		0	**0**
23	Revenues due to the lease of investment property		0	**0**
24	Other revenues from investment activities		0	**0**
25	Other payments due to investment activities		0	**0**
26	**Balance of cash flows from investment activities**		**0**	-53

Cash flow statement

Section III. Cash flows from financial activities				
27	Revenues due to the attraction of credits and loans		305	1248
28	Credit and loan repayment		-663	-272
29	Revenues due to the issue of shares (additional contributions of the founders, additional contributions of		0	
30	Revenues due to the sale of own shares		0	
31	Redeem of own shares (stocks) from the shareholders (participants, partners)		0	
32	Paid dividends and other similar payments		0	-127
33	Revenue due to the issue of debt securities		0	
34	Payments for repayment of debt securities		0	
35	Other revenues from financial activities		11	19
36	Other payments due to financial activities		0	-38
37	**Balance of cash flows from financial activities**		-346	830
38	**Balance of cash flows for the reporting period**		-127	202
39	Effect of exchange rate changes in relation to ruble on cash and cash equivalents		0	
40	Opening balance of cash and cash equivalents		242	8
41	Closing balance of cash and cash equivalents		114	211

Statement of changes in the shockholdes’equity

for 2016, 2017, 2018, 2019

Annual (quarterly)
(in thousands euros at the exchange rate of the Central Bank of the Russian Federation on the reporting date)

Description of indicator	Authorized (joint-stock) capital	Added capital	Undistributed profits (outstanding loss)	Total capital
Balance as of December 31, 2016	**195**	**691**	**575**	**1,460**
Changes due to the changes in accounting policies	-	-	-	-
Reviewed balance as of December 31, 2016	**195**	**691**	**575**	**1,460**
Profit (loss) after tax	-	-	**279**	**279**
Balance as of December 31, 2017	**181**	**640**	**790**	**1,611**
Changes due to the changes in accounting policies	-	-	**-13**	**-13**
Reviewed balance as of December 31, 2017	**181**	**640**	**777**	**1,598**
Profit (loss) after tax	-	-	**431**	**431**
Dividends and other similar payments for the benefit of the shareholders (participants, partners)	-	-	**-167**	**-167**
Balance as of December 31, 2018	**157**	**555**	**901**	**1,612**

Statement of changes in the shockholdes'equity

Changes due to the changes in accounting policies	-	-	-13	-13
Reviewed balance as of December 31, 2017	**181**	**640**	**777**	**1,598**
Profit (loss) after tax	-	-	**431**	**431**
Dividends and other similar payments for the benefit of the shareholders (participants, partners)	-	-	**-167**	**-167**
Balance as of December 31, 2018	**157**	**555**	**901**	**1,612**
Changes due to the changes in accounting policies	-	-	-	-
Reviewed balance as of December 31, 2018	**157**	**555**	**901**	**1,612**
Profit (loss) after tax			**188**	**188**
Additional issue of shares (additional contributions of the founders, additional contributions of the partners)	**151**	-	-	**151**
Dividends and other similar payments for the benefit of the shareholders (participants, partners)	-	-	**- 151**	**-151**
Balance as of December 31, 2019	**353**	**635**	**1,075**	**2,063**

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Explanations for the accounting (financial) statements for 2019

Basics of accounting (financial) statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies used in preparing the financial statements have been applied consistently to all periods presented in the financial statements. The company maintains accounting records and prepares financial (accounting) statements in accordance with the requirements of the legislation of the Russian Federation.

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 to pay off the principal amount of the loan, reduced or increased by the amount of the difference between the original value and amount of repayment, as well as less 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.

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 to pay off the principal amount of the loan, reduced or increased by the amount of the difference between the original value and amount of repayment, as well as less 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.

Accounting policies, important accounting estimates and professional judgment in applying accounting policies.

A short summary of accounting policies, important estimates and professional judgments in applying accounting policies.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities using prof. judgments. Evaluations and professional judgments are constantly analyzed based on experience and other factors. Management reviews its loan portfolio for depreciation 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 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 collecting 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 significant effect of the retrospective application of accounting policies on data at the beginning of the previous reporting period, as well as on the comparable reporting period of the previous year, was expressed in the application of the same standards for calculating the reserve for depreciation of financial instruments. Otherwise, the accounting policies used in preparing the financial statements were applied consistently to all periods presented in the financial statements or their retrospective restatement did not have a significant impact on the financial statements.

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.

Procedure for recognition and subsequent accounting of financial assets measured at amortized cost.

Initial recognition of the loan is carried out at fair value, increased by direct transaction costs. The procedure for subsequent accounting for financial assets (microloans): they are carried at amortized cost. Amortized cost can be calculated using the effective interest method (ESP) or the linear method.

The procedure for recognition and subsequent accounting of investments in associated and jointly controlled subsidiaries.

Investments in associate are recognized in the financial (accounting) statements using the equity method.

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 (with the exception of 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.

Base used for valuation of fixed assets (for each class of assets).

When forming homogeneous groups of fixed assets, the Company proceeds from their purpose: - buildings; - machinery and equipment (except office); - office equipment (furniture, office equipment, etc.); - vehicles; - land; - computer engineering and network equipment; - other types of fixed assets.

The initial cost of fixed assets acquired for a payment is the amount of actual expenses of the Company for the construction, creation (manufacture) and acquisition of fixed assets. The actual costs of acquiring fixed assets include: - purchase price; - Import duties and non-refundable purchase taxes; - direct costs for the delivery of the asset to the right place - direct costs for bringing the fixed asset to the state necessary for operation.

A property refers to fixed assets at a cost of more than 100 thousand rubles / 1,442 euros (for tax accounting) and 40 thousand rubles / 577 euros (for accounting). Investment property is initially measured at cost. The actual costs of the acquisition of investment property include: - purchase price; - Import duties and non-refundable purchase taxes; - direct costs of delivering the asset to the right place; - direct costs to bring the investment property in a condition necessary for operation.

Depreciation method used for each asset class

Linear.

Applicable term of useful life for each class of assets

The Community uses the following estimated useful life for each class of assets:

- Buildings – from 30 to 50 years. -Furniture and accessories – from 2 to 5 years. - Computers, office equipment, network equipment – from 2 to 5 years. – Vehicles – from 4 to 7 years. – Other – not more than 40 years. For certain fixed assets the useful life may be determined on the basis of professional judgement.

Definition and composition of intangible assets

An asset can be considered as intangible if it meets the following conditions:

- The facility is capable of bringing economic benefits in future, and it is intended for use by the Community in the provision of services, labor performance or for managerial needs;
- The Community has the right to receive economic benefits from the use of the facility in future (documents for the asset and for the right);
- Certain restrictions exist on the access to economic benefits from the use of facility for other persons;
- The facility can be identified (the possibility of separation from the other assets);
- The facility is intended for use for more than 12 months;
- The sale of the facility is not anticipated during 12 months;
- The facility has no material form;
- The initial value of the object can be reliably determined.

The base used for evaluation of the intangible assets (for each class of assets).

An intangible asset is accounted at its initial value, determined as of the date of its recognition (actual cost model)

Disclosure for each asset class with an indefinite useful life, the fact of annual impairment testing, information about the existence of possible signs of impairment

All the intangible assets are accounted at their initial value less accumulated amortization and less any accumulated impairment losses (actual cost model); The way to reflect the revaluation of the intangible asset: Proportional recalculation of the cost of an intangible asset, reflected in the balance sheet for accounting of intangible assets at the date of revaluation, as well as of the accumulated amortization of the asset using the conversion factor, obtained by dividing the fair value of an intangible asset by its cost, reflected in the balance sheet for accounting of intangible assets at the date of revaluation, less accumulated amortization on intangible asset at the same date.

Terms and methods applicable for amortization of intangible assets with the limited use

The useful life of an intangible asset is equal to the validity period of the Community's rights to the result of the intellectual activity and control period over intangible asset or the expected useful life of an intangible asset, during which the Community expects to receive the economic benefits. For all the intangible assets the linear amortization method is applied. Terms of useful life applicable for intangible assets: - Trademarks and brand – from 10 to 20 years (excluding the duration of approval); - Software – from 2 to 10 years; - License – from 3 to 10 years; - Client Base – from 10 to 20 years.

The procedure for accounting for the costs of creating intangible assets inside of the Community

The costs of creating intangible assets by forces of the Community are recorded as incurred as expenses.

The procedure for the recognition of expenses related to payroll, including compensation and incentive payments, related to the accrual of payments on holidays, temporary disability benefits and child care benefits, year-end remuneration and severance wage

Salary expenses, contributions to the State Pension Fund and the Social Insurance Fund of the Russian Federation, annual leaves, temporary disability and childcare benefits, severance wages are accrued in the year when the corresponding work was performed by the Community's employees. The Community pays its employees the short-term benefits.

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 Community once a quarter at the end of the quarter.

The procedure for recognition, subsequent accounting, derecognition of financial lease obligations

Bank of Russia Regulation 635-P of March 22, 2018, "About the procedure for reflecting lease agreements in accounting records with non-credit financial institutions", is being used.

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 balance sheet 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 Community 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 Community with a simultaneous decrease in "Capital".

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Translation of the russian original

ABK

Audit

Accounting

Consulting

Audit. Accounting. Consulting.

Limited Liability Company

PSRN 1105410001234

TIN 5410030953, KPP 541001001

AUDITOR'S REPORT

To the members of MICROFINANCE PROVIDER "JOY MONEY"

Limited Liability Company for 2019

OPINION

We have audited the attached annual accounting (financial) statements of MICROFINANCE PROVIDER "JOY MONEY" Limited Liability Company (PSRN 1145476064711, 4th floor, 12 Sovetskaya St., Novosibirsk, Novosibirsk region 630099) which comprise the balance sheet of the microfinance organization in the form of business entity or partnership, pawnshop as of December 31, 2019, profit and loss statement of the microfinance organization in the form of business entity or partnership, pawnshop, appendices to the balance sheet and profit and loss statement, including the statement of changes in the shareholders' equity of the microfinance organization in the form of business entity or partnership, pawnshop and cash flow statement of the microfinance organization in the form of business entity or partnership, pawnshop for 2019, notes to the balance sheet and profit and loss statement

In our opinion, the accompanying annual accounting (financial) statements give a true and fair view of the financial position of MICROFINANCE PROVIDER "JOY MONEY" Limited Liability Company as of December 31, 2019, and of its financial performance and its cash flows for 2018 in accordance with the accounting (financial) rules established in the Russian Federation.

BASIS FOR THE 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 Annual Accounting (Financial) Statements" section of our report. We are independent of the audited entity in accordance with the independence rules for the auditors and audit organizations and the Code of

Ethics for Professional Accountants that are relevant to the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these professional ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The management is responsible for the preparation of the indicated annual accounting (financial) statements that give a true and fair view in accordance with the accounting (financial) rules established in the Russian Federation, and for such internal control as the management determines is necessary to enable the preparation of the annual accounting (financial) statements that are free from materials misstatement, whether due to fraud or error.

In preparing the annual accounting (financial) statement, the management is responsible for assessing the audited entity'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 the management either intends to liquidate the audited entity or to cease operations, or has no realistic alternative but to do so.

The persons responsible for the corporate management are responsible for the surveillance over the preparation of the annual accounting (financial) statements of the audited entity.

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

Our objectives are to obtain the reasonable assurance about whether the annual accounting (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 annual accounting (financial) statements.

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

a) Identify and assess the risks of material misstatement of the annual accounting (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.

b) Obtain an understanding of the internal control system 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 audited entity's internal control

c) Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management.

d) Conclude on the appropriateness of the 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 condition that may cast significant doubt on the audited entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in out auditor's report to the related disclosures in the annual accounting (financial) statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the audited entity to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the annual accounting (financial) statements, including the disclosures, and whether the annual accounting statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the persons responsible for corporate management of the audited entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Director
Audit. Accounting. Consulting. LLC
I.Yu. Nikolskaya

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