

IT Smart Finance financial results for 2020

Quick loans

High tech solutions

Big Data Analytics

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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 by using of our services. We make access to our loans simple and the process of loan providing and repaying reliable.

To achieve this, we are working hard to develop innovative projects in the industry of digital financial offerings. 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.

IT Smart Finance uses an integrated approach when creating a product beginning with a concept and development and up to the customer service. Thus, we always provide high-quality service.

Our company

Why IT Smart Finance?

Experience in Eurasian market since 2014.

Fast growth - more than 140,000 loans were provided for a total of more than 16.1 million euros (at the exchange rate of the Central Bank of the Russian Federation on the reporting date). We draw your attention to the fact that the Russian ruble has lost almost 30 percent of its value in 2020.

High yield operations

One of the leaders in the region in alternative lending

Key business indicators

Excellent performance indicators leading to profit:

520 000 +
processed applications in 2020

40 000+
average number of new users monthly

80%

customer retention rate

Key business indicators

International structure, ready for expansion:

Fully Integrated International Team:

200+ professionals

4 offices:

1. Headquarters: Barcelona
2. Operating Companies: Spain, Russia, Mexico 2021
3. IT teams and risk assessments: Russia



Summing up the year by the founder of the company

Hello! My name is Maxim Pashchenko. I am a founder of IT Smart Finance group of companies. I would like to tell you about the Group's results for 2020 and plans for 2021.

In 2020, we focused our efforts on improving existing products and achieved significant performance indicators in Joymoney.ru, Joymoney.es and Nibble. We also paid special attention to cost minimization and work efficiency of the collection. We did not take the path of business expansion and developing new projects, because the COVID-19 pandemic led to difficulties which slowed down the global economy and made it impossible to move around the world. In this regard, Joymoney Mexico project was suspended but in the future when the situation improves, we will definitely return to this project.

At the beginning of the year, we launched nibble.finance, an international crowdfunding platform. Nibble performed well in 2020. But frankly speaking, the time of our platform release was not the best. We made a lot of efforts to achieve these performance indicators: more than 1,500 users registered, more than 600 users invested in our platform, the total sum of paid interest was more than 50,000 euros, the total investment in the platform was almost half a million euros.

We developed a new product, Flexible Investment, to help you diversify your portfolio. It involves three investment strategies with annual interest rate from 9.7% to 19%. We made it as transparent as possible for our investors by describing all the risks that an investor may face.

At the end of each month the Risk Committee analyzes the issued loans, calibrates the scoring model and makes forecasts on interest rate for the next periods.

The reserve fund was formed by the group of companies in which the funds were invested. By virtue of this fund, Nibble offers investors a strategy with buyback guarantee. You can find detailed information on our website nibble.finance.

Currently, we are undergoing the process of obtaining an Anti-Money Laundering (AML) License and an Estonian Financial Supervision Authority (FSA) Credit Provider License. Although they are not required by law, we are obtaining them to make investors feel as secure as possible investing with Nibble. We believe that the company's open attitude towards the risk policy has fortified investors' confidence in our platform.

We aim to get into the Top 3 investment platforms in Europe, we plan to increase investment volumes and expand the product line in 2021.

New regulating authorities' restrictions led to the necessary optimization of all the processes in Joymoney.ru. After the company had showed the same performance indicators in the first half of the year as in 2019, it began to explore its points of growth and hidden potential.

In 2020, the company adopted strategies of customer service improvement, strong analysis of all the performance indicators and regular coordination of actions. We refactored the top management, relied on the development and strengthening of the team and the security of these processes. As a result, we got a 70% increase in turnover in the second half of the year. The total volume of issued microloans amounted to almost 1.5 billion rubles, 150,000 contracts were concluded. The total volume of all payments amounted to almost 2 billion rubles.

The changes also affected the process of decision-making about customer application – scoring system. By implementing changes, reconsider stop factors, we achieved improvements in the level of approval and the quality of applications. The portfolio structure became more homogeneous and diversifies risks better. Now 86% - the maximum share, is accounted for by repeat loans. If we talk about the portfolio in general, it grew by 2.5 times in 2020. Of course, all of these changes had a positive effect on the company's net profit - it increased by 1.5 times in comparison with 2019.

It is important to note that we achieved these results with the continued restrictions of the regulating authorities on possible income. In 2021, the company plans to increase the volume of loans by 3 times in comparison with 2020. Joymoney.es, a microfinance organization, demonstrated the same stable performance indicators as in the previous year. Moreover, we are actively developing judicial debt collection in Spain. In 2021, we plan to launch a new risk underwriting service named Boost, which will allow us to increase the volume of litigation contract. In March, we will publish IT Smart Finance annual report for 2020.

Thanks to the highly qualified team and timely action, we adapted to the pandemic, got out of the crisis with optimized costs, improved portfolio quality, and high performance indicators. We have developed a well-balanced business model. We continue to develop new high-tech software solutions, use big data analysis, and work on improving the scoring model. Our doors are always open for both experienced and young professionals. In 2020, we significantly expanded our staff and continue to expand it due to the growth of the company and new projects that we will start implementing as soon as the situation in the world become stable.

Pashchenko Maxim

Founder of IT Smart Finance group of companies

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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	31.12.2020	31.12.2019
Assets	2,759	2,500
Issued microloans	4,966	3,282
Reserve for doubtful debts	2,736	1,601
Financial liabilities	894	923
Capital	1866	1578

BALANCE SHEET **As of December 31, 2020**

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, 2020	As of December 31, 2019
1	2	3	4	5
SECTION I. ASSETS				
1	Monetary assets	5	138	87
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	2557	2263
5	Assets (assets of disposal groups) classified as held for sale		-	-
6	Investments in the associated entities	10	-	-
7	Investments in the jointly controlled entities		-	-
8	Investments in the affiliated companies		1,1	1,1
9	Investment property		-	-
10	Intangible assets	14	0,66	0,81
11	Fixed assets	15	20	42
12	Claims for current income tax		-	-
13	Deferred tax assets		32	43

14	Other assets	17	10	64
15	Total assets		2759	2500
SECTION II. LIABILITIES				
16	Financial liabilities at fair value through profit or loss		-	-
17	Financial liabilities at amortized cost	19	821	811
18	Liabilities of disposal groups classified as held for sale		-	-
19	Liabilities for current income tax		15	31
20	Deferred tax liabilities		4	4
21	Reserves – estimated liabilities	20	2	2
22	Other liabilities	21	52	75
23	Total liabilities		894	923
SECTION III. CAPITAL				
24	Authorized (joint-stock) capital		270	270
25	Added capital		486	486
26	Reserve capital		-	-
27	Own shares (stocks) redeemed from the shareholders (participants)		-	-
28	Reserves		-	-
29	Undistributed profits (outstanding loss)		1110	822
30	TOTAL CAPITAL		1866	1578
31	TOTAL CAPITAL AND LIABILITIES		2759	2500

PROFIT AND LOSS STATEMENT for 2020

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 2020	For 2019
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	7355	9698
2	Interest expenses	26	(118)	(118)

3	Net interest income (net interest expenses)		7237	9580
4	Gains less losses (losses less gains) for recovery (formation) of the allowance for expected credit losses under the financial assets, including:		(4252)	(6247)
5	Gains less losses (losses less gains) for recovery (formation) of the allowance for expected credit losses under the financial assets at amortized cost		(4252)	(6247)
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		2985	3333
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	292	543
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		0,02	(0,1)
13	General and administrative expenses	33	(3385)	(4068)
14	Gains less losses (losses less gains) for revaluation and disposal of assets (disposal groups) classified as held for sale		-	-
15	Other income	34	482	459
16	Other expenses	34	(15)	(61)
17	Total operating income (expenses)		(2625)	(3127)
18	Income (expenses) before tax		360	206
19	Income tax profit (loss), including:		(72)	(41)
20	Current income tax loss		(61)	(63)
21	Deferred income tax profit (loss)		(11)	21
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		288	165
Section III. Other comprehensive income				
	TOTAL COMPREHENSIVE INCOME (EXPENSES) FOR THE REPORTING PERIOD		288	165

CASH FLOW STATEMENT for 2020

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 2020	For 2019
1	2	3	4	5
Section I. Cash flows from operating activities				
1	Received interest		5099	5826
2	Paid interest		(106)	(121)
3	Payments related to the payment of direct operating expenses			
4	Payments related to the payment of general and administrative expenses		(2729)	(3968)
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		(77)	(62)
8	Other revenues from operating activities		820	913
9	Other payments due to operating activities		(599)	(110)
10	Balance of cash flows from operating activities		323	248
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			
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			
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			
Section III. Cash flows from financial activities				
27	Revenues due to the attraction of credits and loans		235	234
28	Credit and loan repayment		(515)	(587)
28.1	payments towards the repayment of obligations under lease agreements		(70)	(80)
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			
33	Revenue due to the issue of debt securities			
34	Payments for repayment of debt securities			
35	Other revenues from financial activities		8	8
36	Other payments due to financial activities		-	-
37	Balance of cash flows from financial activities		(271)	(345)
38	Balance of cash flows for the reporting period		52	(97)
39	Effect of exchange rate changes in relation to ruble on cash and cash equivalents		0.02	(0.09)
40	Opening balance of cash and cash equivalents		88	185
41	Closing balance of cash and cash equivalents		140	87

STATEMENT OF CHANGES IN THE STOCKHOLDERS' EQUITY

for 2020

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 January 01, 2019	137	486	790	1,413
Changes due to the changes in accounting policies	-	-	-	-
Reviewed balance as of January 01, 2019	137	486	790	1,413
Profit (loss) after tax			165	165
Additional issue of shares (additional contributions of the founders, additional contributions of the partners)	132	-	(132)	
Dividends and other similar payments for the benefit of the shareholders (participants, partners)	-	-	-	-
Balance as of December 31, 2019	270	486	822	1578
Changes due to the changes in accounting policies	-	-	-	-
Reviewed balance as of December 31, 2019	270	486	822	1578
Profit (loss) after tax			288	288
Balance as of December 31, 2020	270	486	1110	1866

Explanations for the accounting (financial) statements for 2020

Basics of accounting (financial) statements

The financial statements have been prepared in accordance with Industry Accounting Standards (IAS). 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.

During the reporting period no reclassification was implemented.

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.

Financial instruments are carried at initial and amortized cost.

Revaluation of assets expressed in foreign currency was implemented as of December 31, 2020 at the exchange rate of the Central Bank.

Indicators of previous reporting period were not recalculated.

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.

Due to the identified errors in the previous reporting period, corrections were made to the indicators of the financial statements, expressed in the change in the grouping of accounts in lines of financial statements.

Account 47423 as of December 31, 2019 was transferred from line 14 to line 4 of the Balance Sheet, thus line 14 decreased, and line 4 increased by 48,888 rubles. In line 21, all created reserves were reflected, after the reclassification of the amounts, line 21 of the accounting balance sheet as of December 31, 2019 decreased by 2,174 rubles, line 17 increased by 409,000 rubles, line 22 increased by 1,765 rubles.

In the Statement of Changes in Equity 12,000 rubles were transferred from line 11 to line 9, column 17, due to the fact that according to the protocol on the distribution of profits, the funds were transferred to increase the authorized capital, and dividends period were not distributed for the specified.

According to the Cash Flow Statement as of December 31, 2019, the following lines were changed: line 4 decreased by the amount of rent 7,280 rubles, lines 28 and 28.1 increased by the same amount. The amounts associated with the issuance and repayment of microloans were transferred from lines 8 and 9 to lines 7.1 in the amount of 1,047,708 rubles, 7.2 - 1,249,989 rubles. Due to the movement of the indicated amounts, the totals as of December 31, 2019 for lines 10 and 37 have changed.

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 Company applies International Financial Reporting Standards (IFRS) in accordance with the current legislation. The Company did not assess the impact of issued but not effective IFRS in the reporting period. The use of IFRS in accounting that have not come into force will be implemented from the date of their official application.

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 financial liabilities 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 100,000 rubles / 1,103 euros (for tax accounting) and 40,000 rubles / 441 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 Company 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 Company in the provision of services, labor performance or for managerial needs;
- The Company 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.

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 Company'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 Company 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 Company

The costs of creating intangible assets by forces of the Company 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, yearend 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 Company's employees. The Company 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 Company 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 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".

Explanations for the accounting (financial) statements for 2020

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During the reporting period no reclassification was implemented.

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.

Financial instruments are carried at initial and amortized cost.

Revaluation of assets expressed in foreign currency was implemented as of December 31, 2020 at the exchange rate of the Central Bank.

Indicators of previous reporting period were not recalculated.

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.

Due to the identified errors in the previous reporting period, corrections were made to the indicators of the financial statements, expressed in the change in the grouping of accounts in lines of financial statements.

Account 47423 as of December 31, 2019 was transferred from line 14 to line 4 of the Balance Sheet, thus line 14 decreased, and line 4 increased by 48,888 rubles. In line 21, all created reserves were reflected, after the reclassification of the amounts, line 21 of the accounting balance sheet as of December 31, 2019 decreased by 2,174 rubles, line 17 increased by 409,000 rubles, line 22 increased by 1,765 rubles.

In the Statement of Changes in Equity 12,000 rubles were transferred from line 11 to line 9, column 17, due to the fact that according to the protocol on the distribution of profits, the funds were transferred to increase the authorized capital, and dividends period were not distributed for the specified.

According to the Cash Flow Statement as of December 31, 2019, the following lines were changed: line 4 decreased by the amount of rent 7,280 rubles, lines 28 and 28.1 increased by the same amount. The amounts associated with the issuance and repayment of microloans were transferred from lines 8 and 9 to lines 7.1 in the amount of 1,047,708 rubles, 7.2 - 1,249,989 rubles. Due to the movement of the indicated amounts, the totals as of December 31, 2019 for lines 10 and 37 have changed.

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 Company applies International Financial Reporting Standards (IFRS) in accordance with the current legislation. The Company did not assess the impact of issued but not effective IFRS in the reporting period. The use of IFRS in accounting that have not come into force will be implemented from the date of their official application.

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 financial liabilities 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 100,000 rubles / 1,103 euros (for tax accounting) and 40,000 rubles / 441 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 Company 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 Company in the provision of services, labor performance or for managerial needs;
- The Company 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.

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 Company'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 Company 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 Company

The costs of creating intangible assets by forces of the Company 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, yearend 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 Company's employees. The Company 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 Company 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 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".

TRANSLATION OF THE RUSSIAN ORIGINAL

/Logotype: AUDIT-ESCORT/
Professional business support: audit,
automation, consulting and training

Limited Liability Company "AUDIT-ESCORT"

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AUDIT REPORT

To the sole participant of the Limited Liability Company
Microfinance Company Joy Money

Opinion

We have audited the attached Annual Accounting (Financial) Statements of the Limited Liability Company Microfinance Company Joy Money (OGRN (Principal State Registration Number) 1145476064711, Russian Federation, 630099, Novosibirsk region, Novosibirsk, ulitsa Sovetskaya, dom 12, etazh 4), consisting of the Balance Sheet of a microfinance organization in the form of business entity or partnership, pawnshop as of 31 December 2020, Profit and Loss Statement of a microfinance organization in the form of business entity or partnership, pawnshop for 2020, appendices to the Balance Sheet and the Profit and Loss Statement, including the Statement of Changes in Equity and the Cash Flow Statement for 2020, notes to the Balance Sheet and the Profit and Loss Statement, including the main provisions of accounting policies.

In our opinion, the accompanying Annual Accounting (Financial) Statements accurately reflect, in all material respects, the financial position of the audited entity as of 31 December 2020, its financial performance and cash flows for 2020 in accordance with the rules established in the Russian Federation for preparing accounting (financial) statements of microfinance organizations in the form of a business entity.

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 (including international independence standards) 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

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that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Important Circumstances

We draw your attention to Note 3 to the Accounting (Financial) Statements, which provide for the basics of preparing accounting (financial) statements: the Accounting (Financial) Statements have been prepared in accordance with industry accounting standards. We do not express a modified opinion in connection with this issue.

Other Data

The audit of the Accounting (Financial) Statements of the audited entity for the year ended 31 December 2019 was carried out by another auditor, LLC "Audit. Accounting. Consulting" (ORNZ (Principal Number of Registration Entry) 11006021103), which expressed an unmodified opinion on the specified Accounting (Financial) Statements in the auditor's report dated 26.03.2020.

Other Information

The management shall be responsible for other information. Other information includes information contained in the Organization's Annual Report for 2020, but does not include the Financial Statements and our Audit Report thereon.

Our opinion on the Financial Statements does not extend to other information, and we do not present an assurance conclusion in any form with respect to that information.

In connection with our audit of the Financial Statements, our responsibility is to review the other information and consider whether there is a material inconsistency between the other information and the Financial Statements, or our knowledge obtained during the audit, and whether the other information contains other possible material misstatement. If, based on our work, we conclude that such other information contains a material misstatement, we are required to report this fact. We have not identified any facts that we need specify in our opinion.

Responsibility of the Management and the Sole Participant of the 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 Organization'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 Organization, terminate its activities or when it has no other real alternative other than liquidation or termination of activities.

The sole member of the Limited Liability Company Joy Money Microfinance Company shall be 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 auditor's 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 scepticisms 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, willful omission, misrepresentation, or bypassing internal control system;

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 Organization'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 Organization, 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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we shall draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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 only participant 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.

Head of the Audit Assignment,
based on the results of which the Audit Report was drawn

/Signature/

I.A. Alferova

Head of audits of the highest category of AUDIT-ESCORT LLC
Qualification certificate (single) No. 03-000691 as of 08.10.2014 (unlimited)
Member of the Self-Regulatory Organization of Auditors of the "Sodruzhestvo" Association
with the ORNZ (Main Registration Record Number): 22006008990
under Power of Attorney No 10 dated 17 January 2020

Auditing organization:

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AUDIT-ESCORT LLC

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Member of the Self-Regulatory Organization of Auditors of the "Sodruzhestvo" Association

ORNZ (Main Registration Record Number) 11606054905

30 March 2021

/Stamp:

AUDIT-ESCORT LLC

Moscow

OGRN (Principal State Registration Number): 1027700309669/