

Zaim Credit Systems Group

Unaudited Interim Condensed Financial Statements in accordance with International Financial Reporting Standards

30 June 2020

Zaim Credit Systems Group

Interim Condensed Consolidated Statement of profit or loss and Other Comprehensive Income for the six months ended 30 June

	Notes	Six months ended 30 June 2020 Unaudited GBP'000	Six months ended 30 June 2019 Unaudited GBP'000
Interest income	6	2,745	3,728
Interest expense	6	(9)	(54)
Interest expense - lease	6	(82)	-
Net interest income		2,654	3,674
Allowance for ECL/impairment of loans to customers	4	(717)	(1,840)
Net interest income after allowance for ECL/impairment of loans to customers		1,938	1,834
Gains less losses from dealing in foreign currency		(96)	86
Other operating income / loss	7	(848)	(23)
Operating income		994	1,897
Charge for share options granted		(27)	-
Staff costs		(965)	(1,007)
Operating expenses	8	(1,053)	(1,112)
Restructuring costs	9	(294)	-
IPO related costs		-	(331)
Loss before income tax		(1,345)	(553)
Income tax expense		11	-
Net loss		(1,335)	(553)
Net other comprehensive income that may be reclassified to profit or loss			
Foreign exchange differences arising on translation into presentation currency		(19)	-
Total comprehensive loss		(1,353)	(553)

Zaim Credit Systems Group**Interim Condensed Consolidated Statement of financial position as at**

		30 June 2020	31 December 2019
	Notes	Unaudited GBP'000	Audited GBP'000
Assets:			
Cash and cash equivalents		810	1,583
Loans to customers	4	718	786
Property and equipment		9	12
Right-of-use assets	5	698	2,549
Other assets		204	222
Total Assets		2,439	5,152
Liabilities			
Loans received		1,073	743
Lease liabilities	5	765	2,556
Other liabilities		738	665
Total liabilities		2,575	3,963
Equity			
Capital and reserves:			
Charter capital		4,370	4,370
Additional capital		6,078	6,078
Accumulated deficit		(38,639)	(37,331)
Merger reserve	1	23,615	23,615
Translation reserve		4,439	4,458
Total equity		(137)	1,189
Total liabilities and equity		2,439	5,152

Interim Condensed Statement of changes in shareholders' equity (Unaudited) for the six months ended 30 June 2020 (unaudited)

	Charter capital GBP'000	Additional capital GBP'000	Foreign currency translation reserve (FCTR)	Merger reserve GBP'000	Accumulated Deficit GBP'000	Total Equity GBP'000
Balance as at 1 January 2020	4,370	6,078	4,458	23,615	(37,331)	1,189
Comprehensive loss for the period	-	-	(19)	-	(1,335)	(1,353)
Share-based payments	-	-	-	-	27	27
Balance as at 30 June 2020	4,370	6,078	4,439	23,615	(38,639)	(137)

Interim Condensed Statement of changes in shareholders' equity (Unaudited) for the six months ended 30 June 2019 (unaudited)

	Charter capital GBP'000	Additional capital GBP'000	Translation Reserve GBP'000	Merger reserve GBP'000	Accumulated Deficit GBP'000	Total Equity GBP'000
Balance as at 1 January 2019	2,446	29,046	6,002	-	(38,070)	(576)
Correction of error from the prior years	-	-	-	-	347	347
Retranslation of foreign operations	-	-	(55)	-	-	(55)
Net loss for the period	-	-	-	-	(553)	(553)
Balance as at 30 June 2019	2,446	29,046	5,947	-	(38,276)	(837)

**Interim Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June**

	Six months ended 30 June 2020 Unaudited GBP'000	Six months ended 30 June 2019 Unaudited GBP'000
Cash flows from operating activities		
Interest received	1,721	2,663
Interest paid (including lease)	(87)	(4)
Gains less losses from dealing in foreign currency	(13)	(88)
Other operating income	82	23
Staff costs	(1,050)	(1,018)
Operating expenses	(458)	(1,443)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	195	135
Net (increase)/decrease in operating assets		
Loans to customers	(645)	(287)
Other assets	(11)	(186)
Net decrease in operating liabilities		
Other liabilities	(66)	(6)
Net cash flows from operating activities	(527)	(344)
Cash flows from investing activities		
Purchases of property and equipment	-	-
Net cash flows from investing activities	-	-
Cash flows from financing activities		
Lease repayment	(496)	-
Proceeds from loans received	275	183
Repayment of loans received	-	(130)
Net cash flows from financing activities	(221)	53
Effect of exchange rate changes on cash and cash equivalents	(24)	7
Net change in cash and cash equivalents	(773)	(284)
Cash and cash equivalents at the beginning of the year	1,583	488
Cash and cash equivalents at the end of the period	810	204

Notes to the Financial information

1. Activities of the Group. General information

The principal activity of Zaim Credit Systems plc ("the Company") and its subsidiary Zaim-Express, LLC (together "the Group") is issuance of microloans to individuals (retail customers). The Company was incorporated as Agana Holdings Plc and registered in England and Wales on 15 June 2018 as a public limited company with company registration number 11418575 and LEI, 213800Z4MI9KSZA2VW72 and on 22 July 2019 the Company changed its name to Zaim Credit Systems Plc

On 18 September 2019 the Company acquired the entire issued share capital of Zaim-Express LLC. The Company is now the holding company of a Russian based financial services company Zaim-Express LLC (Subsidiary), so main function of the Company is to provide holding company services and undertake management of the listed activities on the stock exchange. These business combination in 2019 was stated in consolidated financial statements as reverse acquisitions under IFRS 3 and the prior period comparative figures presented (six months 2019) are those of the legal acquiree Zaim Express LLC.

The organizational structure of Group:

The name of Subsidiary	Country of registration	The share votes of the Company	
		30.06.2020	31.12.2019
Zaim-Express LLC	Russia	100%	100%

The Subsidiary's principle activity is the issuance of microloans through the network of its branches in Russian cities (Moscow and St. Petersburg). The Subsidiary was entered in the state register of microfinance organisations on 29 August 2011, registration number 2110177000440. The Subsidiary's assets and liabilities are located in the Russian Federation. The average number of Subsidiary's employees is as follows:

The average number of Subsidiary's employees	Six months, 2020	Six months, 2019
Total average number of employees	252	286

The average number of parent Company's employees (directors) is as follows:

The average number of parent Company's employees	Six months, 2020	Six months, 2019
Directors	5	2

As at 30 June 2020, the main shareholder of the Company is Zaim Holdings SA (with a 73,23% interest). The ultimate controlling party of the Group is an individual - Mr. Siro Donato Cicconi.

Zaim Express has 32 stores as at 30 June 2020 (31 December, 2019: 92 stores), from which it conducts business throughout the Russian Federation. During first half of the year 2020, in the 2Q of 2020, there was reduction of stores due to reduced business activity because of Covid-19 pandemic (as a measure to prevent unprofitable business) and also because of intentions of management to develop the new business-model - which supposes substantial share of online-loans.

The additional costs due to the dismissal of employees (because of Covid-19 pandemic) and collecting activity (which aimed to collect bed debts in the portfolio as of December 31, 2019) were stated separately (like one-off operational costs) in Group Consolidated Statement of profit or loss and Other Comprehensive Income and has additional disclosure in notes 8 and 9 Staff costs and Operating expenses.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The condensed consolidated interim financial statements set out above do not constitute statutory accounts within the meaning of the Companies Act 2006. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. Statutory financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 16 June 2020 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified.

The condensed consolidated interim financial statements of the Company have not been audited or reviewed by the Company's auditor, Shipley's LLP.

Going concern

This financial information reflects Group's management's current assessment of the impact of the Russian business environment on the operations and the financial position of Group. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of measures undertaken by the Russian Federation Government and other factors, including regulatory and political developments which are beyond Group's control. Group's management cannot predict what impact these factors can have on Group's financial position in future. This financial information was prepared on a going concern assumption.

The above factors in conjunction with continuing economic and political changes taking place in the Russian Federation indicate that a material uncertainty exists that may cast significant doubt on Group's ability to continue as a going concern. This ability depends on future events, including achieving the level of the loans to customers portfolio sufficient to incur costs and earn profits and the ability and willingness of Group's sole participant to continue with financial assistance to Group.

The Financial Statements have been prepared on a going concern basis. The Directors consider that the Group has sufficient funds to undertake its operating activities for a period of at least the next 12 months including any additional expenditure required in relation to any adverse impacts from the Covid-19 Pandemic. The Group has cash reserves which are considered sufficient by the Directors to fund the Group's desired strategy of increasing the loan book both online and in the store.

Risks and uncertainties

The Director continuously assesses and monitors the key risks of the business. The key risks that could affect Group's medium-term performance and the factors that mitigate those risks have not substantially changed from those set out in Group's 2019 Financial Information. The key financial risks are liquidity risk, interest rate risk.

The economy of the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, in particular, inconvertibility of the national currency in most countries outside of Russia and relatively high inflation rates. The current Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. The country's economy depends on movements of oil and gas prices.

The future economic development of the Russian Federation is largely dependent upon the effectiveness of economic measures, financial mechanisms and monetary policies adopted by the Government, together with tax, regulatory, and political developments.

Critical accounting estimates

The preparation of condensed consolidated interim financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in note 3 of Group's 2019 Financial Information. The nature and amounts of such estimates have not changed significantly during the interim period.

Currency

The GBP was chosen as the presentation currency of the consolidated financial information, as the shareholders of Group use information prepared in GBP to make decisions and evaluate the financial results of Group.

For the purpose of presenting the consolidated financial information, the financial results and balance sheet items of Subsidiary are translated into the presentation currency of Group in accordance with the requirements of International Accounting Standard IAS 21 "Effect of Changes in Foreign Exchange Rates" as follows:

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of

such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Gains and losses on purchase and sale of foreign currency are determined as a difference between the selling price and the carrying amount at the date of the transaction.

(b) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2. each component of profit or loss is translated at average exchange rates during the accounting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

3. all resulting exchange differences are recognised in other comprehensive income

3. Significant accounting policies

The condensed consolidated interim financial information have been prepared under the historical cost convention as modified by the revaluation of certain of the subsidiaries' assets and liabilities to fair value for consolidation purposes.

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial information as were applied in the preparation of Group's Financial Information for the year ended 31 December 2019 (see Note 3).

IFRS 16

IFRS 16 Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).

IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing.

The Group applied IFRS 16 using a modified retrospective approach. Right-of-use assets were recorded in an amount equal to the lease liabilities adjusted for the amount of prepaid or accrued operating lease payments under these lease agreements recorded in the prior periods. Lease liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rates (IBR) as at 1 January 2019. The date of initial application is 1 January 2019. The Group applied a modified retrospective approach without restatement of the comparative information. For further details refer to Note 3 of Group's Financial Information for the year ended 31 December 2019

4. Loans to customers

	30 June 2020 Unaudited GBP'000	31 December 2019 GBP'000
Loans to customers	30,844	32,078
Less: allowance for ECL /impairment of loans to customers	(30,126)	(31,292)
Total loans to customers at amortised cost	718	786

Below is analysis of movements in the ECL allowance during 1H2020 (by type of loans specified in the first table of the Note), GBP:

	Stage 1	Stage 2	Stage 3	Total
	GBP'000	GBP'000	GBP'000	GBP'000
ECL allowance as at 31 December 2019	128	289	30,875	31,292
Assets recognized for the period	1,319	-	-	1,319
Assets derecognized or collected	(51)	(25)	(1,126)	(1,202)
Transfers to Stage 2	(136)	136	-	-
Transfers to Stage 3	(1,150)	(196)	1,346	-
Net loss on ECL allowance charge/(reversal)		122	476	598
Translation into GBP	(8)	(17)	(1,857)	(1,882)
ECL allowance as at 30 June 2020	103	309	29,714	30,126

During 2020, active work has been done to collect loans issued before December 31, 2019, a large number of court decisions were received, which were reflected in the management system, which led to the clarification of the amount of interest income recognized in the portfolio as of December 31, 2019 (it leads to a decrease in the portfolio by £974k), and, since these loans had almost 100% reserve as of December 31, 2019, this decrease in the portfolio was accompanied by a similar recovery of recognized reserves (£968k). The adjustment to the allowance in the amount of £968k is recognized in charge for allowance in PL (like derecognized assets in Stage 3), and the adjustment to the portfolio of loans in the amount of £974k were recognized in Other operating income / loss (see Note 7 Other operating income / loss)

Below is analysis of movements in the ECL allowance during 1H2019 (by type of loans specified in the first table of the Note), GBP:

	Stage 1	Stage 2	Stage 3	Total
	GBP'000	GBP'000	GBP'000	GBP'000
ECL allowance as at 31 December 2018	150	455	29,999	30,604
Assets recognized for the period	913	-	-	913
Assets derecognized or collected	(83)	(78)	(281)	(442)
Transfers to Stage 2	(1)	1	-	-
Transfers to Stage 3	(217)	(518)	735	-
Net loss on ECL allowance charge/(reversal)	155	132	1,029	1,316
Translation into GBP	2	7	1,023	1,032
ECL allowance as at 30 June 2019	112	346	32,965	33,423

The ECL allowance for loans and advances to customers recognised during the period is impacted by various factors. The table below describes the main changes:

- transfers between Stages 1 and 2 and Stage 3 due to significant increase (or decrease) in credit exposure or impairment during the period and subsequent increase (or decrease) in the estimated ECL level: for 12 months or over the entire period;
- accrual of additional allowances for new financial instruments recognised during the period, as well as reduction in allowance as a result of derecognition of financial instruments during the period;
- impact on ECL estimation due to changes in model assumptions, including changes in probability of default, EAD and LGD during the period resulting from regular updating of the model inputs.

Following is the credit quality analysis of loans to customers as at 30 June 2020:

	Stage 1	Stage 2	Stage 3	Total
	GBP'000	GBP'000	GBP'000	GBP'000
Loans to customers				
Minimum credit risk	556	-	-	556
Low credit risk		248	-	248
Moderate credit risk		174	-	174
High credit risk		152	-	152
Default		-	29,714	29,714
Total loans to customers before allowance	556	574	29,714	30,844
ECL allowance	(103)	(309)	(29,714)	(30,126)
Total loans to customers after ECL allowance	453	265	-	718

Following is the credit quality analysis of loans to customers as at 31 December 2019:

	Stage 1	Stage 2	Stage 3	Total
	GBP'000	GBP'000	GBP'000	GBP'000
Loans to customers				
Minimum credit risk	569		-	569
Low credit risk	-	374	-	374
Moderate credit risk	-	165	-	165
High credit risk	-	96	-	96
Default	-	-	30,875	30,875
Total loans to customers before allowance	569	635	30,875	32,079
ECL allowance	(128)	(289)	(30,875)	(31,292)
Total loans to customers after ECL allowance	441	346	-	786

The ECL allowance for loans to customers recognized during the period is impacted by different factors. Information on the assessment of expected credit losses is disclosed in Note 3 of Group's Financial Statements for the year 2019.

The Group uses the following approach to measurement of expected credit losses:

- portfolio-based measurement: internal ratings are assigned individually, but the same credit risk parameters (e.g. PD, LGD) are applied to similar credit risk ratings and homogeneous credit portfolio segments in the process of ELC estimation.

This approach provides for aggregation of the portfolio into homogeneous segments on the basis of specific information on borrowers, such as delinquent loans, historic data on prior period losses and forward-looking macroeconomic information.

The amounts of loans recognised as "past due" represent the entire balance of such loans rather than the overdue amounts of individual payments.

5. Lease

During the IH 2020 there was a significant decrease in the number of concluded lease agreements due to reduced business activity because of Covid-19 pandemic (as a measure to prevent unprofitable business) and also because of intentions of management to develop the new business-model - which supposes substantial share of online-loans

The carrying amount of right-of- use assets and its movements during the period are presented below:

Group	Real Estate	Total
As at 1 January 2020	2 549	2 549
Additions	-	-
Disposals	(982)	(982)
Modification of lease terms	(135)	(135)
Depreciation charge	(562)	(562)
Effect of translation into presentation currency	(172)	(172)
As at 30 June 2020	698	698

The carrying amounts of lease liabilities and their movements during the period are set out below:

Group	Real Estate	Total
Lease liabilities		
As at 1 January 2020	2,556	2,556
Additions	-	-
Disposals	(1,069)	(1,069)
Interest expense on lease liabilities	82	82
Modification of lease terms	(135)	(135)
Lease payments	(496)	(496)
Effect of translation into presentation currency	(172)	(172)
As at 30 June 2020	765	765

6. Interest income and interest expense

	Six months ended 30 June 2020 Unaudited GBP'000	Six months ended 30 June 2019 Unaudited GBP'000
Interest income		
Loans to customers	2,745	3,728
Total interest income	2,745	3,728
Interest expense		
Loans received	(9)	(54)
Lease	(82)	-
Total interest expense	(91)	(54)
Net interest income	2,654	3,674

7. Other operating income / loss

During 2020, active work has been done to collect loans issued before December 31, 2019, a large number of court decisions were received, which were reflected in the management system, which led to the clarification of the amount of interest income recognized in the portfolio as of December 31, 2019 (it leads to a decrease in the portfolio by £974k), Since these loans had almost 100% reserve as of December 31, 2019, this decrease in the portfolio was accompanied by a similar recovery of recognized reserves (£968k). - see disclosure in Note 4 Loans to customers. The adjustment to the allowance in the amount of £968k is recognized in charge for allowance In PL, and the adjustment to the portfolio of loans in the amount of £974k were recognized in Other operating income / loss

	Six months ended 30 June 2020 Unaudited GBP'000	Six months ended 30 June 2019 Unaudited GBP'000
Other operating income (including commission for insurance)	126	-
Correction of loan's portfolio as at 31 December, 2019	(974)	
Other operating expenses	-	(23)
Total other operating income / loss	(848)	(23)

8. Operating expenses

Periodic Operating expenses

	Six months ended 30 June 2020 Unaudited GBP'000	Six months ended 30 June 2019 Unaudited GBP'000
Deprecation of Right-of-use assets	562	-
Consulting services	128	4
Advertising and Marketing	73	7
Investor Relations	71	-
Rent	45	861
Communication	37	46
Banking services	36	38
Material expenses	17	-
Security	16	22
Postal Services	12	17
State Duty	-	11
Office Equipment	-	7
Other	56	99
Total periodic operating expenses	1,053	1,112

9. Restructuring costs

There was additional staff costs during IH 2020 due to the reduction in number of employees as a direct result of the shift towards a more online based business model and reduction in number of physical stores. In addition, there were additional costs due to the hiring of additional staff with fixed-term contracts, which were engaged in organizing the collection of the bad debt portfolio as of 31

December 2019, based on court decisions. These additional costs were stated separately in Consolidated Statement of profit or loss and Other Comprehensive Income

	Six months ended 30 June 2020 Unaudited GBP'000	Six months ended 30 June 2019 Unaudited GBP'000
Staff costs (one-time), including:		
<i>Dismissal of personal</i>	37	-
<i>Hiring of additional personal (for collecting bed debt portfolio)</i>	12	-
Total staff costs	49	-

There was also additional non-periodic operational costs during IH 2020 due to the collecting activity (which aimed to collect bad debts in the portfolio as of December 31, 2019) - State Duty and Postal Services, which were stated separately in Group Consolidated Statement of profit or loss and Other Comprehensive Income, The main results of this collection work are expected by the Group in the second half of the year 2020.

Non-Periodic (One-time) Operating expenses

	Six months ended 30 June 2020 Unaudited GBP'000	Six months ended 30 June 2019 Unaudited GBP'000
State Duty	208	-
Postal Services	37	-
Total one-time operating expenses	245	-

10. Related party transactions

There was no related party transactions in the reporting period