

Zaim Credit Systems Group

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

30 June 2021

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 2021 Unaudited GBP'000	Six months ended 30 June 2020 Unaudited GBP'000
Interest income	6	4,253	2,745
Interest expense	6	(74)	(9)
Interest expense - lease	6	(9)	(82)
Net interest income		4,169	2,654
Allowance for ECL/impairment of loans to customers	4	(2,931)	(717)
Net interest income after allowance for ECL/impairment of loans to customers		1,238	1,938
Gains less losses from dealing in foreign currency		30	(96)
Other operating income / loss	7	716	(848)
Operating income		1,984	994
Charge for share options granted		(17)	(27)
Staff costs		(724)	(965)
Operating expenses	8	(948)	(1,053)
Restructuring costs	9	-	(294)
Profit / Loss before income tax		296	(1 345)
Income tax expense		(66)	11
Net profit / loss		229	(1 335)
Net other comprehensive income that may be reclassified to profit or loss			
Foreign exchange differences arising on translation into presentation currency		9	(19)
Total comprehensive profit / (loss)		238	(1 353)

30 September 2021

Zaim Credit Systems Group

Interim Condensed Consolidated Statement of financial position as at

	Notes	30 June 2021 Unaudited GBP'000	31 December 2020 Audited GBP'000
Assets:			
Cash and cash equivalents		1,167	641
Loans to customers	4	2,414	1,269

Property and equipment		6	6
Right-of-use assets	5	129	298
Intangible assets		20	-
Other assets		760	251
Total Assets		4,495	2,465

Liabilities

Loans received		1,451	736
Lease liabilities	5	158	347
Other liabilities		1,145	824
Total liabilities		2,754	1,907

Equity

Capital and reserves:

Charter capital	10	4,620	4,370
Shares to be issued Reserve		800	800
Additional capital	10	6,756	6,078
Accumulated deficit		(38,033)	(38,263)
Merger reserve	1	22,965	22,965
Share options Reserve		235	218
Translation reserve		4,399	4,390
Total equity		1,741	558
Total liabilities and equity		4,495	2,465

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Interim Condensed Statement of changes in shareholders' equity (Unaudited) for the six months ended 30 June 2021 (unaudited)

	Charter capital GBP'000	Shares to be issued Reserve	Additional capital GBP'000	Foreign currency translation reserve (FCTR)	Share options Reserve	Merger reserve GBP'000	Accumulated Deficit GBP'000	Total Equity GBP'000
Balance as at 1 January 2021	4,370	800	6,078	4,390	218	22,965	(38,263)	558
Issue of ordinary shares	250	-	678	-	-	-	-	928
Comprehensive loss for the period	-	-	-	9	-	-	229	238
Share-based payments	-	-	-	-	17	-	-	17

	Charter capital GBP'000	Shares to be issued Reserve	Additional capital GBP'000	Foreign currency translation reserve (FCTR)	Share options Reserve	Merger reserve GBP'000	Accumulated Deficit GBP'000	Total Equity GBP'000
Balance as at 30 June 2021	4,620	800	6,756	4,399	235	22,965	(38,033)	1,741

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

	Six months ended 30 June 2021 Unaudited GBP'000	Six months ended 30 June 2020 Unaudited GBP'000
Cash flows from operating activities		
Interest received	3,239	1,721
Interest paid (including lease)	(30)	(87)
Gains less losses from dealing in foreign currency	(1)	(13)
Other operating income	763	82
Staff costs	(724)	(1,050)
Operating expenses	(840)	(458)
Income tax paid	(23)	-
Cash flows from operating activities before changes in operating assets and liabilities	2,384	195
Net (increase)/decrease in operating assets		
Loans to customers	(3,020)	(645)
Other assets	(194)	(11)

	Six months ended 30 June 2021 Unaudited GBP'000	Six months ended 30 June 2020 Unaudited GBP'000
Net decrease in operating liabilities		
Other liabilities	132	(66)
Net cash flows from operating activities	(698)	(527)
Cash flows from investing activities		
Other loan issued	(227)	-
Purchases of property and equipment and intangible assets	(21)	-
Net cash flows from investing activities	(248)	-
Cash flows from financing activities		
Lease repayment	(130)	(496)
Proceeds from loans received	679	275
Repayment of loans received	-	-
Issue of ordinary shares	1,000	-
Share issue costs	(73)	-
Net cash flows from financing activities	1,476	(221)
Effect of exchange rate changes on cash and cash equivalents	(4)	(24)
Net change in cash and cash equivalents	527	(773)
Cash and cash equivalents at the beginning of the year	641	1 583
Cash and cash equivalents at the end of the period	1,167	810

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.

The organizational structure of Group:

The name of Subsidiary	Country of registration	The share votes of the Company	
		30.06.2021	31.12.2020
Zaim-Express LLC	Russia	100%	100%

The Subsidiary's principle activity is issuance of microloans online via web-site and the mobile application and through the network of its branches in Moscow and the Moscow Region. 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, 2021	Six months, 2020
Total average number of employees	150	252

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

The average number of parent Company's employees	Six months, 2021	Six months, 2020
Directors	5	5

As at 30 June 2021, the main participant of the Company is Zaim Holdings SA (with share of votes 73,23%). The ultimate controlling party of the Group is an individual - Mr. Siro Donato Cicconi.

Subsidiary has 26 stores as at 30 June 2021 (31 December, 2020: 30 stores), from which it conducts business throughout the Russian Federation. During first half of the year 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 the 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 forced collecting activity (which aimed to collect bad debts in the portfolio as of December 31, 2019) were stated separately (like non-periodic or one-time operational costs) in Group Consolidated Statement of profit or loss. During first half year 2021 management continued to monitor the profitability of stores, and there is no significant reduction in its number.

The Group's perspective is the continued development of online strategy and focus on collecting activities.

According to the estimates of the Central Bank of Russia, the microfinance market in Russia began to recover in the first half of 2021 year. There is a slowdown in the number of players that leaving the market compared to the second half of 2020 (including those due to their non-compliance with the new requirements for the minimum level of equity (capital). More than half of MFOs demonstrated portfolio growth in the first half of 2021. One of the reasons the implementation of deferred demand amid recovery in economic activity. Also, there is a decrease in the share of overdue debt (NPL90 +). Experts of the National Rating Agency (NRA) believe that the tightening of requirements for borrowers and a decrease in loans allowed the sector to avoid the growth of overdue debt and even demonstrate its decline.

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 2020, 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 2020 were approved by the Board of Directors on 29 April 2021 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. In 2020, the Group changed its business model to one of remote lending via the Internet, which resulted in a significant decrease in fixed lease and staff costs and a decrease in the share of lending costs within total expenses. The Group continues to optimise the network operation, including removal of loss-making outlets and enhancement of the Internet channel to attract customers. The Group is actively collecting overdue debts, inter alia, through legal action.

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 2020 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 2020 (see Note 3).

4. Loans to customers

	30 June 2021	31 December
	Unaudited	2020
	GBP'000	GBP'000
Loans to customers	32,416	28,298
Less: allowance for ECL /impairment of loans to customers	(30,003)	(27,029)
Total loans to customers at amortised cost	2,414	1,269

Below is analysis of movements in the ECL allowance during 1H2021 (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 2020	201	589	26,238	27,029
Assets recognized for the period	1,119	-	-	1,119
Assets derecognized or collected	(63)	(37)	(1,102)	(1,202)
Transfers to Stage 2	(252)	252	-	-
Transfers to Stage 3	(663)	(287)	951	-
Net loss on ECL allowance charge/(reversal)	-	601	2,414	3,014
Translation into GBP	4	14	25	43
ECL allowance as at 30 June 2021	345	1,132	28,525	30,003

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

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 2021:

	Stage 1	Stage 2	Stage 3	Total
	GBP'000	GBP'000	GBP'000	GBP'000
Loans to customers				
Minimum credit risk	2,038	-	-	2,038
Low credit risk	-	156	-	156
Moderate credit risk	-	952	-	952
High credit risk	-	744	-	744
Default	-	-	28,525	28,525
Total loans to customers before allowance	2,038	1,853	28,525	32,416
ECL allowance	(345)	(1,132)	(28,525)	(30,003)
Total loans to customers after ECL allowance	1,693	721	-	2,414

Following is the credit quality analysis of loans to customers as at 31 December 2020:

Group	Stage 1	Stage 2	Stage 3	Total
Loans to customers				
Minimum credit risk	1,223	-	-	1,223
Low credit risk	-	177	-	177
Moderate credit risk	-	389	-	389
High credit risk	-	272	-	272
Defaulted assets	-	-	26,238	26,238
Total loans to customers before allowance	1,223	838	26,238	28,298
ECL allowance	(201)	(589)	(26,238)	(27,029)
Total loans to customers after ECL allowance	1,021	248	-	1,269

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 2020.

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

The Group has agreements for lease of premises.

The Group did not apply a simplified approach to recognise lease modifications allowed due to the COVID-19 pandemic.

During the 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 the management to develop the new business-model - which supposes substantial share of online-loans. In 1 half year 2020 there was no significant reduction of stores, although some of it were closed as the result of monitoring for unprofitableness.

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

<i>Group</i>	Real Estate	Total
As at 1 January 2021	298	298
Additions	-	-
Disposals	(15)	(15)
Modification of lease terms	(36)	(36)
Depreciation charge	(113)	(113)
Effect of translation into presentation currency	(5)	(5)
As at 30 June 2021	129	129

<i>Group</i>	<i>Real Estate</i>	<i>Total</i>
As at 1 January 2020	2,549	2,549
Depreciation charge	(661)	(661)
Modifications and remeasurement	(248)	(248)
Derecognition	(1,003)	(1,003)
Effect of translation into presentation currency	(339)	(339)
As at 31 December 2020	298	298

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

<i>Group</i>	Real Estate	Total
Lease liabilities		
As at 1 January 2021	347	347
Additions	-	-
Disposals	(16)	(16)
Interest expense on lease liabilities	9	9
Modification of lease terms	(37)	(37)
Lease payments	(140)	(140)
Effect of translation into presentation currency	(6)	(6)
As at 30 June 2021	158	158

Lease liabilities	Real Estate	Total
As at 1 January 2020	2,556	2,556
Interest expense on lease liabilities	92	92
Lease payments	(629)	(629)
Modifications and remeasurement	(248)	(248)
Derecognition	(1,081)	(1,081)
Effect of translation into presentation currency	(343)	(343)
As at 31 December 2020	347	347

6. Interest income and interest expense

	Six months ended 30 June 2021 Unaudited GBP'000	Six months ended 30 June 2020 Unaudited GBP'000
Interest income		
Loans to customers	4,253	2,745
Total interest income	4,253	2,745
Interest expense		
Loans received	(74)	(9)

Lease	(9)	(82)
Total interest expense	(84)	(91)
Net interest income	4,169	2,654

7. Other operating income / loss

Other operating income (mainly - commission for insurance and information services for the payment system)	717	126
Correction of loan's portfolio as at 31 December, 2019	-	(974)
Other operating expenses	(1)	-
Total other operating income / loss	716	(848)

8. Operating expenses

Periodic Operating expenses

	Six months ended 30 June 2021 Unaudited GBP'000	Six months ended 30 June 2020 Unaudited GBP'000
Advertising and Marketing	387	73
Depreciation of Right-of-use assets	113	562
Communication	86	37
Consulting services	75	128
Banking services	70	36
State Duty	58	-
Postal Services	48	12
Material expenses	13	17
Rental expenses	13	45
Investors relations	12	71
Security	5	16
Other expenses	68	56
Total periodic operating expenses	948	1,053

9. Restructuring costs (for the six months, ended 30 June, 2020)

There were additional staff costs during IH 2020 due to the dismissal of employees (because of Covid-19 pandemic and also the intentions of management to develop the new business-model - which supposes substantial share of online-loans). Besides this, the additional costs on personal were caused by 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 2021 Unaudited GBP'000	Six months ended 30 June 2020 Unaudited GBP'000
Staff costs (one-time), including:		
<i>Dismissal of personal</i>	-	37
<i>Hiring of additional personal (for collecting bad debt portfolio)</i>	-	12

Total staff costs	-	45
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There were also additional non-periodic operational costs during IH 2020 due to the forced 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 were reflected in the second half of the year 2020.

Non-Periodic (One-time) Operating expenses

	Six months ended 30 June 2021 Unaudited GBP'000	Six months ended 30 June 2020 Unaudited GBP'000
State Duty	-	208
Postal Services	-	37
Total one-time operating expenses	-	245

10. Charter and Additional Capital

During 1 half year 2021, Group has completed an equity fundraise of £1,000,000 (gross) through the issue of 25,000,000 ordinary shares at a price of 4.0 pence per ordinary share.

The Fundraise has been undertaken by way of a placing of new ordinary shares of £0.01 par value in the share capital of the Group. The Fundraise is to provide additional capital for expansion of the loan portfolio and the development of new products.

Below is a reconciliation of the movement in the legal parent Company share capital during 1 H 2021

Share capital

Group

Issued and fully paid	Number	Amount, £
As at 31 Dec., 2020		
Ordinary shares of £0.01 each	436,975,000	4,369,750
Issue of ordinary shares in 1H 2021	25,000,000	250,000
As at 30 June 2021	461,975,000	4,619,750

Additional capital (share premium) of the legal parent

Group	Amount, £
As at 1 January 2021	6,078,128
Premium arising on issue of ordinary shares in 1H 2021	750,000
Issue costs	(72,500)
As at 30 June 2021	6,755,628

11. Related party transactions

Transactions with parent company

	30 June, 2021, Unaudited GBP'000	31 Dec., 2020 GBP'000
Loan issued (balance, Including %%)	279	46
	Six months ended 30 June 2021 Unaudited GBP'000	Six months ended 30 June 2020 Unaudited GBP'000
Interest income	7	-

	30 June, 2021, Unaudited GBP'000	31 Dec., 2020 GBP'000
Loan received (balance, Including %%)	743	736
	Six months ended 30 June 2021 Unaudited GBP'000	Six months ended 30 June 2020 Unaudited GBP'000
Interest expense	45	-